steel&tube

Annual Report 2017

Providing Strength to New Zealand

"We're New Zealand's leading steel solutions provider helping customers build what the country needs."

The Board of Directors of Steel & Tube Limited is pleased to present the Annual Report for the year ending 30 June 2017 and delighted to have this opportunity to share our progress and future plans with you.

This Annual Report provides a review of our activities during the 2017 financial year as well as management and Board commentary on our focus for 2018 and beyond.

An electronic copy of this Annual Report is available at:
steelandtube.co.nz/investor/report/annual

The Annual Report is dated 18 August 2017 and is signed on behalf of the Board by:

Susan Paterson
Chair

David Taylor
Chief Executive Officer

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Key Dates

2017

Annual Meeting of Shareholders
12 pm (noon), 16 November 2017:

- Chancellor 1 Room, Level 16, James Cook Hotel, 147 The Terrace, Wellington.

2018

Interim Results Announcement 16 February 2018

Annual Results Announcement 17 August 2018

Our Business

We are a proud New Zealand company and the country's leading provider of steel solutions. We engage in projects across several sectors including infrastructure, commercial and residential construction, engineering, energy, manufacturing, and rural.

Steel & Tube's stable of best-in-class businesses are this country's leading suppliers of stainless steel, engineering steel, fastenings, and irrigation products and services. They include S&T Stainless, Manufacturing Suppliers Ltd (MSL), S&T Plastics and Composite Floor Decks Limited (CFDL).

Every day, Steel & Tube people are integral to many of the most important infrastructure and construction developments nationally, contributing their skills, innovation and energy across several sectors of the economy.

Our people are connected to remarkable achievements of all shapes and sizes, from internationally significant art installations to the most inconspicuous underground piping schemes.

We take pride in all of these achievements. They give us an opportunity to help create a stronger New Zealand and contribute meaningfully to our community.

Steel & Tube has a commitment to quality, integrity and reliability that has earned us an enviable reputation as New Zealand's leading provider of steel solutions. Today we offer the most comprehensive range of products, services and solutions available on the market.

- Our product and technical specialists work with customers to support our extensive product portfolio and can offer everything from expert product advice to a fully customised steel solution.
- Our products are manufactured and supplied to the highest New Zealand and international standards, and our specialist teams and strong supplier partnerships ensure we deliver outstanding technical solutions.

As we look toward the future, we will continue to strengthen the business and find new ways to serve our customers for the benefit of all New Zealanders.

FIVE best-in-class businesses

In excess of **58,000 PRODUCT LINES**

RIGHT WHERE YOU NEED US
A nationwide footprint with 58 sites from Whangarei to Invercargill

SOLUTIONS DRIVEN
organisation with more than 60 years of industry experience

STATE OF THE ART processing and manufacturing capabilities

Working with more than **23,000 CUSTOMERS** every year

More than **$500 MILLION** in sales

972 PEOPLE
in the Steel & Tube team

$511.4 MILLION Revenue

$31.1 MILLION Earnings Before Interest and Tax

$20.0 MILLION Net Profit After Tax up 3.1% excluding FY16 gain on property sale

16.0 CENTS PER SHARE Total FY17 Dividend, fully imputed

FY17 at a Glance

Highlights and Key Events

- Refreshed strategy and operating model building on the strong foundations put in place under our earlier *One Company* philosophy
- Stronger organisational structure with new business group alignment and strengthening of business teams and capabilities
- Successful integration of FY16 acquisitions
- MSL achieved record revenue, very strong EBIT and was named BuildLink's Premier Supplier of the Year for 2017
- Acquired Composite Floor Decks Limited in October 2016, a market leader in the installation of steel floor decking systems, creating an end-to-end supply chain from manufacture through to installation for steel floor decks
- Completed next phase of facility upgrades, with Dunedin formally opening in June 2017 and work commencing on the optimisation of Christchurch facilities into distribution and processing hubs
- Invested in technology and piloted a new ERP system (business process management software) with group-wide rollout now underway

Board refresh

- Susan Paterson appointed as an Independent Director in January 2017
- Sir John Anderson retired as Chairman and a Director in February 2017, with Susan Paterson stepping up as Chair
- Mark Malpass appointed as an Independent Director in March 2017

Chair's Report

I am pleased to be presenting my first report as Chair of Steel & Tube.

We have seen an $80 million acquisition programme grow the stable of Steel & Tube businesses, and a $32 million capital reinvigoration programme – now nearing its end – creating safer, more efficient facilities, a more optimal property footprint and a fit-for-purpose technology platform. Resources across the Group have been strengthened and quality management processes have been and continue to be enhanced.

Steel & Tube has made significant progress on the journey to transform the business into a modern and innovative company with unique capabilities and an unrivalled product range and nationwide footprint.

An important outcome of our acquisition strategy has been to open up new growth opportunities in adjacent and complementary sectors. This enables Steel & Tube to build market leading positions and provides more resilience from commodity volatility and competitive pressure, particularly in the construction industry.

The rollout of a company-wide Enterprise Resource Planning (ERP) system is underway and is an important pillar in the modernisation of the company. This new technology platform will be a key enabler of benefits and *One Company* leverage going forward, assisting with the further integration of acquired businesses, reducing working capital and increasing operational leverage. It is also key to enhancing our customer service offering and enabling better integration with our customers' supply chains.

As well as continuing investment into strategic initiatives in FY17, Steel & Tube maintained earnings (after exclusion of the property sale in FY16) and delivered a 3.1% increase in Net Profit After Tax to $20 million, with strategic acquisitions and a continuing focus on margin management and cost efficiencies driving this result.

While earnings were below the high expectations we had set for ourselves, primarily due to two 'ring fenced' issues in Reinforcing and S&T Plastics, which are being resolved, several businesses delivered record or near record revenue and EBIT performances in the year.

The operating environment, particularly in the construction sector, remains volatile and uncertain, with intense competition across all sectors. The new ERP system will help the company better navigate this environment.

Having largely completed the acquisition and capital reinvigoration programme, the company is now focused on strengthening the balance sheet, including capturing working capital benefits from the company's significant scale and ERP investments. A number of other near term opportunities are being assessed, particularly around optimisation of the company's property portfolio.

Over the past five years, we have provided a pre-tax return to shareholders, including dividends, of 12.6%. The Board takes a prudent approach to dividends, balancing the capital requirements of the company with an attractive dividend yield. We were pleased to declare a final fully imputed dividend of 7 cents per share (cps), taking full year dividends to 16 cps for FY17.

The Board would like to thank all of Steel & Tube's people for their efforts in the past year. Their support and contributions as we transform our company have been fantastic.

Governance

I would like to pay tribute to my predecessor, Sir John Anderson. Sir John joined the Board in November 2011 and was elected Chair in October 2012. He is a distinguished business leader and the leadership he brought to the Steel & Tube Board was a great asset over the past five and a half years.

Long serving Director, Dean Pritchard, has also recently announced that he will be retiring from the Board at the annual meeting in November. Dean has been an outstanding Director and was also a former Chair of the Board. We will take the opportunity to recognise the contributions of both John and Dean at our annual meeting in Wellington in November, and we invite all shareholders to attend.

The Board refresh is continuing with two new directors appointed this year – myself and Mark Malpass – and recruitment of two additional directors is underway. Mark and I will both be standing for election by shareholders at the annual meeting and you will have an opportunity to hear from both of us then.

Looking forward

Steel & Tube is a Kiwi company through and through, and our businesses are adding significant value to the sectors we operate in. Our aspiration to be a supply chain participant of scale in a number of complementary channels and deliver extraordinary value to our customers is now coming to life. We are proud to be able to play our part in making New Zealand businesses globally competitive through the provision of cost competitive, world class products and services.

The *One Company* strategy introduced seven years ago and the recent strategy refresh have established Steel & Tube as a stronger and more efficient company.

We are entering an exciting period in the company's 60-plus year history and we are well positioned to undertake the next step in the implementation of our strategy to deliver superior value to customers and shareholders.

On behalf of the Board

Susan Paterson
Chair

CEO's Remarks

Investing for the future

Over the past four years Steel & Tube has modernised and become more efficient with best-in-class acquisitions expanding our offer.

The *One Company* philosophy, where we are able to present the full suite of our capabilities to customers, has been and remains a key cornerstone of Steel & Tube. We are now building on this with an increasing focus on initiatives that deliver better value to our customers, through more effective supply chain solutions.

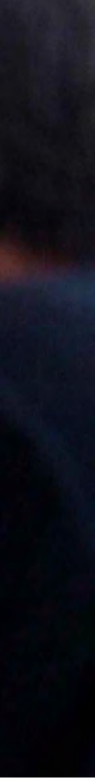
The acquisition and capital reinvigoration programmes carried out over the last four years are now coming to an end, and our company is in a strong position to leverage a more diversified and efficient business platform.

Pleasingly, all of the businesses we have acquired have embraced the *One Company* philosophy and have consequently prospered with it. And in all cases, the businesses we have acquired are providing higher margins and are opening up new and complementary opportunities for our company. The advantages go both ways, with the acquired businesses benefitting from Steel & Tube's experiences, scale and capabilities.

The end of the $32 million investment programme into key initiatives underpinning our company's reinvigoration is also in sight. In the last year, we consolidated several Dunedin businesses into one new purpose-designed and built facility, with an official opening in June this year by the Honourable Michael Woodhouse MP.

In Christchurch, work to refurbish the Blenheim Road Distribution facility is well underway and is due to be completed late in calendar year 2017, while a new Processing facility is under construction and will be completed in early 2018. These two facilities will be the key Distribution and Processing hubs for the South Island.

An important part of the investment programme has been a multi-million dollar two-year project to modernise the company's technology infrastructure. The project includes implementation of a new Enterprise Resource Planning (ERP) system, which is now in its final stages and is expected to deliver multiple benefits for our customers. It will also enable greater integration of the Steel & Tube businesses by providing a common platform and standard processes that allow both costs and working capital to be reduced, particularly across the Distribution businesses.



A stronger organisational structure

Our businesses naturally align into two operating groups – Infrastructure and Distribution.

The Infrastructure group has been established from what was the former Processing business. All those businesses that support major infrastructure and commercial projects are now part of Infrastructure, including Reinforcing and Wire Processing, all Roll Forming (Roofing, Purlins, and ComFlor), Coil Processing, and the two newest acquisitions, S&T Plastics and Composite Floor Decks Ltd (CFDL).

The Distribution group includes those businesses where we source and distribute a wide range of products, ranging from large scale commodity steel items to small nuts and bolts sold at retail.

As a part of this organisational change, we have strengthened the management team within the Infrastructure group, and reduced the headcount in Distribution, with further opportunities to enhance efficiency across the company as the ERP system is rolled out.

Global steel pricing continues to firm

After a multi-year decline, global steel prices have started to firm and have been on an upwards trajectory since January 2016. In particular, increasing raw material prices saw a jump in global steel prices in the early part of 2016 and 2017. Coupled with intense competitive pressures in New Zealand, this resulted in margins on large volume commodity steel falling well below historical levels.

Having finished the 2016 financial year with the highest distribution market share in approximately 11 years, Steel & Tube made a carefully considered decision to trade some volume for margin expansion and led the industry with price increases on both occasions.

This was clear in the FY17 results, with Distribution volume and hence revenue down a little, but an improvement in margins.

Competitors have continued to chase market share over margin recovery, keeping prices depressed across the sector. As a comparison, Asian finished steel prices have increased, some as high as 80% over the last 18 months, whereas New Zealand domestic prices have shown only marginal increases, if any at all. Management continues to monitor the balance between price and market share closely to achieve an optimum outcome.

Diversified strategy provides resilience to construction challenges

Steel & Tube is diversified across a broad product offering and across different sectors of the economy – construction, manufacturing and rural. This diversification was an important component in the underlying increase in profitability year-on-year in a challenging environment.

Activity in the construction sector remains buoyant; however, there are multiple challenges. Intense competition is reducing margins, and poor risk allocation and decision making, along with limited resources, are resulting in tensions and challenges at all stages of the supply chain. This has resulted in project delays, which in some cases are significant.

Steel & Tube is not immune to these issues. Margins in the Reinforcing business, in particular, have been affected by low prices despite the highest activity levels in the construction sector since the global financial crisis (GFC).

Additionally, many parts of the business are experiencing external project delays outside of the company's control, resulting in lower than expected revenues and earnings, and increasing inventory due to materials being purchased in readiness for the original project schedules. This was particularly noticeable in Q4 of the last year.

Manufacturing remains resilient and continues to steadily improve towards pre-GFC levels.

Soft commodity prices are generally trending upwards, the rural sector is more confidently approaching the future and renewed investment is increasingly evident.

Continuing focus on health, safety and quality

Health and Safety remains a critical focus for the company. Keeping people safe is an absolute priority for the Board and that commitment is reflected throughout the organisation. Every new acquisition undergoes an in-depth audit and pleasingly, each business has embraced this process and made meaningful progress.

The company continues to monitor numerous key lead indicators that measure the input into Health and Safety and the majority of these continue to improve and exceed targets.

A key focus for this year has been on supporting frontline supervisors; all supervisors and managers attend an externally facilitated '*Be a Legend*' health and safety workshop, which has garnered overwhelmingly positive feedback.

Following a Group-wide review, quality resources have been strengthened and quality management processes have and continue to be enhanced. Pleasingly, shortly after year end, S&T Plastics was awarded ISO 9001:2015 quality certification.

The company continues to work with the Commerce Commission to reach an appropriate resolution on Steel & Tube's inadvertent use of a testing laboratory's logo on test certificates, and the application of testing methodologies. We are confident about the performance characteristics of our seismic mesh and continue to stand behind our products. The expected costs of this prosecution have been accrued, as have any expected proceeds under the Group's insurance policies.

People and communities

Staff development remains a priority for Steel & Tube and investment in this area continues. Over the last few years we have invested more than $2 million in training and development initiatives – ranging from sales capability, leadership development and change management, through to Health and Safety and our successful future leaders programme, *Lead2Succeed*.

Our focus on supporting worthwhile causes and the communities in which we work also continues. First Foundation is a key initiative and Steel & Tube has now provided financial and coaching support for five teenagers from employees' families to attend tertiary education. We also support sustainable initiatives in the communities in which we live and work, and a good example of this is the Koha kitchen project that is described on page 18.

Outlook

The global steel environment remains volatile. Chinese actions to remove excess capacity, coupled with robust steel demand, are seeing Chinese exports reduce and global steel prices firm again. This in turn is leading to a recovery in raw material prices.

The key question is how will the domestic market respond? While competitors could chase market share at the detriment of margins, this is not a viable long-term option. We believe that if New Zealand's steel industry is to remain sustainable, then margins will need to increase. Steel & Tube will continue to carefully monitor price and market share to ensure an optimum balance.

Our focus for the next year is to reduce costs and working capital; the new ERP system will be a key enabler to facilitate this. Additionally, we have commenced a strategic review of the properties that we own to determine whether ownership versus leased options creates greater value for Steel & Tube.

All this is targeted at moving towards a leaner and less capital intensive model that re-establishes financial capacity to take advantage of future opportunities.

We have a diversified and strong portfolio of businesses, products, and revenue streams and are well positioned to improve our performance and earnings in the next year, despite sector headwinds. We are looking forward to undertaking the next step change in our goal to deliver superior value to customers and shareholders.

David Taylor
Chief Executive Officer


DHB

Strategies in Action

Our refreshed strategy direction, which builds on the strong foundations of *One Company*, is to deliver self-generated growth to outperform our markets.

We will achieve this by staying close to our customers, understanding their requirements and providing them with innovative *One Company* products and solutions to solve their challenges.

We are well placed to achieve our strategic vision with:

1 **Acquisitions**, which have increased our market position and capabilities in existing sectors as well as expanding our offer into new, targeted areas.

2 **Modernising** many of our capabilities in terms of facilities, equipment and systems. These activities are ongoing, ensuring we offer an enhanced service to our customers while delivering products cost effectively and efficiently.

3 **Increasing our focus** on added value for our customers, whether that be through the delivery of more specialised products and an extended service offering to include installation as well as supply, or enabling better inventory handling and control. To do this, we will become more agile and anticipate and respond to our customers' needs. We also partner with customers who recognise and value long-term partnerships that create mutual value.

4 **Technology.** The backbone and enabler of our new approach is the ERP (business process management software) that will allow for increased collection and analysis of data, providing us with greater insights and visibility into our customers, our markets and our business. In turn this will allow us to better serve our customers and manage our business, making us more responsive and connected.

One Team – One Goal

Steel is a competitive industry. To stay on top, and particularly in challenging times, we must remain fleet footed and agile to changing market needs. We continue to build on our successful *One Company* philosophy to add value to customers and create a modern and innovative company that leverages its unique capabilities, including an unrivalled product range and nationwide footprint.

The *One Company* approach has seen further modernisation and efficiencies, with best-in-class acquisitions expanding our offer over the last four years. We've added:

S&T STAINLESS: Supplier of stainless steel and engineering steel products and services, including the ComFlor range of composite floor decks.

MSL: With its iconic Fortress brand, MSL has created the leading fastenings business in New Zealand, and continues to grow.

S&T PLASTICS: S&T Plastics has strengthened Steel & Tube's existing piping system's capability as well as opening new markets and opportunities for Steel & Tube.

CFDL: A market leader in the installation of steel floor decking systems vertically integrating Steel & Tube's steel floor decking manufacturing expertise with distribution and installation.

When combined with Steel & Tube's core competences, each one of these businesses has enhanced our technical expertise, expanded our product and service offering and provided the business with new opportunities to meet our customers' expectations.

With a *One Company* focus, we proactively seek out innovation – from product and service offerings to customer service, logistics, safety and every other aspect of the business.

Our competitive strength is our One Team, One Goal focus to create value through collectively meeting our customers' needs.

Meeting the Needs of a Growing Population

As Auckland concentrates on the forecast population boom that will put increasing pressure on the city's infrastructure, Steel & Tube has been playing its part in a multi-million dollar wastewater treatment plant upgrade.

The Mangere wastewater treatment plant is already one of the world's 20 largest and most advanced facilities – and now it's getting even bigger. The new facility will increase Mangere's Biological Nutrient Removal (BNR) capacity as a first stage to cater for 250,000 additional people as Auckland's population grows by an estimated one million people over the next 30 years.

Earthworks began on expanding the new facility at the plant in late 2013 and since then, up to 250 contractors a day have been on site as the $141 million project has taken shape.

As part of the project, Steel & Tube supplied 7 kilometres of S&T Stainless steel pipework, 400 metres of large bore carbon pipe work along with over 18,600 individual items including MSL and Steel & Tube valves, fittings, bolts and gaskets; all of which helped to create the mammoth structures.

The project has been a real example of *One Company* in action, says Steel & Tube Business Manager Solutions, Simon Cairns.

"We've been working closely with the McConnell Dowell/HEB Construction Joint Venture since late 2015. The multi-million dollar valve supply was complex in its quality assurance requirements and Steel & Tube went to significant lengths to ensure the highest possible standards were achieved."

"We co-ordinated multiple suppliers and products under a major supply agreement using our logistical and operational expertise to successfully assist the Joint Venture. It's been a great outcome for everyone."

Pictured

The new BNR facility at the Mangere wastewater treatment plant will increase the treatment capacity to serve an extra 250,000 people.

Adding Value

The clearest evidence of our commitment to excellence, to be the best we can for our customers today and into the future, lies in our investment in upgraded facilities, equipment and systems.

Numerous facilities in Auckland and Palmerston North, a small-format site in Blenheim, and more recently a purpose-built site in Dunedin, have been completed as part of our $32 million reinvigoration programme to deliver operational excellence and improved customer experience.

As we drive to modernise the business by upgrading and creating state of the art facilities, as well as consolidating and optimising sites across the country, further activities continue.

In Christchurch, work is well underway to consolidate multiple businesses into two larger facilities, creating centralised Distribution and Processing hubs for Canterbury. Both facilities are expected to be completed and come online later in 2017 and early 2018 respectively.

Investment has continued within IT. A legacy IT system that was no longer supported has been replaced with a contemporary ERP system that provides new capabilities to improve customer interactions within the ever-changing digital space, and the system standardisation that will allow further integration and alignment across the Steel & Tube stable of businesses.

By automating many of our current business procedures that are manually driven, we can work more effectively, simply and quickly. This is tangible evidence of the realisation of our strategy to grow and position Steel & Tube as a viable, sustainable business for the future.

State of the Art Dunedin Facility Opens

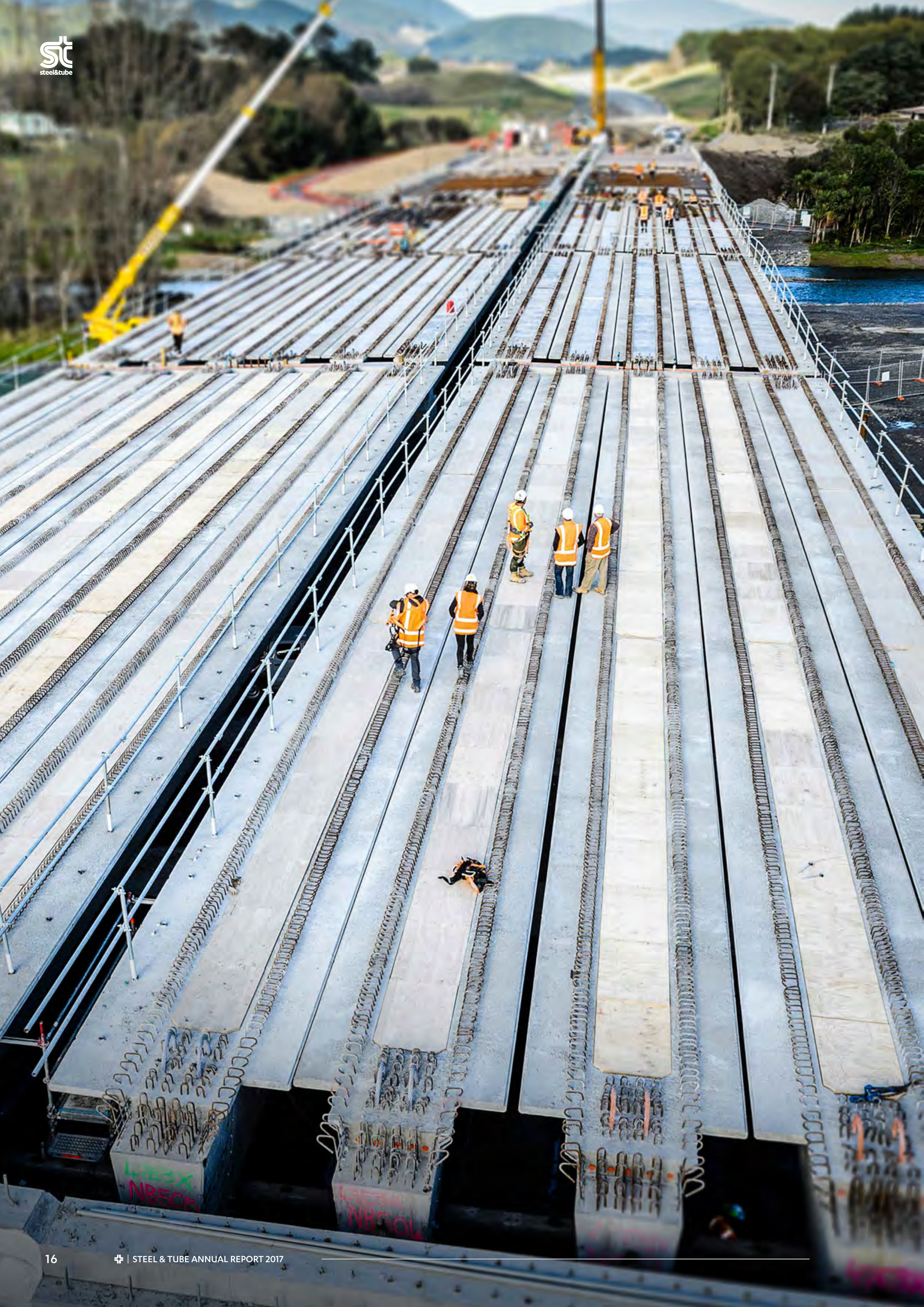
The Dunedin project has allowed Steel & Tube to consolidate multiple sites and operations into one facility with a clear focus on the *One Company* philosophy as well as delivering specific Health and Safety requirements. The new facility significantly enhances the operation and capabilities, and plans are afoot to expand the workforce. This means providing more job opportunities for Dunedin in line with the city's economic development strategy to increase skills, incomes and job opportunities in the city.

On 21 June 2017, an official opening of the facility by Minister and National MP Michael Woodhouse highlighted how far Steel & Tube has come in building success for ourselves, our customers and our shareholders.

It was an opportunity for us to shine and showcase our new purpose-built facility, along with staff, customers from the Dunedin and surrounding areas, shareholders, and the Board.

The build has consolidated our existing Dunedin operations into a single, purpose-designed and built facility with new stainless steel capabilities.

The build's completion marks another key milestone in Steel & Tube's multi-million dollar re-investment programme and follows on from several other new purpose-designed and built facilities that have been completed – including the flagship megastore at Savill Drive, Auckland opened by former Prime Minister John Key in August 2015.



Supporting New Zealand's Economic Growth

Steel & Tube continues to deliver products and solutions to all sectors of New Zealand's economy – from infrastructure to commercial and residential construction, energy, viticulture and the rural sector.

We are very clear on our role in working with our customers to support New Zealand's economic growth and development by providing innovative and specialist solutions to projects that help grow, sustain and revitalise our cities, towns and communities.

We have been involved in some of the country's key construction and infrastructure initiatives – from the Christchurch rebuild and major expressways to historical, educational, cultural and sporting facilities.

The Mackays to Peka Peka Expressway

The Kapiti Expressway spanning from Otaki in the north to Mackays Crossing in the south has delivered a key section in the 100 kilometre Wellington Northern Corridor, a long-needed upgrade of the road of national significance.

Working collaboratively alongside an alliance of Beca, Higgins, Fletcher Construction and the NZ Transport Agency, our innovative technical team helped overcome some challenging supply requirements.

Along with 1500 tonnes of cut and bent reinforcing, hundreds of thousands of stirrups were designed by our project staff and bent by our warehouse staff. Technically difficult crossheads were prefabricated in jigs as part of the structure to help support the longest and heaviest super tees supplied to a project in New Zealand.

The project was completed four months ahead of schedule, with the road opening to traffic on 24 February 2017.

Kumutoto Precinct development

In Wellington, work is underway within the Kumutoto Precinct, creating more office, retail and hospitality spaces in the heart of the capital's waterfront.

Due for completion mid-2018, the Site 10 building, together with its public spaces and walkways, has been designed to seamlessly connect with the other parts of Wellington's waterfront and CBD environment.

An earthquake resistant design and construction with foundations below the water table, the build has been on Steel & Tube's supply programme since October 2016.

Supplying 700 tonnes of cut and bent product, Steel & Tube Reinforcing has also helped with prefabrication design for the offsite fabrication of key elements to help speed up the programme of work.

Wynyard Quarter residential

Auckland's dynamic Wynyard Quarter is going through one of the largest urban regenerations in New Zealand, evolving from an industrial port area to a billion dollar development where people can live, visit, be entertained and do business. When fully developed in 2030, Wynyard Quarter will be home to around 3000 residents and 25,000 workers.

The construction of multi-level pavilions, town houses and apartments along with commercial space has been a keen focus for Steel & Tube over the past 18 months.

With over 800 tonnes in six separate zones (three separate building types) and multiple building footprints, the residential development has been a logistically challenging supply project, says Steel & Tube Major Projects Manager Jarrod Sadgrove. "Attention to detail in each of the zones was critical."

"Programming meetings and delivery schedules ensured that all staff within Steel & Tube and LT McGuinness maintained a clear line of communication, particularly in relation to deliveries to the six zones and the site managers looking after each area.

"I really believe the success of the project to date has been driven by customer focus, meeting commitments and communication throughout the build."

Pictured

M2PP. Waikanae River Bridge, along the Mackays to Peka Peka Expressway, with all 55 beams in place over five spans. Photo by Mark Coote.

Making a Difference

Our people and the communities we live and work in continue to receive much focus. We have a strong focus on people and their development and succession planning. The first group of Steel & Tube's future senior leaders graduated from our inaugural three-year *Lead2Succeed* programme in March 2017 and our second cohort is now into its second year of the programme.

Charities and sponsorships

Our sponsorship of the First Foundation continues. We are now in our fourth year, with five teenagers from employees' families benefiting from help toward tertiary education, with the scholarship providing financial assistance and paid work experience, and coaching provided by the Foundation.

Our focus on supporting the communities in which we operate continues. We make multiple donations to a myriad of worthy causes, including the Common Unity Project Aotearoa, Koru Care Charitable Trust, Ronald McDonald House, the Westpac Rescue Helicopter and Burns Support. Hands-on help, however, to raise both funds and awareness for organisations that make a real difference to people's lives is key for the business and many of our staff.

Steel & Tube has recently teamed up with the Common Unity Project Aotearoa in support of the work being done at Epuni School, within the Epuni community, and its wider vision of a self-sustainable community enterprise.

Julia Milne, who founded the Common Unity Project Aotearoa and started the partnership with Epuni five years ago, wanted to teach the students how to grow and cook their own fresh, healthy food – something that many of the students don't have regular access to.

The students are served hot food on Mondays, Wednesdays and Fridays and the Koha kitchen operates on a Wednesday with volunteers from the community coming in and preparing warm lunches for the 100-plus kids, and often their families.

Julia's vision has become bigger than the Epuni school partnership. There's already a beekeeping and honey enterprise, a sewing co-operative and knitting group and a bike library operating. Now that the Common Unity Project Aotearoa has grown into a larger community enterprise they have relocated across the road from the school into a building they have named the ReMakery.

Part of their vision is to build an off the grid production kitchen where eventually they can produce 2500 meals a day for children in low decile schools throughout the Hutt Valley. We're privileged to now be part of their journey and to support where we can to help them achieve their vision.

Pictured

Steel & Tube CEO Dave Taylor working in the Koha kitchen and serving lunch at Epuni School, Lower Hutt.

What's Important to Us

Unleashing our people potential

As all good business leaders know, a great organisation needs great people. It's our job to strive to provide an environment to inspire our people, and we invest significant resources to develop, nurture and grow our team talent to unleash potential.

For Steel & Tube, it's our people's talents, passion, determination and resourcefulness that are our greatest assets and what drives our business forward. We work hard to develop our future leadership talent, and our internal *Lead2Succeed* programme focuses on rising and diverse talent. The training and development expenditure across all levels of the business has been in excess of $2 million over recent years.

Focusing on achieving an exceptional safety culture

We are in the business of steel and steel is an unforgiving product. The responsibility for creating and maintaining a safe working environment sits with us all. The health and safety of our employees is paramount and is also essential for our success.

Our zero incident goal is embedded in our culture. We commit to delivering safe work systems that include quality facilities and we ensure our workforce is fully trained and competent with the steel industry work processes. To that end we provide extensive education programmes, initiatives, drills and daily compliance expectations to ensure workplace safety procedures are always top of mind for everyone. More importantly, we ensure that these procedures are adhered to in the long term. *Be a Legend* and *Leading Legends* are training programmes that we carried out in the last 12 months. They were developed by an industrial psychologist to improve health and safety behaviour and secure engagement of the workforce.

Our quality commitment

Quality Management remains a key priority for us. We have put in place several measures to bolster our Quality Assurance capabilities. Steel & Tube is committed to the principle that all customers and stakeholders should expect consistent, outstanding service, and quality products from the company. All employees have a responsibility in ensuring that this is delivered each and every time a customer or stakeholder engages with the company. There are no exceptions.

Our environment

We are committed to protecting and enhancing our environment so we are constantly seeking to minimise the environmental effects of our activities. This translates to reusing and recycling, and continually improving our environmental performance by implementing, monitoring and reviewing our policies, programmes and services. We also place a strong emphasis on efficient freight management, not only for the efficiency of Steel & Tube, but to reduce kilometres travelled and carbon emissions from our vehicles.

FY17 Results Review

Steel & Tube Limited reported revenue of $511.4 million, Earnings Before Interest and Tax (EBIT) of $31.1 million and a Net Profit After Tax of $20.0 million for the FY17 financial year ended 30 June 2017.

After excluding the non-recurring gain of $6.3 million on sale of property in FY16, FY17 EBIT was up 2% on the prior year and profit was up 3.1%.

The year-on-year increase reflects positive contributions from strategic acquisitions over the past four years and a continuing focus on margin management and cost efficiencies. Several of the Group's businesses delivered record or near record revenue and EBIT performances in the year as they benefitted from the *One Company* philosophy.

S&T Stainless, which was acquired in FY14, is working collaboratively with Distribution Stainless, leveraging knowledge and expertise, products and customer relationships. Consequently, the business continues to exceed acquisition expectations.

Similarly MSL, which was acquired in FY16, is benefiting from being part of the broader Steel & Tube Group with the business delivering record revenues and strong EBIT performance in FY17.

S&T Plastics, also acquired in FY16, made considerable progress in FY17, with investment in the first half of FY17 preparing the plant for several major contracts, which have commenced and will run through calendar year 2017 and the early part of 2018. While the plant has performed well and produces very good quality pipe, teething issues with the manufacturing process resulted in higher than expected scrap rates, which reduced FY17 EBIT by $2.0 million. These issues are being addressed and scrap rates are expected to reduce considerably over coming months.

Meanwhile, the FY17 acquisition of market leading composite metal floor decking supply and installation business, Composite Floor Decks Limited (CFDL), builds on Steel & Tube's manufacturing licence for Comflor composite steel floor deck and creates an end-to-end process from manufacture through to installation. The business is performing well and in line with expectations, despite project delays outside of the company's control pushing some expected activity into the new financial year, impacting on FY17 earnings, while adding to increased inventory levels.

Price increases following the uplift in raw material and finished steel prices and supply chain efficiencies delivered a margin lift of almost 2%. Management continue to monitor the balance between pricing and market share closely to achieve an optimum outcome.

The construction industry remains highly competitive and reinforcing prices are at multi-year lows despite significant construction activity, reducing margins and impacting on the Reinforcing business' returns. Two reinforcing contracts have proven to be more complicated and costly than anticipated, with costs and a $1 million provision included in FY17. Management's focus is on mitigating additional costs and improving the Reinforcing business' service delivery and profitability.

Excluding the two issues in Reinforcing and S&T Plastics, which are currently being resolved, the company performed well and above the previous year.

Costs and working capital have increased in line with the company's expansion, and cost management continues to be a focus. Initiatives commenced in FY17 are enabling cost synergies to be realised, with further overhead cost savings expected in FY18.

The $32 million capital reinvigoration programme is now ending, which along with the acquisitions has been funded by operating cash flows and debt. The focus is now on strengthening the balance sheet, including capturing working capital benefits from the company's significant scale and ERP investments.

Comparative Review

	2017 $000	2016 $000	2015 $000	2014 $000	2013 $000
Financial Performance					
Sales	**511,400**	515,947	501,795	441,433	393,348
EBITDA	**38,774**	43,160	38,267	32,900	27,906
Depreciation and amortisation	**(7,682)**	(6,354)	(4,945)	(6,104)	(5,345)
EBIT	**31,092**	36,806	33,322	26,796	22,561
Net Interest expense	**(3,040)**	(3,638)	(3,496)	(1,919)	(1,369)
Profit before tax	**28,052**	33,168	29,826	24,877	21,192
Tax expense – operating income	**(8,012)**	(7,342)	(8,379)	(6,973)	(5,607)
Profit after tax	**20,040**	25,826	21,447	17,904	15,585
Funds Employed					
Equity	**212,130**	180,245	167,009	160,381	159,983
Non-current liabilities	**140,988**	100,296	75,007	2,345	2,257
	353,118	280,541	242,016	162,726	162,240
Comprises:					
Current assets	**243,290**	221,539	204,895	205,327	154,381
Current liabilities	**(59,609)**	(49,899)	(45,785)	(114,240)	(62,914)
Working capital	**183,681**	171,640	159,110	91,087	91,467
Non-current assets	**169,437**	108,901	82,906	71,639	67,977
	353,118	280,541	242,016	162,726	159,444

Statistics					
Dividends per share (cents)	**16.0**	22.5	19.0	16.0	15.0
Basic Earnings per share (cents)	**22.4**	28.9	24.5	20.4	17.8
Return on sales	**3.9%**	5.0%	4.3%	4.1%	4.0%
Return on equity	**9.4%**	14.3%	12.8%	11.2%	9.9%
Working capital (times)	**4.1**	4.4	4.5	1.8	2.5
Net tangible assets per share	**$1.60**	$1.47	$1.59	$1.55	$1.53
Equity to total assets	**51.4%**	54.5%	58.0%	57.9%	70.7%
Gearing (debt to debt plus equity)	**37.4%**	34.7%	28.8%	26.8%	13.0%
Net interest cover (times)	**10.2**	10.1	9.5	14.0	16.5
Ordinary shareholders	**8,404**	8,506	8,299	8,348	8,463
Employees	**972**	918	781	773	683
– Female	**193**	193	154	139	126
– Male	**779**	725	627	634	557
Directors & Officers					
– Female	**4**	3	4	4	4
– Male	**10**	10	9	9	8

EBITDA – Earnings before interest, tax, depreciation and amortisation.
EBIT – Earnings before interest and tax.

Our Board

A key to Steel & Tube's long term growth and sustainability is strong governance. Our Board is focused on delivering improved outcomes for all stakeholders including our customers, New Zealanders and good returns for shareholders.

Susan Paterson

ONZM, CFInstD, MBA (Ldn), BPharm

Chair and Independent Director

Susan became a Director of Steel & Tube in January 2017 and was appointed Chair on 17 February 2017. She has many years' board experience and is an Officer of the New Zealand Order of Merit for her services to corporate governance. She holds a number of directorships including Sky Network TV, Goodman NZ, aged care provider Arvida, Les Mills NZ Ltd, and is also chair of IT consultancy Theta Systems Ltd.

Dean Pritchard

BE, FIE Aust, CP Eng, FAICD

Independent Director

Dean was appointed a Director on 20 May 2005. He had a successful 27 year executive career as a contractor in the property, engineering, construction and services industries, including being a former chief executive of major construction group Baulderstone Hornibrook. Following his executive career, Dean has served on a number of boards from a range of sectors including Railcorp in NSW, IT services company ICS Global Limited, mining company Zinifex Limited, power generation corporation Eraring Energy and Spotless Group Limited. He is currently a director of Broadspectrum Limited.

Anne Urlwin

BCom, FCA, CFinstD, FNZIM, ACIS, MAICD

Independent Director

A chartered accountant, business consultant and professional director, Anne was appointed a Director on 1 June 2013. Anne has considerable governance experience – and is currently chair of Naylor Love Enterprises Ltd and deputy chair of Southern Response Earthquake Services Ltd. She has directorships with Chorus Ltd, Summerset Group Holdings Ltd and One Path Life (NZ) Ltd. Her former roles include chair of Lakes Environmental Ltd and the New Zealand Blood Service, and serving as a director of Meridian Energy Ltd and Airways Corporation NZ Ltd.

Mark Malpass

MBA, BE Mech Hons, NZCE

Independent Director

Appointed a Director on 1 March 2017, Mark is an experienced executive with significant knowledge of the steel industry in New Zealand. He has worked in the Oil & Gas sector for over 19 years and was chief executive of Fletcher Building's largest division, Infrastructure Products, which included steel distribution and manufacturing businesses. Mr Malpass is a director of Waitomo Group and a member of the Institute of Directors. His previous directorships include Refining NZ (listed), SIMS Pacific Metals JV, MBIE Business Advisory Panel and University of Canterbury Quake Centre.

Rosemary Warnock

BA, MAICD

Independent Director

Appointed a Director on 22 September 2010, Rosemary has held senior executive positions in the BP Group in Australia, the UK and Singapore, including as chief executive of Castrol Asia Pacific. She is currently principal of the Adelante Group, a partnership that provides executive mentoring services, a director of The Buttery and a member of the Foundation Committee for The Buttery.

Dave Taylor

B.Sc

Chief Executive Officer and Non-Independent Director

Appointed Chief Executive Officer and a Director on 5 October 2009, Dave was previously general manager of the Australian Reinforcing Company, a subsidiary of OneSteel. In 22 years at the BOC Group, he held a number of senior executive positions, including president BOC Gases Korea and managing director of Process Gas Solutions South Pacific. Dave is also a director of Steel & Tube's subsidiaries, a director of the Building Industry Federation and a member of the Construction Strategy Group.


Susan Paterson


Mark Malpass


Dean Pritchard


Rosemary Warnock


Anne Urlwin


Dave Taylor

Dave Taylor

Dave Taylor B.Sc

CEO

Appointed Chief Executive Officer on 5 October 2009, Dave was previously general manager of the Australian Reinforcing Company, a subsidiary of OneSteel. In 22 years at the BOC Group, he held a number of senior executive positions, initially in the United Kingdom and later as president BOC Gases Korea, based in Seoul, and managing director Process Gas Solutions South Pacific, based in Sydney. Dave is a Director of all subsidiary companies in Steel & Tube Holdings.

Phil Abraham BBS, MBA

GM Distribution

Phil joined the company in June 2015. He has held senior management roles with Repco New Zealand, Wrightsons, the New Zealand Lotteries Commission and New Zealand Post. He is also a former CEO of Save the Children New Zealand and Manfeild Park Trust.

Steve Kubala

GM S&T Stainless

Steve first joined the company with the purchase of Cable Price Steel in 1989. In 1995 he left to join Mico Wakefield, returning to S&T in 2007. Since that time he has held a number of senior managerial roles across the company. As Integration Manager, Steve led the assimilation of the company now trading as S&T Stainless, before becoming GM of that business.

Dave Clegg MBA

GM HR

Dave joined the company on 1 June 2010. He has more than 25 years' experience in human resources management, including consulting to Contact Energy as GM Human Resources and as change manager for a major enterprise transformation project.

Ross Pickworth MBA, B.E

GM Infrastructure

Ross joined the company on 5 December 2016. He has had significant experience in the management and leadership of infrastructure supply and service businesses and has held GM roles with Holcim Cement and Delta Utility Services.

Dennis Boyle DipBusAdm, PGDipL&SCM

GM Supply Chain

Dennis joined the company on 26 January 2011. He has held supply chain leadership roles in the pharmaceutical and chemical industries, and has been involved in successful change management projects and developed competitive supply chains from strategy design through to execution.

Steve Williams

GM MSL

Steve started with Manufacturing Suppliers Ltd in 1991, firstly establishing the Hamilton branch. In 1994, he moved and set up the Palmerston North branch and later the Wellington operation. In 2001, Steve returned to Hamilton, before setting up Mt Manganui in 2003 then returning to Auckland six years later. Since being with Steel & Tube from August 2015, Steve now assumes the role of GM MSL.

Janie Elrick CA

Former CFO & Company Secretary

Janie joined the Company as CFO and Company Secretary on 9 January 2012. She is a former chief financial officer at Livestock Improvement Corporation, Synlait and Zespri, and General Manager Corporate Finance with the New Zealand Dairy Group of Companies and Fonterra. Janie has also held governance roles in the health and food research industries. Janie is currently on eight months sabbatical leave.

Our Leadership Team

The leadership of Steel & Tube is committed to executing the company strategy to grow and enhance New Zealand's leading steel distribution business in the face of an ever-changing market, and to playing an active role in supporting New Zealand's economic growth and development.

Phil Abraham

Ross Pickworth

Steve Kubala

Dennis Boyle

Dave Clegg

Steve Williams

Janie Elrick

Financial Review

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Financial Statements 2017

The report has been structured under the following key categories:

- **Financial Statements**
- **Performance**
- **Working Capital**
- **Fixed Capital**
- **Funding**
- **Other**

Significant matters in the financial year:

On 31 October 2016 Composite Floor Decks Limited (CFDL), a wholly owned Group subsidiary, acquired the assets and business undertakings of Metal Decking Limited (formerly known as Composite Floor Decks Limited) for a net consideration of $15.5m in cash. CFDL is a market leader in the supply and installation of composite metal floor decking in New Zealand.

In December 2016 the Commerce Commission announced that it had completed its investigation in relation to several companies, and that it intended to prosecute three companies under the Fair Trading Act, including Steel & Tube. A provision for fines, penalties and costs in relation to this prosecution and their full recovery under the Group's insurance policies has been provided for in the Group's financial statements. The Commission's prosecution of Steel & Tube relates to the inadvertent use of a testing laboratories logo on test certificates, and the application of testing methodologies.

Following a Group wide review, quality resources have been strengthened and quality management processes have been and continue to be enhanced.

At 30 June 2017 to provide more relevant information the Board changed its accounting policy for land and buildings, which are now recognised in the balance sheet at their fair value at valuation date (previously held at cost less accumulated depreciation). A number of impacts of this change are described in Section C; however, the most significant change is an increase in the net book value of land and buildings of $35.7m.

Significant accounting policies that are relevant to understanding the financial statements are provided throughout the report in boxes outlined in red.

KEY POLICY

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.

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.

KEY JUDGEMENT

General information

Steel & Tube Holdings Limited (the Company) 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, processing and fabrication of steel, plastic and related products.

The registered office of the Company is Level 7, 25 Victoria Street, Petone, Lower Hutt 5012, 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
- 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.

The accompanying notes form part of these financial statements.

Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2017

		Group	
		2017	2016
	Notes	**$000**	$000
Sales revenue		**511,400**	515,947
Other operating income		**1,676**	167
Cost of sales	A4	**(380,226)**	(392,444)
Selling expenses	A4	**(46,269)**	(43,375)
Administration expenses	A4	**(28,394)**	(23,931)
Other operating expenses	A4	**(27,095)**	(25,825)
Operating earnings before other gains and financing costs		**31,092**	30,539
Other gains		**-**	6,267
Interest income		**51**	83
Interest expense		**(3,091)**	(3,721)
Profit before tax		**28,052**	33,168
Tax expense	A3	**(8,012)**	(7,342)
Profit for the year attributable to owners of the Company		**20,040**	25,826
Items that may be reclassified to profit or loss			
Other comprehensive (loss)/income – hedging reserve		**(762)**	(1,294)
Other comprehensive (loss)/income – revaluation reserve		**35,713**	-
Other comprehensive (loss)/income – deferred tax on revaluation reserve		**(2,908)**	-
Total comprehensive income attributable to owners of the Company		**52,083**	24,532
Basic earnings per share (cents)	A2	**22.4**	28.9
Diluted earnings per share (cents)	A2	**22.3**	28.9

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2017

	Notes	Share capital $000	Retained earnings $000	Hedging reserve $000	Revaluation reserve $000	Treasury shares $000	Share-based payments $000	Total equity $000
Group								
Balance at 1 July 2015		71,717	96,858	863	-	(3,100)	671	167,009
Comprehensive income								
Profit after tax		-	25,826	-	-	-	-	25,826
Other comprehensive loss – hedging reserve		-	-	(1,294)	-	-	-	(1,294)
Total comprehensive income		-	25,826	(1,294)	-	-	-	24,532
Transactions with owners								
Dividends paid	A2	-	(17,027)	-	-	-	-	(17,027)
Proceeds from partly paid shares	D2	39	-	-	-	-	-	39
Options vested during the year		-	-	-	-	-	92	92
Purchase of own shares – net of transaction costs	D2	-	-	-	-	(400)	-	(400)
Issue of ordinary shares related to business combination		6,000	-	-	-	-	-	6,000
Balance at 30 June 2016		77,756	105,657	(431)	-	(3,500)	763	180,245
Balance at 1 July 2016		**77,756**	**105,657**	**(431)**	**-**	**(3,500)**	**763**	**180,245**
Comprehensive income								
Profit after tax		**-**	**20,040**	**-**	**-**	**-**	**-**	**20,040**
Other comprehensive loss – hedging reserve		**-**	**-**	**(762)**	**-**	**-**	**-**	**(762)**
Other comprehensive income – asset revaluation (gross)		**-**	**-**	**-**	**35,713**	**-**	**-**	**35,713**
Other comprehensive loss – deferred tax on above		**-**	**-**	**-**	**(2,908)**	**-**	**-**	**(2,908)**
Total comprehensive income		**-**	**20,040**	**(762)**	**32,805**	**-**	**-**	**52,083**
Transactions with owners								
Dividends paid	A2	**-**	**(20,145)**	**-**	**-**	**-**	**-**	**(20,145)**
Proceeds from partly paid shares	D2	**48**	**-**	**-**	**-**	**-**	**-**	**48**
Options vested during the year		**-**	**-**	**-**	**-**	**-**	**(170)**	**(170)**
Issue/(purchase) of own shares – net of transaction costs	D2	**-**	**-**	**-**	**-**	**69**	**-**	**69**
Balance at 30 June 2017		**77,804**	**105,552**	**(1,193)**	**32,805**	**(3,431)**	**593**	**212,130**

The accompanying notes form part of these financial statements.

Balance Sheet

AS AT 30 JUNE 2017

		Group	
		2017	2016
	Notes	**$000**	$000
Current assets			
Cash and cash equivalents		**6,517**	2,287
Trade and other receivables	B2	**93,489**	89,842
Inventories	B1	**143,064**	129,377
Income tax refund		**218**	-
Derivative financial instruments	E7	**2**	33
		243,290	221,539
Non-current assets			
Property, plant and equipment	C1	**102,589**	61,557
Intangibles	C2	**66,848**	47,344
		169,437	108,901
Total assets		**412,727**	330,440
Current liabilities			
Trade and other payables	B3	**54,361**	45,133
Provisions	E3	**3,534**	3,104
Derivative financial instruments	E7	**1,714**	854
Income tax payable		**-**	808
		59,609	49,899
Non-current liabilities			
Trade and other payables	B3	**2,212**	1,229
Borrowings	D1	**133,374**	97,900
Deferred tax	A3	**4,157**	160
Provisions	E3	**1,245**	1,007
		140,988	100,296
Equity			
Share capital	D2	**77,804**	77,756
Retained earnings		**105,552**	105,657
Other reserves		**28,774**	(3,168)
		212,130	180,245
Total equity and liabilities		**412,727**	330,440

These financial statements and the accompanying notes were authorised by the Board on 17 August 2017.

For the Board

Susan Paterson
Chair

Dave Taylor
Chief Executive Officer

The accompanying notes form part of these financial statements.

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2017

	Notes	Group 2017 $000	Group 2016 $000
Cash flows from operating activities			
Customer receipts		**512,979**	516,281
Interest receipts		**51**	83
Payments to suppliers and employees		**(480,866)**	(478,623)
Income tax payments		**(8,231)**	(8,944)
Interest payments		**(3,091)**	(3,721)
Net cash inflow from operating activities		**20,842**	25,076
Cash flows from investing activities			
Property, plant and equipment disposal proceeds		**221**	8,292
Payment for new business purchase (net of cash acquired)	C4	**(13,761)**	(33,913)
Property, plant and equipment and intangible asset purchases		**(18,518)**	(10,030)
Net cash outflow from investing activities		**(32,058)**	(35,651)
Cash flows from financing activities			
Proceeds from partly paid shares	D2	**48**	39
Issue/(purchase) of Treasury shares	D2	**69**	(400)
Net proceeds from/(repayment of) borrowings		**35,474**	26,160
Dividends paid	A2	**(20,145)**	(17,027)
Net cash inflow from financing activities		**15,446**	8,772
Net (decrease)/increase in cash and cash equivalents		**4,230**	(1,803)
Cash and cash equivalents at the beginning of the year		**2,287**	4,090
Cash and cash equivalents at the end of the year		**6,517**	2,287
Represented by:			
Cash and cash equivalents		**6,517**	2,287
		6,517	2,287
Reconciliation of profit after tax to cash flows from operating activities			
Profit after tax		**20,040**	25,826
Non-cash adjustments:			
Depreciation and amortisation		**7,682**	6,354
Deferred tax		**905**	(238)
Gain on items classified as investing activities:			
Gain on acquisition of new business		**-**	(231)
(Gain)/Loss on property, plant and equipment disposals		**-**	(6,106)
		28,627	25,605
Movements in working capital:			
Income tax		**(808)**	(964)
Inventories		**(13,194)**	(2,995)
Trade and other receivables		**(112)**	359
Trade and other payables		**6,329**	3,071
Net cash inflow from operating activities		**20,842**	25,076

The accompanying notes form part of these financial statements.

Section A – Performance

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

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

A1: Business Combinations

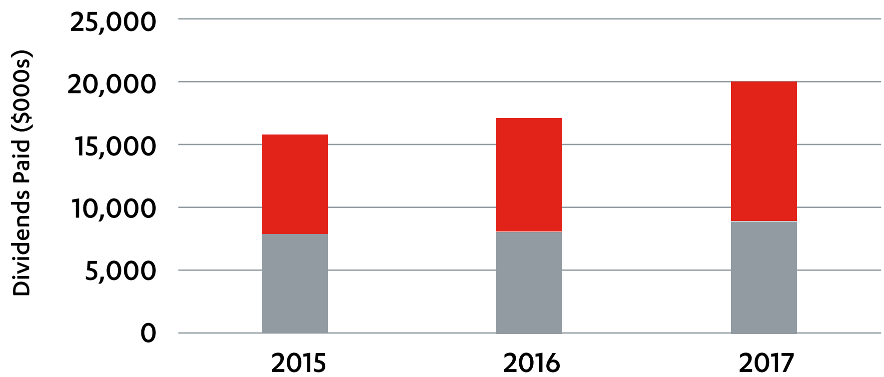
The years performance includes revenue of $16.2m and after tax profit of $2.5m from CFDL. CFDL was acquired on 31 October 2016. Acquisition related costs of $0.4m have been charged to administration expenses in profit or loss for the year ended 30 June 2017.

If the CFDL acquisition had occurred at the beginning of the reporting period the Consolidated Statement of Profit or Loss and Other Comprehensive Income would show revenue of $519.5m and after tax profit of $21.3m.

A2: Dividends and Earnings per Share

On 17 August 2017 the Board declared a fully imputed dividend of 7.0 cents per share (2016: 13.5 cents) or $6.34m (2016: $12.22m) and a supplementary dividend to non-resident shareholders of 1.23 cents per share. The dividends will be paid to shareholders on 29 September 2017.

Dividends Paid



Final Dividend: 2016: 13.5 cents per share (2015: 10.0 cents, 2014: 9.0 cents)
Interim Dividend: 2017: 9.0 cents per share (2016: 9.0 cents, 2015: 9.0 cents)

Dividends paid are fully imputed. The Group is entitled to a tax credit for supplementary dividends paid to overseas shareholders of $0.34m (2016: $0.17m).

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 (refer note D2 page 48) and represents the Company's earnings per share if convertible shares were exercised. The weighted average number of shares is adjusted by the number of outstanding rights to executive shares that are deemed likely to vest at their future vesting dates.

The accompanying notes form part of these financial statements.

Earnings per share (EPS)

	2017 $000	2016 EXCL. BOWDEN RD $000	2016 $000
Profit after tax	**20,040**	19,559	25,826
Weighted average number of shares for basic EPS	**89,427**	89,289	89,289
Weighted average number of shares for diluted EPS	**90,028**	89,348	89,348
Basic earnings per share (cents)	**22.4**	21.9	28.9
Diluted earnings per share (cents)	**22.3**	21.9	28.9

Earnings per share in 2016 includes 7 cents from the sale of the Group's Bowden Rd property. The property was sold for $8.3m and realised an after tax profit of $6.3m.

A3: 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.

KEY POLICY

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.**

Income and deferred tax

	2017 $000	2016 $000
Profit before tax	**28,052**	33,168
Non-assessable income	**(425)**	(7,100)
Non-deductible expenditure	**988**	153
	28,615	26,221
Tax at 28%	**8,012**	7,342
Represented by:		
Current tax	**7,107**	7,580
Deferred tax	**905**	(238)
	8,012	7,342

The accompanying notes form part of these financial statements.

Deferred tax assets and liabilities

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

	Opening balance $000	Acquired in business combination $000	Recognised in income $000	Recognised in equity $000	Closing balance $000
Group 2017					
Property, plant and equipment	**(3,485)**	**-**	**(1,459)**	**(2,908)**	**(7,852)**
Employee benefits	**1,670**	**-**	**202**	**-**	**1,872**
Provisions	**1,612**	**-**	**128**	**-**	**1,740**
Cash flow hedging reserve	**183**	**-**	**-**	**316**	**499**
Customer relationship	**(140)**	**-**	**27**	**-**	**(113)**
Customer contracts	**-**	**(414)**	**189**	**-**	**(225)**
Licenses	**-**	**(86)**	**8**	**-**	**(78)**
	(160)	**(500)**	**(905)**	**(2,592)**	**(4,157)**
Group 2016					
Property, plant and equipment	(3,535)	-	50	-	(3,485)
Employee benefits	1,756	-	(86)	-	1,670
Provisions	1,338	-	274	-	1,612
Cash flow hedging reserve	(357)	-	-	540	183
Customer relationship	-	(140)	-	-	(140)
	(798)	(140)	238	540	(160)

	2017 $000	2016 $000
The analysis of deferred tax assets and deferred tax liabilities is as follows:		
Deferred tax liabilities:	**(9,339)**	(4,484)
Deferred tax assets:	**5,182**	4,324
Deferred tax assets/(liabilities) (net)	**(4,157)**	(160)

Imputation credits available at year end were $9.6m (2016: $8.7m).

A4: Expenses

Included in operating activities:	2017 $000	2016 $000
Inventories expensed in cost of sales	**358,665**	373,829
Inventory written down/(reversal of write down)	**25**	(381)
Bad debts	**1,772**	381
Depreciation and amortisation	**7,682**	6,354
Operating leases	**15,190**	14,871
Directors' fees	**349**	338
Employee benefits	**65,692**	66,051
Donations	**29**	27
Foreign exchange gains	**(1,781)**	(1,209)

Inventory as sold is expensed as cost of sales. Adjustments between Inventory cost and net realisable value are included in cost of sales. Adjustments to receivables are included in other operating expenses.

Depreciation is included in cost of sales or in other operating expenses.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the term of the lease.

The accompanying notes form part of these financial statements.

Section B – Working Capital

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

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

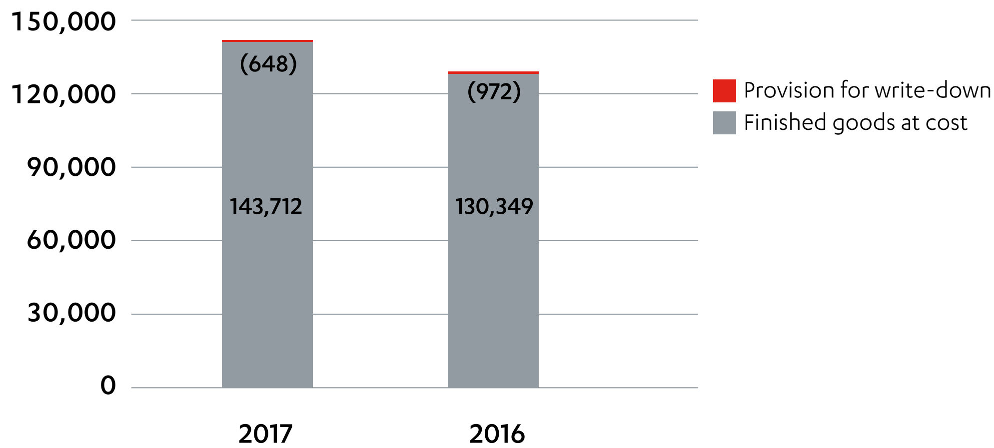
B1: Inventories

KEY POLICY

Inventories are stated at the lower of cost and net realisable value, with cost determined on a weighted 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.

The Group holds inventories valued at $143.1 million (2016: $129.4 million).

Inventories ($000s)



The Group is exposed to foreign exchange risk arising mainly from overseas purchases of inventory. In accordance with its Treasury Policy, all confirmed overseas purchase orders are fully 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 reserves in equity as described in section E10 page 55. During the period $0.6m was transferred to the cash flow hedging reserve in equity and removed from the carrying amount of inventory.

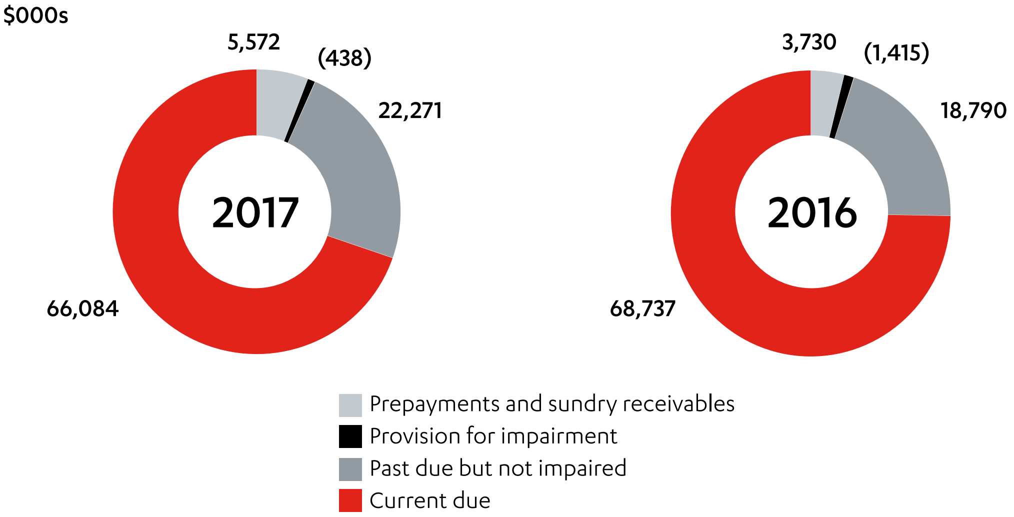
As at balance date foreign exchange contracts recorded as assets were $0.002m (2016: $0.03m) and as liabilities were $1.7m (2016: $0.9m). The notional value of foreign exchange contracts in place as at 30 June 2017 totalled $40.3m (2016: $28.7m). The fair value of the foreign currency forward exchange contracts is as shown on the Balance Sheet, refer to section E7 page 53 for 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 + $1.8 million if NZ dollar strengthened by 5% and - $2.1 million if the NZ dollar weakened by 5% (2016: + $1.4m /- $1.3m respectively).

The accompanying notes form part of these financial statements.

B2: Trade and Other Receivables

Trade receivables at 30 June 2017 are $93.5m (2016: $89.8m) 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.

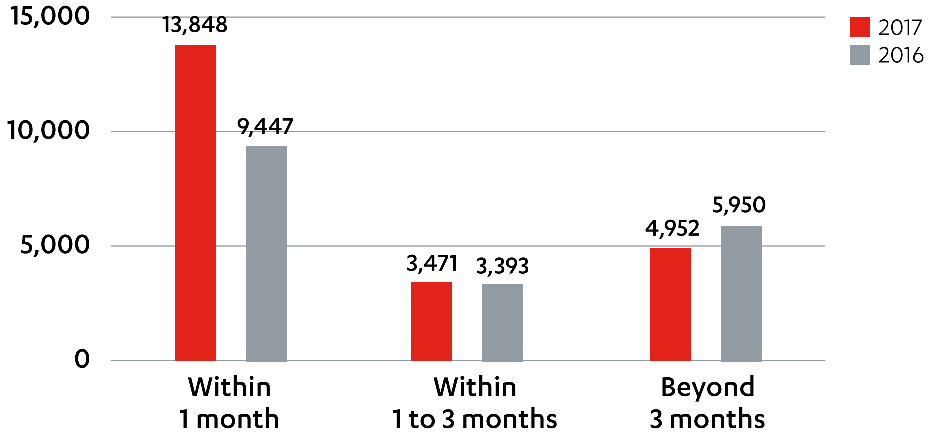


No one customer accounts for more than 2% of trade receivables at 30 June 2017 and 30 June 2016.

At 30 June 2017 trade receivables of $22.3m (2016: $18.8m) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

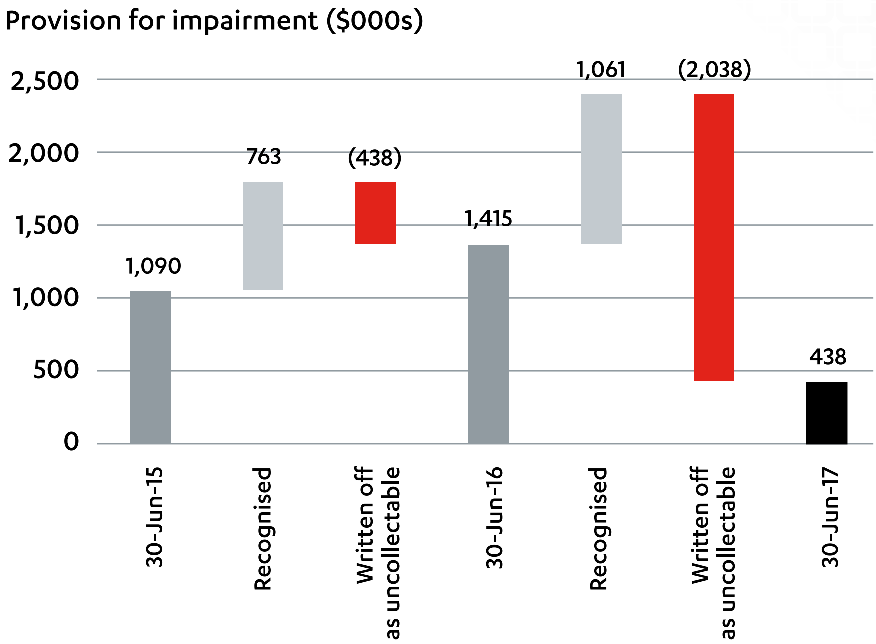
The aging profile of these customers is shown below.

Past due but not impaired ($000s)



Provision for impairment

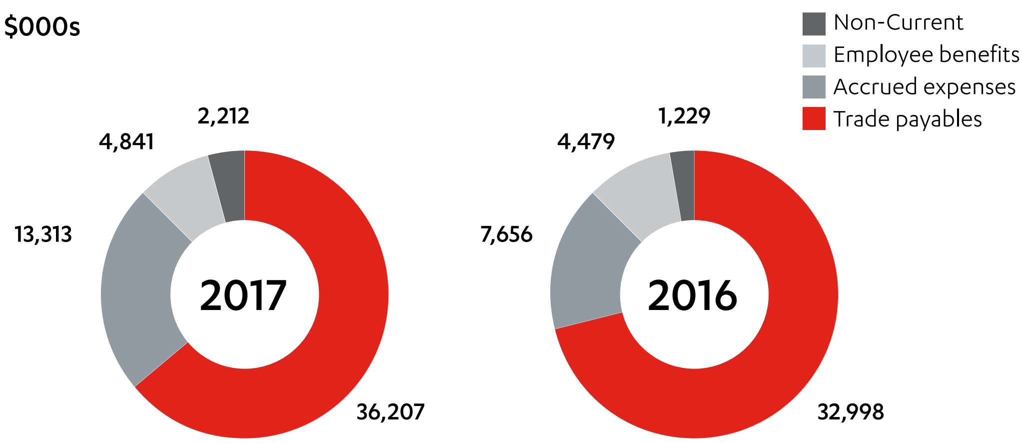
At 30 June 2017 an impairment provision of $0.4m (2016: $1.4m) was held. The impairment provision comprised assesment of recovery across a number of customers. The provision is based on objective evidence that indicates that the customers will not be able to pay their debts when due, these include significant financial difficulties of customers and the probability of entering receivership or bankruptcy.



The Group 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 debtors to mitigate the risk of default. There are no significant concentrations of credit risk in the current or prior years. Due to their short maturities the carrying value of trade and other receivables is considered to approximate their fair values.

B3: Trade and Other Payables

Trade and other payables comprise $54.4m (2016: $45.1m) payable within a year and $2.2m (2016: $1.2m) payable beyond 12 months.



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

Non-current payables relate to employee benefits and the portion of contingent consideration payable beyond 12 months.

Section C – Fixed Capital

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

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

The Board has changed its policy on valuation of land and buildings. At 30 June 2017 land and buildings are recognised in the balance sheet at their fair value at valuation date. Previously they were recognised at cost less accumulated depreciation and impairment. All other property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment losses. The impact of this change in accounting policy is accounted for prospectively and has had the following impact on the balance sheet and other comprehensive income:

- an increase in the net book value of land and buildings of $35.7m.
- an increase in deferred tax liability of $2.9m.
- increase in other comprehensive income of $32.8m.

The impact of the revaluation is recognised in equity as a revaluation reserve. The market value of land and buildings based on these valuations is $57.5m on which the Board's ultimate valuation decision is based.

C1: Property, Plant and Equipment

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 which 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 and 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 shareholders' 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

The accompanying notes form part of these financial statements.

	Land & buildings at fair value $000	Plant, machinery & vehicles at cost $000	Furniture, fittings & equipment at cost $000	Total $000
2017				
Opening cost	**28,897**	**94,554**	**23,427**	**146,878**
Opening accumulated depreciation	**(8,454)**	**(58,361)**	**(18,506)**	**(85,321)**
Opening net book value	**20,443**	**36,193**	**4,921**	**61,557**
Net additions through business combinations	**-**	**661**	**47**	**708**
Additions	**1,762**	**7,807**	**1,025**	**10,594**
Disposals	**-**	**(169)**	**(59)**	**(228)**
Land and buildings revaluation:				
Increase to revaluation reserve	**35,713**	**-**	**-**	**35,713**
Decrease to income statement	**-**	**-**	**-**	**-**
Depreciation	**(399)**	**(3,415)**	**(1,941)**	**(5,755)**
Closing net book value	**57,519**	**41,077**	**3,993**	**102,589**
Comprised of:				
Cost or fair value	**57,519**	**102,853**	**24,440**	**184,812**
Accumulated depreciation	**-**	**(61,776)**	**(20,447)**	**(82,223)**
	57,519	**41,077**	**3,993**	**102,589**
2016				
Opening cost	30,858	83,863	21,895	136,616
Opening accumulated depreciation	(7,912)	(55,381)	(16,621)	(79,914)
Opening net book value	22,946	28,482	5,274	56,702
Net additions through business combinations	-	7,531	621	8,152
Additions	-	3,512	925	4,437
Disposals	(1,961)	(352)	(14)	(2,327)
Depreciation	(542)	(2,980)	(1,885)	(5,407)
Closing net book value	20,443	36,193	4,921	61,557
Comprised of:				
Cost	28,897	94,554	23,427	146,878
Accumulated depreciation	(8,454)	(58,361)	(18,506)	(85,321)
	20,443	36,193	4,921	61,557

Included within the plant, property and equipment categories is work in progress totalling $3.3m (2016: $0.7m). Work in progress was tested for impairment. No impairment was identified.

At 30 June 2017 had land and buildings been carried at historical cost less accumulated depreciation their carrying amount would have been approximately $21.8m (2016: $20.4m).

Key judgement – valuation of land and buildings

The Group undertook a fair value assessment of land and buildings owned by the Group at 30 June 2017. 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 including land use, economic conditions, zoning and location, quality and condition. They are categorised as Level 3 of the fair value hierarchy as unobservable inputs (as described in NZ IFRS 13) have been used to measure fair value. The valuations were prepared by independent and qualified registered valuers and are based on:

– Land and buildings – relevant general and economic factors such as recent sales and leasing transactions of comparable properties
– Building under redevelopment – a review of a construction cost summary which refers to the construction budget less costs already incurred

The valuations have been adjusted for market based expressions of interest and to reflect costs to be incurred to bring the property to the assumed condition within the independent valuers assessment.

The significant unobservable inputs are described in section E9 on page 54.

The last independent valuation of these land and buildings was performed during the period April to June 2015.

KEY JUDGEMENT

C2: Intangibles

	Goodwill $000	Licences $000	Other $000	Total $000
2017				
Opening cost	**35,458**	**9,975**	**7,294**	**52,727**
Opening accumulated amortisation	**-**	**(5,274)**	**(109)**	**(5,383)**
Opening net book value	**35,458**	**4,701**	**7,185**	**47,344**
Net additions through business combinations	**11,713**	**-**	**1,786**	**13,499**
Additions	**-**	**2,355**	**5,577**	**7,931**
Amortisation charge	**-**	**(1,171)**	**(756)**	**(1,926)**
Closing net book value	**47,171**	**5,885**	**13,792**	**66,848**
Comprised of:				
Cost	**47,171**	**12,329**	**14,657**	**74,157**
Accumulated amortisation	**-**	**(6,444)**	**(865)**	**(7,309)**
	47,171	**5,885**	**13,792**	**66,848**
2016				
Opening cost	19,856	8,862	1,922	30,640
Opening accumulated amortisation	-	(4,393)	(43)	(4,436)
Opening net book value	19,856	4,469	1,879	26,204
Net additions through business combinations	15,602	180	712	16,494
Additions	-	933	4,660	5,593
Amortisation charge	-	(881)	(66)	(947)
Closing net book value	35,458	4,701	7,185	47,344
Comprised of:				
Cost	35,458	9,975	7,294	52,727
Accumulated amortisation	-	(5,274)	(109)	(5,383)
	35,458	**4,701**	**7,185**	**47,344**

The accompanying notes form part of these financial statements.

Included within the intangibles categories is work in progress totalling $15.1m (2016: $9.6m). Other intangibles comprises $11.8m (2016: $6.3m) related to a software implementation project (internally generated), customer relationships, customer contracts and product licence value 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.

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. 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.

KEY JUDGEMENT

Key judgement – Impairment test on Goodwill:

Any impairment of Goodwill allocated to a Cash Generating Unit (CGU) is determined based on the present value of future CGU cash flows.

The value in use cash flows used to test Goodwill for impairment are based on:

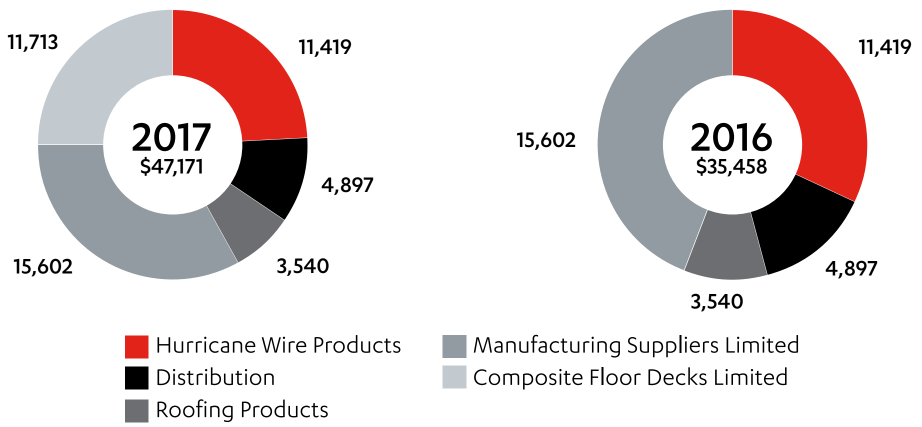
- Five year forecast cash flows based on three year business plans as approved by the Board, and adjusted if circumstances are different from when approved, such as for the Distribution CGU where the first year forecast was reduced to reflect actual cash flows achieved in FY17
- Compound annual sales revenue growth rate which equates to 2.48% for the Group for the first three years and no growth thereafter
- Gross margins that reflect historical performance levels
- A rate of growth for the terminal value calculation at the end of five years of 1.5% (2016: 1.5%). This rate does not exceed the average long-term growth rate for relevant markets
- Post tax discount rates based on the post-tax weighted average cost of capital appropriate for the Group's CGU's that ranges from 7.1% to 10.3% (2016: 7.1%). The discount rates used are based on the cost of debt and equity relevant for each CGU as determined by reference to externally sourced market data specific to the Group and relevant to the industry in which the Group operates

The impairment assessment confirmed that the present value in use of cash flows is in excess of the carrying value of Goodwill as at 30 June 2017.

The Board exercises judgement in confirming the carrying value of Goodwill, considering a wide range of inputs including the state of the steel sector and market based movements. Sensitivity analysis confirms that varying the discount rate by 2% or the terminal cash flows by 28% would not result in an impairment of Goodwill.

Based on the calculations completed, there is no indication of impairment as at 30 June 2017.

Carrying Value of Goodwill ($000s)



Intangible assets with indefinite useful lives and intangibles not yet available for use are not subject to amortisation. This applies to both goodwill and software under development.

The Group tests annually for impairment of these intangibles, or when events or circumstances indicate the carrying value may not be recoverable.

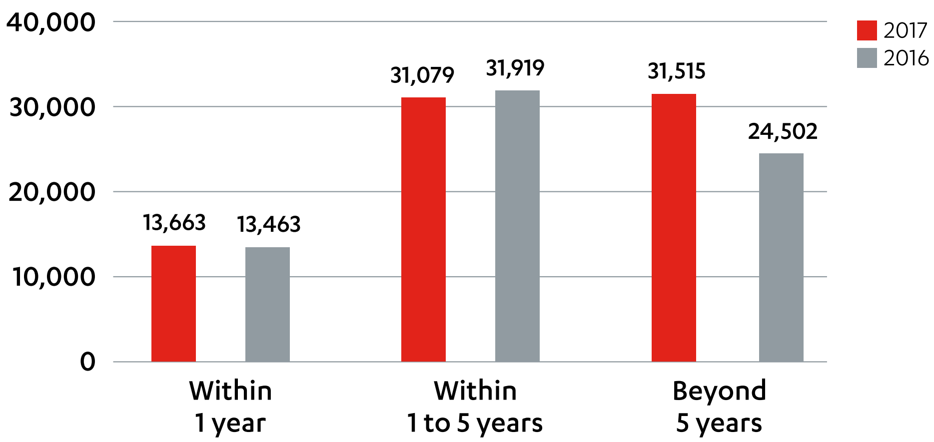
An impairment loss is recognised for the excess of the carrying value of an asset or cash-generating unit over its recoverable amount and is charged to profit or loss.

The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

KEY POLICY

C3: Commitments

Lease commitments on non-cancellable leases ($000s)



The Group occupies a number of warehouse and office premises under operating leases. The leases have varying terms and renewal rights.

The Group has an operating lease agreement for the majority of its vehicle fleet. The lease agreement has varying terms and renewal rights for each vehicle.

Capital commitments

The Group has contractual commitments of $7.4m (2016: $1.4m) for property extensions and purchase of plant and equipment.

The accompanying notes form part of these financial statements.

C4: Business Combinations

The following table summarises the consideration transferred for CFDL and the fair value of the assets acquired and the liabilities assumed.

	$000
Consideration transferred	
Consideration paid (cash) at 31 October 2016	13,812
Less: Cash on acquisition	(901)
Net cash consideration	12,911
Contingent consideration paid	850
Contingent consideration payable	1,700
Total fair value of consideration transferred	**15,461**
Recognised fair value amounts of identifiable assets acquired and liabilities assumed at acquisition date	
Trade and other receivables	3,753
Other current assets	493
Property, plant and equipment	708
Customer contracts	1,480
Licences	306
Deferred tax	(500)
Trade and other payables	(2,492)
Total identifiable net assets	**3,748**
Goodwill on acquisition	11,713
Total	**15,461**

The contingent consideration is a set amount payable if financial milestones are met over the next two years, if the milestone is not met no payment is made.

The excess of consideration transferred over the fair value of the net identifiable assets acquired is recorded as Goodwill. If those amounts are less than the fair value of net identifiable assets acquired the difference is recorded in profit or loss.

The Goodwill recognised as a result of the acquisition of CFDL is attributable to the market positioning and operational synergies gained from combining CFDL's knowledge of the market, systems and processes to supply and install composite metal floor decking in New Zealand with the Group's existing business. None of the Goodwill recognised is expected to be deductible for tax purposes.

Goodwill is allocated at acquisition to the cash-generating units (CGUs) that are expected to benefit from the business combination. Key assumptions and procedures for testing for impairment will be consistent with the remainder of the Group's Goodwill.

Key judgement – Identification and value of identifiable assets and liabilities:

The Group has identified the assets acquired and liabilities assumed at acquisition date, and measured these at their acquisition date fair values.

Management has applied judgement in relation to both identifying and valuing these assets and liabilities; specifically in respect of the identification and measurement of customer contracts, product licence and contingent consideration.

Each of the customer contracts acquired through the acquisition have been reviewed and valued. To measure the fair value of the customer contracts expected revenues and margins and project life were determined. An allocation of expenses, including a contributory asset charge, were modelled for a 26 month period. The resulting cash flows were discounted at the Group's current cost of capital.

The product license acquired as part of the acquisition was valued based on expectations regarding market share and royalty rates of comparable products and comparable licences.

Consideration transferred includes consideration which is contingent on earn-out being paid. The earn-out is payable if financial milestones are met over the next two years. Management's view is it is more likely the earn-out will be paid and therefore has accounted for the contingent consideration as part of the consideration transferred.

KEY JUDGEMENT

The accompanying notes form part of these financial statements.

Section D – Funding

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

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

D1: Borrowings

	2017 $000	2016 $000
Term loans – non current	**133,374**	97,900

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 is shown in the Statement of Cash Flows as the net of repayments and drawdowns of borrowings. Borrowings are classified as current liabilities if settlement is within 12 months.

Credit facilities arranged with the banks can be drawn at any time, subject to meeting the Group's General Security Arrangement conditions over all the assets of the Group.

The Group is exposed to interest rate risk through its term loans which are drawn down under the Group's bank debt facilities at fixed interest rates.

At balance date, 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 $0.9m lower/higher (2016: $0.7m).

The Group has committed bank borrowing facilities at balance date of $157m (2016: $157m). These facilities have mixed revolving terms. During the year the Group signed variations to the bank borrowing facilities which has amended the expiry date on $78.5m from October 2017 to October 2019 and $78.5m from June 2018 to July 2018.

On 17 July 2017 the Group signed a variation to the bank borrowing facilities which has amended the expiry date on $78.5m from July 2018 to 31 October 2021.

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

The following table 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.

The accompanying notes form part of these financial statements.

	Interest rate	6 months or less $000	6 to 12 months $000	1 to 3 years $000	Total $000	Fair Value $000
Group 2017						
Borrowings	**2.86%**	**2,001**	**1,923**	**133,264**	**137,188**	**133,374**
Trade payables & accruals		**50,368**	**-**	**2,212**	**52,580**	**52,580**
Cash flow hedging of derivatives:						
Outflow		**40,608**	**29**	**-**	**40,637**	
Inflow		**(38,898)**	**(27)**	**-**	**(38,925)**	
Group 2016						
Borrowings	3.68%	1,926	1,850	98,837	102,613	97,900
Trade payables & accruals		39,867	-	-	39,867	39,867
Cash flow hedging of derivatives:						
Outflow		28,078	606	-	28,684	
Inflow		(27,866)	2	-	(27,864)	

D2: Share Capital

The Group's capital includes share capital, treasury shares, 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.

The Group's gearing ratio is calculated as net debt divided by the sum of total equity less intangibles and net debt, where net debt is total borrowings less cash and cash equivalent assets. The policies in respect of capital management and allocation are reviewed regularly by the Board. The gearing ratio for this year is 43% (2016: 40%) and is below the benchmark of 55% in the Group's General Security Agreement. The Group is not subject to any externally imposed capital requirements and there has been no material change in the management of capital during the year. The Group has fully complied with debt covenants during the year (2016: fully complied).

	2017 $000	2016 $000	2017 Shares	2016 Shares
Fully paid:				
Balance at the beginning of the year	**77,755**	71,716	**90,578,026**	88,464,240
Proceeds from partly paid shares	**48**	39	**10,000**	10,000
Issue of ordinary shares	**-**	6,000	**-**	2,103,786
Balance at the end of the year	**77,803**	77,755	**90,588,026**	90,578,026
Partly paid:				
Balance at the beginning of the year	**1**	1	**55,000**	65,000
Transfer to fully paid shares	**-**	-	**(10,000)**	(10,000)
Balance at the end of the year	**1**	1	**45,000**	55,000
Total balance at the end of the year	**77,804**	77,756	**90,633,026**	90,633,026

The accompanying notes form part of these financial statements.

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 to one cent shares in the Senior Executives' Share Scheme 1993 do not have voting entitlements until the shares are paid in full but qualify for bonus and cash issues. Dividends are accrued and paid when the shares vest.

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

	2017 $000	2016 $000	**2017 Shares**	2016 Shares
Balance at the beginning of the year	**3,500**	3,100	**1,109,721**	995,953
Purchases	**592**	981	**270,000**	370,000
Used in share schemes	**(661)**	(581)	**(228,934)**	(256,232)
Withdrawals	**-**	-	**-**	-
Balance at the end of the year	**3,431**	3,500	**1,150,787**	1,109,721

Treasury shares are unallocated Company shares held by the Trustees of share-based schemes and are recognised as a reduction in shareholders' funds of the Group. The Treasury shares purchased during the year had a weighted average price of $2.19 (2016: $2.65).

Section E – Other

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

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
- Segment reporting
- Provisions
- Contingent liabilities
- Auditor remuneration
- Related party and share based plans
- Financial instruments
- Financial assets
- 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 annually. 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: Segment Reporting

The Group derives its revenue from the distribution, processing and fabrication of steel, plastics and allied products. The Group has a diverse range of customers from various industries, with no single customer contributing more than 10% of the Group's revenue.

Operating segments of the Group as at 30 June 2017 have been determined based on the separate financial information that is regularly reviewed by the Chief Operating Decision Maker (CODM). The Chief Executive Officer has been identified as the CODM. Each segment engages in business activities that earn revenue and incur expenses. The Group's operating segments comprise steel & stainless distribution, and processing roofing products, reinforcing, wire and pipe businesses and the newly acquired composite floor decking business.

NZ IFRS 8 Operating Segments permits the aggregation of operating segments into reportable segments. Because the Group provides products and services through similar distribution channels to similar customers it has been determined that the Group has one reportable segment.

E3: Provisions

	2017 $000
Balance at the beginning of the year	4,111
Movement during the year	668
Balance at the end of the year	4,779
Current	3,534
Non Current	1,245

Provisions relate to:

- Estimates of customer claims for faulty or defective products supplied and contract disputes.
- Make-good obligations on existing tenanted properties. Actual payment dates and costs will be known once each lease reaches its expiry date.
- Estimate of costs, penalties and fines that could be imposed by the Commerce Commission.

In March 2016, the Commerce Commission announced an investigation into grade 500E ductile steel mesh. In December 2016 the Commerce Commission announced that it had completed its investigation in relation to several companies, and that it intended to prosecute three companies under the Fair Trading Act, including Steel & Tube. The expected costs in relation to this prosecution have been provided for, as have any proceeds that will be recovered under the Group's insurance policies.

The Commission's prosecution of Steel & Tube relates to the inadvertent use of a testing laboratory's logo on test certificates, and the application of testing methodologies.

Following a Group wide review, quality resources have been strengthened and quality management processes have and continue to be enhanced.

E4: Contingent Liabilities

Indemnities given to the Company's trading banks in respect of performance bonds were $2.5m (2016: $0.8m) at balance date and were transacted in the ordinary course of business.

E5: Auditor Remuneration

	2017 $000	2016 $000
Fees paid to PwC		
– annual audit & half year review	304	259
– tax compliance: annual tax return	24	29
– system implementation quality assurance services	106	72
– other	2	17

The accompanying notes form part of these financial statements.

E6: 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	**2017 Holding**	2016 Holding
Steel & Tube New Zealand Limited	Non-trading	**100%**	100%
Composite Floor Decks Holdings Limited	Non-trading	**100%**	0%
Studwelders Limited	Non-trading	**100%**	0%
S&T Stainless Limited	Stainless Distributor	**100%**	100%
Manufacturing Suppliers Limited	Fastenings Distributor	**100%**	100%
S&T Plastics Limited	Pipe Manufacturer	**100%**	100%
Composite Floor Decks Limited	Floor Decking Installer	**100%**	0%

Transactions with Key Management Personnel

	2017 $000	2016 $000
Short-term benefits	**3,717**	3,248
Share-based benefits	**688**	841
	4,405	4,089

The Key Management Personnel are the Non Executive Directors and Executive Management. Included in short-term benefits are Directors' fees of $349,125 (2016: $338,100).

Executive Share Plan 2003

The Executive Share Plan offers key personnel an opportunity to subscribe for rights to Company shares, as directed by the Board. Vesting of the rights occurs upon achieving Board-approved targets, based on total shareholder returns, after a minimum of three years to a maximum of five years from grant date and vest as equity. The rights to shares are equity settled and the accumulated dividends are paid in cash.

At July 2016 1,074,218 rights to shares were outstanding. Rights outstanding, granted or forfeited carry no exercise price. During the year the following movements of rights to shares occurred in accordance with the rules of the share plan:

- 483,624 shares (2016: 493,441 shares) were granted, or purchased for the Executive Share Plan. Issue Date fair value $2.21.
- 226,347 rights to shares (2016: 110,599 shares) were forfeited.
- 228,937 rights to shares (2016: 256,232 shares) were exercised at an average share price of between $2.19 and $2.37 (2016: $2.67).

The accompanying notes form part of these financial statements.

1,102,558 rights to shares were outstanding at the end of the year and have the following expiry date and issue date fair values, the weighted average remaining contractual life of the rights outstanding is 3.0 years (2016: 3.1 years):

Rights Issue date	Expiry date	Issue date fair value	Rights available 2017	Rights available 2016
1 July 2012 – Tranche 10	30/06/17	$2.17	-	48,806
1 July 2013 – Tranche 11	30/06/18	$3.10	**118,946**	273,801
1 July 2014 – Tranche 12	30/06/19	$2.85	**236,926**	261,678
1 July 2015 – Tranche 13	30/06/20	$2.66	**287,303**	489,933
1 July 2016 – Tranche 14	30/06/21	$2.21	**459,383**	-

The fair value of rights is determined using a Monte Carlo share price simulation model undertaken by an independent external party. 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 23.2%, expected option life of between 1 and 5 years and an annual risk free interest rate of 2.06%. Volatility has been calculated based on the annualised volatility for the four years prior to the rights issue.

The Board appoints a Trustee to administer the plan. Any rights not vested after the expiry of five years are cancelled. The cost associated with this plan is measured at fair value at grant date and is recognised as an expense in profit or loss over the vesting period, with a corresponding entry to the reserve in equity. Shares purchased in this plan are recognised as treasury shares until they are distributed.

KEY POLICY

E7: Financial Instruments

	Loans and receivables	Derivatives for hedging	Liabilities at amortised cost
Group 2017			
Cash and cash equivalents	**6,517**	**-**	**-**
Trade and other receivables excluding prepayments	**87,917**	**-**	**-**
Derivative financial instruments (1)	**-**	**2**	**-**
Total financial assets	**94,434**	**2**	**-**
Borrowings	**-**	**-**	**133,374**
Trade and other payables	**-**	**-**	**52,580**
Derivative financial instruments (1)	**-**	**1,714**	**-**
Total financial liabilities	**-**	**1,714**	**185,954**
Group 2016			
Cash and cash equivalents	2,287	-	-
Trade and other receivables excluding prepayments	88,612	-	-
Derivative financial instruments (1)	-	33	-
Total financial assets	90,899	33	-
Borrowings	-	-	97,900
Trade and other payables	-	-	39,867
Derivative financial instruments (1)	-	854	-
Total financial liabilities	-	854	137,767

(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).

E8: Financial Assets

The Group classifies its financial assets as loans and receivables. Adjustments to fair value are recognised through profit or loss, which includes derivatives held for hedging. The classification within profit or loss depends on the purpose for which the assets were acquired. Management determines the classification of the assets at the initial recognition and re-evaluates the designation at each reporting date.

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.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. 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 loans and receivables comprise trade and other receivables and cash and cash equivalents. They are recognised initially at fair value and subsequently at amortised cost less any impairment.

E9: Land and Buildings

This note provides an indication about the reliability of the inputs used in determining fair value of land & buildings. The Group has classified its land & buildings fair value as Level 3 as prescribed under the accounting standards.

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 on page 41.

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]
Owned land & buildings	Discount rate	7.13% – 9.69%
	Terminal yield	6.25% – 9.25%
	Capitalisation rate	6% – 8.75%
Building under re-development	Estimated cost to completion	

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) (ref Note E6 page 52). 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.

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. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer.

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).

Adoption status of relevant new financial reporting standards and interpretations

There are no new standards or amendments to standards applicable to the Group for the year ended 30 June 2017.

Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 30 June 2017 and have not been early adopted by the Group. The assessment of the impact of these new standards and interpretations is set out below:

NZ IFRS 9: Financial Instruments (Effective date: periods beginning on or after 1 January 2018)

NZ IFRS 9, 'Financial Instruments', addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The Group intends to adopt NZ IFRS 9 on its effective date and has yet to assess its full impact.

NZ IFRS 15: Revenue from Contracts with Customers (Effective date: periods beginning on or after 1 January 2018)

NZ IFRS 15 replaces the current guidance in NZ IAS 18 which covers contracts for goods and services and NZ IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

The standard is effective for the Group for the year ending 30 June 2019.

The Group intends to adopt NZ IFRS 15 on its effective date and has yet to assess its full impact but will complete its assesment within FY18.

NZ IFRS 16: Leases (Effective date: periods beginning on or after 1 January 2019)

NZ IFRS 16, 'Leases', replaces the current guidance in NZ IAS 17. Under NZ IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. 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 virtually all lease contracts. NZ IFRS 16 includes an optional exemption for certain short-term leases and leases of low-value assets. This exemption can only be applied by lessees.

The standard is effective for the Group for the year ending 30 June 2020. Early adoption is permitted but only in conjunction with NZ IFRS 15, 'Revenue from Contracts with Customers.

The Group intends to adopt NZ IFRS 16 on its effective date and is currently assessing the impact of NZ IFRS 16. The impact of NZ IFRS 16 will be to gross up assets and liabilities of the Group as a result of including operating leases on balance sheet. The Group has undertaken some preliminary assessments of the impact of the standard. Given the Group's significant lease property portfolio the standard is expected to materially impact on the Group's balance sheet and profit or loss. The accounting standard change will not impact the cashflows of the Group.

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Independent auditor's report

To the shareholders of Steel & Tube Holdings Limited

Our opinion

In our opinion, the consolidated 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 2017, 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).

What we have audited

The consolidated financial statements comprise:

- the balance sheet as at 30 June 2017;
- 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 includes significant accounting policies.

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 consolidated 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 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional 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 areas of tax compliance services and other services related to quality assurance over the Company's ERP replacement project. The provision of these other services has not impaired our independence as auditor of the Group.

Our audit approach

Overview

Overall group materiality: $1.45 million, which represents 5% of profit before tax.

We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark.

Our key audit matters are:

- Accounting for the acquisition of Composite Floor Decks Limited ("CFDL")
- Assessment of goodwill impairment for the Distribution cash generating unit

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Materiality

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

Based on our professional judgment, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated 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 consolidated financial statements as a whole.

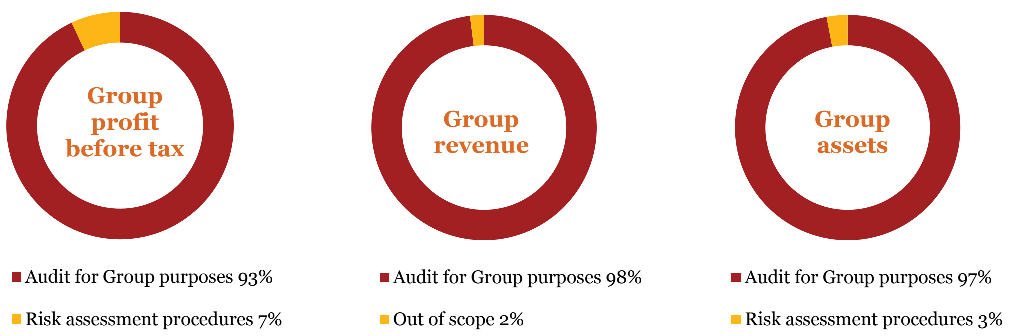
Audit scope

We designed our audit by assessing the risks of material misstatement in the consolidated 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 consolidated 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.

The consolidated financial statements are a consolidation of five subsidiaries, all based in New Zealand but some with separate finance functions. To obtain sufficient evidence over the Group components we scoped our audit to obtain coverage and comfort on a financial statement line item basis, including performing risk assessment procedures. All audit procedures were conducted by the Group audit team.

Taken together, our work covered the following percentages of the Group's results:



Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Accounting for the acquisition of Composite Floor Decks Limited The Group acquired the assets and business of Composite Floor Decks Limited (CFDL) in the year for $15.5 million, comprising $12.9 million net cash and $2.6 million contingent cash consideration. This was a key audit matter since the accounting standards can be complex in relation to identifying and valuing the assets and liabilities acquired and, in this instance, required the Directors to exercise significant judgment in relation to the identification and measurement of intangible assets acquired. As part of the purchase price allocation exercise, $1.5 million of customer contracts were identified and recognised at fair value. Fair value was determined by undertaking a discounted cash flow valuation of the forecast expected net cash flows to be received from the customer contracts existing at acquisition date. Estimated net cash flows included the expected gross margins to be achieved in fulfilling the contracts, an allocation of expected expenses, and a capital charge to represent the cost of assets used in generating the cash flows. The resulting net cash flows were discounted over the lives of the contracts at the Group's current cost of capital. Refer to section C4 in the financial statements for disclosures on this business combination.	We obtained an understanding of the acquisition of CFDL by reading the relevant contractual agreements and documents, including but not limited to, the sale and purchase agreement, the associated customer contracts acquired, and the business case for the acquisition as approved by the Directors. The area of the acquisition which was subject to significant judgment and estimation was the identification and measurement of the customer contracts acquired. We obtained the valuation undertaken by management and tested the mathematical accuracy of the model. We used our own valuation expert who we determined was appropriately qualified and experienced to assist us in evaluating the valuation methodology and the key judgments and assumptions used by the Group in determining the value of the customer contracts. We compared the assumptions adopted by management around the cost of capital and the basis for allocating certain indirect costs to comparable organisations and performed our own assessments in relation to key inputs to the valuation as follows: • Determined which customers were included in the customer contract valuation calculation and the associated revenue by agreeing a sample of contractual revenues included in the valuation to the underlying contracts; • Assessed the estimated margin through reviewing the budgeted margins approved at contract inception and comparing budgeted margins to actual results; • Assessed the allocation of other direct and indirect expenses, including capital charges, by comparison to historic actual costs; and • Performed sensitivity analysis on the key assumptions to assess their impact on the measurement of customer contracts. No significant issues arose undertaking these procedures.
Assessment of goodwill impairment for the Distribution cash generating unit The Group has $47.2 million of goodwill relating to various cash generating units (CGU), including $4.9 million relating to the Distribution CGU. Management are required to undertake an impairment review of goodwill at least annually. This involves using cash flow forecasts to value the CGU and compare this valuation to the underlying carrying amount of the CGU, including goodwill.	We understood and evaluated the Group's processes and controls relating to the assessment of the recoverable amount of the Distribution CGU. We obtained management's valuation of the Distribution CGU and undertook the following audit procedures: • Tested the mathematical accuracy of the valuation model; • Compared forecast results to Board-approved budgets;

Key audit matter	How our audit addressed the key audit matter
The Group has performed an impairment review of each CGU as at the reporting date. The valuations require the use of judgments and estimates in forecasting future cash flows including revenue, gross profit, growth rates, discount rates and terminal growth rates. Competitive pressures within the building product supply industry are impacting upon the financial performance of entities within the sector. Reflecting these sector wide pressures management identified there is a risk that forecast performance may not be sufficient to support the carrying value of the Distribution CGU, including goodwill. Given these factors, the potential risk of impairment within the Distribution CGU was considered a key audit matter. Refer to section C2 in the financial statements for disclosures on the assessment of Distribution goodwill.	• Assessed forecast earnings growth rates by comparing them to historic achieved growth rates, and industry growth rates; • Considered the reasonableness of the Group's discount rate by comparison to an independently-calculated discount rate developed via the use of an internal valuation expert and consideration of the cost of capital of comparable organisations. While we calculated a discount rate higher than that used by the Group, sufficient headroom exists to support the carrying value of goodwill when using this higher discount rate; • Assessed the working capital and capital expenditure requirements by comparing forecast cash flows to historical requirements and obtaining support for future plans; and • Assessed management's forecasting accuracy by comparing historical forecasts to actual results. We also assessed whether the Group's disclosures in relation to the impairment assessment undertaken and the sensitivities of key assumptions were appropriate in the financial statements and concluded they were appropriate. Because of the subjectivity involved in valuing CGUs and the existence of cash flow forecast uncertainties, acceptable alternative assumptions and valuation methods, there is a range of values which can be considered reasonable when evaluating the carrying value of a CGU. We concluded that the recoverable value was within an acceptable range.

Information other than the financial statements and auditor's report

The Directors are responsible for the annual report. Our opinion on the consolidated financial statements does not cover the other information included in the annual report and we do not, and will not, express any form of assurance conclusion on other information. At the time of our audit, there was no other information available to us.

In connection with our audit of the consolidated financial statements, if other information is included in the annual report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 our auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of the Directors for the consolidated financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 Kevin Brown.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
17 August 2017

Wellington

Governance

Corporate Governance at Steel & Tube is predicated on high standards of ethics and performance, and is achieved through robust governance policies, practises and processes to ensure compliance with the NZX (New Zealand Exchange) Main Board Listing Rules.

The company's corporate governance framework materially complies with the NZX Corporate Governance Code and the FMA's (Financial Markets Authority) Corporate Governance Principles and Guidelines.

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.

Board of Directors

The Board of Directors is elected by shareholders and has overall responsibility for strategy, culture, health and safety, governance and performance.

Board role and responsibilities

The Board Charter is reviewed regularly and is available on the company's website www.steelandtube.co.nz.

The Board's role includes:

- Appointing the Managing Director and CEO (MD/CEO) and monitoring the MD/CEO's performance
- Determining Steel & Tube's strategic direction
- Ensuring an appropriate risk management framework is maintained that reflects the Board's risk appetite, and regularly reviewing principal risks and overseeing the management of material business risks
- Monitoring of company performance against strategy, business plans and budgets
- Ensuring the company's business is conducted in an honest, ethical, responsible and safe manner
- Approving financial and corporate reporting, and monitoring compliance with continuous disclosure obligations
- Approving and monitoring the company's Health and Safety framework

The Board is committed to acting in the best interests of the company and for the benefit of shareholders.

Delegation of authority

The Board Charter allows the Board to delegate some of its responsibilities, powers and authorities to Board Committees. More information on those committees is set out on page 63.

The Board has delegated authority for the day-to-day leadership and management of the business to the MD/CEO, including implementation of Steel & Tube's strategic objectives, within the risk appetite set by the Board.

The MD/CEO in turn has sub-delegated authority to other company management within specified financial and non-financial limits.

A formal Delegations of Authority Policy (DoA) documents the Board and Management delegated authorities. The DoA is reviewed by the Board annually.

Board membership and tenure

The Board's composition reflects its commitment to ensure it has a mix of skills, experience, knowledge and diversity to discharge its responsibilities and add value to the company.

Steel & Tube's Chair is required to be an independent director. The MD/CEO is not an independent director. The Board annually reviews the independence of directors.

The company's Constitution provides for up to 10 directors. At 30 June 2017 there were six directors (five independent directors and a non-independent director):

Director	Appointed	Last Elected at ASM
Susan Paterson (Chair)	16 January 2017	
Sir John Anderson (Chairman) *	10 November 2011	2016
Mark Malpass	1 March 2017	
Dean Pritchard	20 May 2005	2015
Dave Taylor (Non-Independent Director/MD/CEO)	5 October 2009	2013
Anne Urlwin	1 June 2013	2016
Rosemary Warnock	22 September 2010	2014

* Retired as a director 31 March 2017

Dean Pritchard has advised his intention to retire as a director at the 2017 Annual Shareholders Meeting.

The Chair is an independent director whose role is to provide leadership and manage the Board effectively, and lead relationships with shareholders.

Details of the directors are set out elsewhere in the Annual Report and on the company's website www.steelandtube.co.nz.

Steel & Tube's directors offer a wide range of complementary skills, experience and expertise across steel and steel distribution businesses, the operation and management of large complex organisations, governance, business strategy, finance and New Zealand and Australian markets.

Director appointment and election

Subject to the constitutional limit on Board size the Board may appoint additional directors or appoint a replacement director to fill a casual vacancy. Any directors appointed to fill a casual vacancy must stand for election at the next Annual Shareholder's Meeting. Candidates are identified based on a range of factors including qualifications, experience and skills, and are assessed against the skills and competencies required at that time and for the future. Where required, external advisors are utilised to assist in the director recruitment process.

Shareholders may also nominate candidates for election to the Board.

Director remuneration

The framework for directors' remuneration is set out in the Remuneration Policy available at www.steelandtube.co.nz. Director remuneration is regularly reviewed and supported by external advice.

Remuneration received by directors for the year ended 30 June 2017 is set out in the Remuneration section of this report.

Director independence

In order for a director to be independent, the Board has determined that he or she must not be an executive of Steel & Tube and must have no disqualifying relationships (other than solely as a consequence of being a director).

The Board has not set financial thresholds for determining independence. Instead the Board assesses materiality in the context of the nature of each relationship between the director and the related party and the materiality to Steel & Tube, including whether the related party is a customer, supplier or advisor.

The Board considers that all directors are independent directors other than MD/CEO Dave Taylor.

Board performance

The Board monitors its own performance and from time to time receives external reviews to assess the performance of individual directors and the Board's effectiveness. The last review was conducted in during 2015 and led to a Board refreshment process.

Board committees

The Board has established several standing committees, each of which has a Board-approved Charter (available on www.steelandtube.co.nz) summarising the role, responsibilities, delegations and membership requirements. The Board regularly reviews the Charters of each Board Committee and the committees' performance against those Charters.

Board committees assist the Board by focussing on specific responsibilities in greater detail than is possible in Board meetings. The Board appoints the members and chair of each committee, with the committee chair reporting committee recommendations to the Board.

The Board committees as at 30 June 2017 were:

Health, Safety and Environment Committee

Role	Assist the Board to meet its responsibilities in relation to the company's Health and Safety (H&S) policies and procedures, and legislative compliance
Members	Rosemary Warnock (Chair), Mark Malpass, Susan Paterson, Dean Pritchard, Dave Taylor, Anne Urlwin
Independence	The Committee Chairman is independent as are all members except for MD/CEO Dave Taylor
Responsibilities	• Review the adequacy of management systems, processes and practises in relation to H&S in the workplace • Assess the effectiveness of the company's H&S vision, culture and governance framework • Monitor H&S legislative compliance • Assess the appropriateness of H&S targets and monitor performance • Review H&S risk analysis, audit results and serious H&S incidents • Engage with staff at various locations to experience first-hand the H&S culture and behaviours

Audit and Risk Committee

Role	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
Members	Anne Urlwin (Chair), Mark Malpass, Susan Paterson, Dean Pritchard, Rosemary Warnock
Independence	All Committee members are independent
Responsibilities	• Oversee the quality and integrity of external financial reporting, including annual and interim financial statements, related NZX announcements and all other financial information released to the market • Oversee the effective operation of internal controls, and the risk management assurance and compliance framework, including internal audit • Recommend to the Board the appointment, removal and remuneration of the external auditors, review the scope and quality of the audit, and monitor the auditor's independence, including the pre-approval of any non-audit services provided by the external auditors • Recommend to the Board the appointment, removal and remuneration of the outsourced internal auditors, and review the scope and findings of internal audit reviews, including approval of the annual internal audit plan

Governance and Remuneration Committee

Role	Assist the Board to establish and maintain a strong governance framework overseeing the management of the company's people, remuneration and diversity policies.
Members	Dean Pritchard (Chair), Susan Paterson, Mark Malpass, Dave Taylor, Anne Urlwin, Rosemary Warnock
Independence	The Committee Chair is independent as are all members except for MD/CEO Dave Taylor
Responsibilities	• Assess the appropriateness of governance policies and processes adopted by the Board • Review the remuneration of non-executive directors • Assess the company's remuneration framework and key policies, including long-term and short-term incentive arrangements • Review the remuneration packages of the MD/CEO and senior executives • Monitor processes for the identification and development of key and high potential personnel, including succession planning • Monitor performance of the Diversity Policy objectives

Nominations Committee

Role	Assist the Board in ensuring appropriate Board performance and composition and in appointing directors
Members	Susan Paterson (Chair), Mark Malpass, Dean Pritchard, Dave Taylor, Anne Urlwin, Rosemary Warnock
Independence	The Committee Chair is independent as are all Committee members except for MD/CEO Dave Taylor
Responsibilities	• Monitor the Board composition to ensure an appropriate mix of expertise and experience • Assist the Board in planning the Board's composition, reviewing Board succession plans and determining the skills and experience of prospective directors where a vacancy exists • Ensure the effectiveness of the induction programme for new directors • Assist the Board in reviewing its performance and that of individual directors

In accordance with good practice, MD/CEO Dave Taylor is no longer a member of the Governance and Remuneration Committee and the Nominations Committee.

Board and committee meetings and attendance

The table below sets out directors' attendance at Board and committee meetings in the year ended 30 June 2017.

	Board	Health, Safety & Environment Committee	Audit & Risk Committee	Governance & Remuneration Committee	Nominations Committee
Total number of meetings held	8	4	4	2	1
Susan Paterson *	4	2	2	1	-
Sir John Anderson **	5	2	3	1	1
Mark Malpass ***	3	2	1	1	-
Dean Pritchard	8	4	4	2	1
Dave Taylor	8	4	4	2	1
Anne Urlwin	8	4	4	2	1
Rosemary Warnock	8	4	4	2	1

*Appointed 16 January 2017 **Retired 31 March 2017 ***Appointed 1 March 2017

Health and safety

The Board is committed to taking all reasonably practicable steps to ensure a safe and healthy environment for all Steel & Tube people and anyone in the company's workplaces.

All directors are members of the Board's Health, Safety and Environment Committee, which regularly visits the company's sites to review health and safety in the workplace and engage directly with staff on health and safety matters.

Health and Safety is discussed at all Board meetings. Quarterly comprehensive reports from management are reviewed by the Health, Safety and Environment Committee. The reports cover lead and lag indicator performance, reviews of Lost Time Incidents (LTIs), and Medical Treatment Incidents (MTIs). High potential incidents are also recorded and reported to identify root causes and to eliminate potential risks.

Employee involvement is a key component of the company's Health and Safety management system. Cascading down from the Board Health, Safety and Environment Committee the company's Health and Safety Committee, chaired by the MD/CEO, recommends policy and oversees resource allocation and progress against yearly action plans.

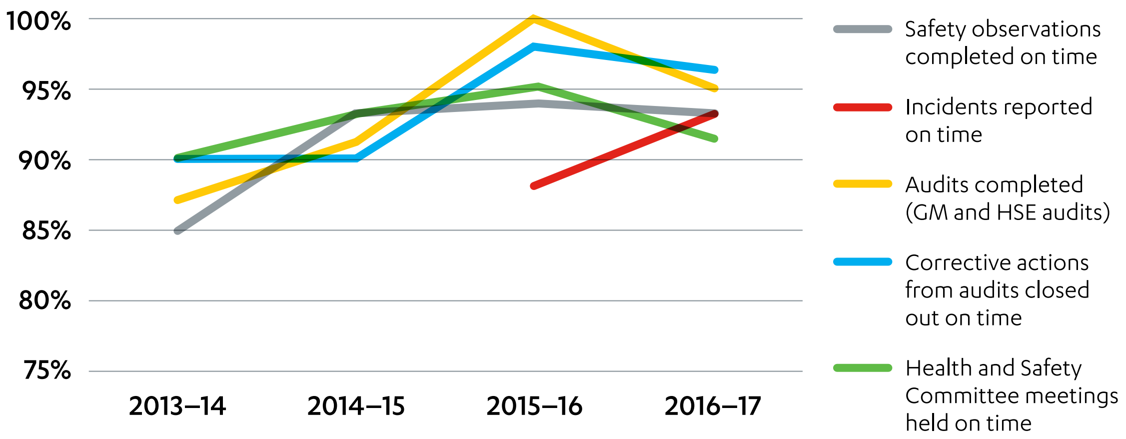
Reporting to the company's Health and Safety Committee is an Operational Health and Safety Committee, comprised of operational managers from throughout the organisation. This committee is responsible for validating new policies, initiatives and actions from a workplace perspective. Additionally, this committee interacts with the businesses and raises operational issues that have the potential to impact health and safety to the company Health and Safety Committee.

Each of the company's operational facilities has its own Health and Safety Committee with representatives from all work groups, including elected representatives. These committees have responsibility for ensuring compliance with the company's Health and Safety Policy and are responsible for day-to-day health and safety at their facility.

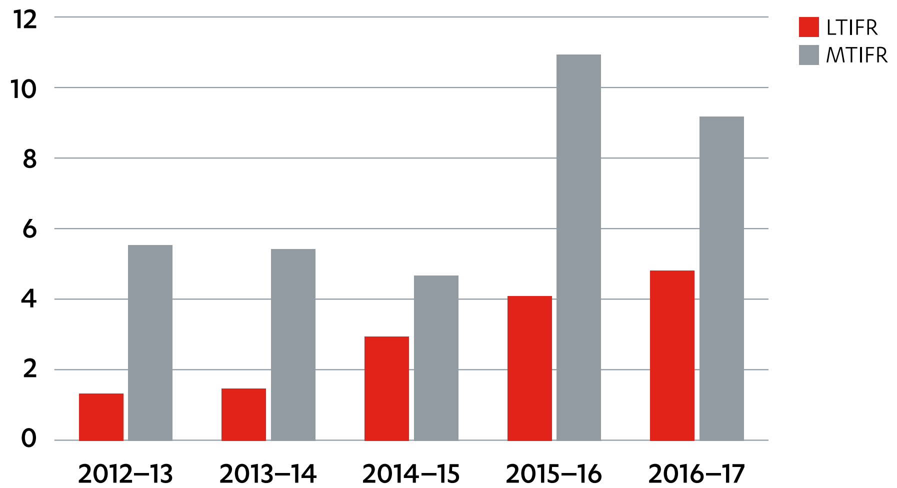
Lead indicators are tracked over time and illustrate that promoting a strong safety culture is a high priority. Tracking of (LTIs) and (MTIs) is important to identify trends and intervention strategies.

An example is when LTI and MTI trend analysis in 2015 revealed a spike in hand injuries that were occurring during crane related tasks. A training programme called 'Hands off' was launched that eliminated hand injuries virtually overnight. Recently acquired businesses are rapidly assimilating the company's safety culture and LTI and MTI frequency rates are reducing following an acquisition spike in the year ending 2016.

Lead indicators



LTI and MTI frequency ratios per million hours worked



Managing risk

Steel & Tube's ability to deliver appropriate returns to its shareholders requires successful execution of the company's business strategy and plans. The company is exposed to risks from a number of sources, including operational, strategic, economic and financial risks.

Steel & Tube's Risk Management Policy, available at www.steelandtube.co.nz, provides for a risk management framework that incorporates policies, procedures and appropriate internal controls to identify, assess and manage areas of significant business and financial risks.

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.

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.

External audit

The Audit and Risk Committee monitors the ongoing independence, quality and performance of the external auditors PWC, 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 2017 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 external auditors attend the Annual Shareholders Meeting each year.

Acting ethically and responsibly

The Board has adopted a Code of Ethics, available at www.steelandtube.co.nz, which requires the upholding of the highest ethical standards, acting in good faith and in the best interests of Steel & Tube.

The company Policy Manual contains a Code of Conduct, which includes requiring employees to have due regard to all legal and regulatory requirements.

Trading in Steel & Tube securities

Steel & Tube has an Insider Trading Policy (available on www.steelandtube.co.nz) 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.

Market disclosures

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 (available on www.steelandtube.co.nz) sets out the principles and requirements of this commitment to timely and balanced disclosures.

Stakeholder communications and meetings

Steel & Tube's 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.

The company endeavours to make it easy for shareholders to participate in annual meetings, which are held in main centres. Shareholders are able to ask questions of and express their views to the Board, management and the external auditors at annual meetings.

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.

The Board considers that shareholders should be entitled to vote on decisions that would change the essential nature of Steel & Tube's business.

Diversity

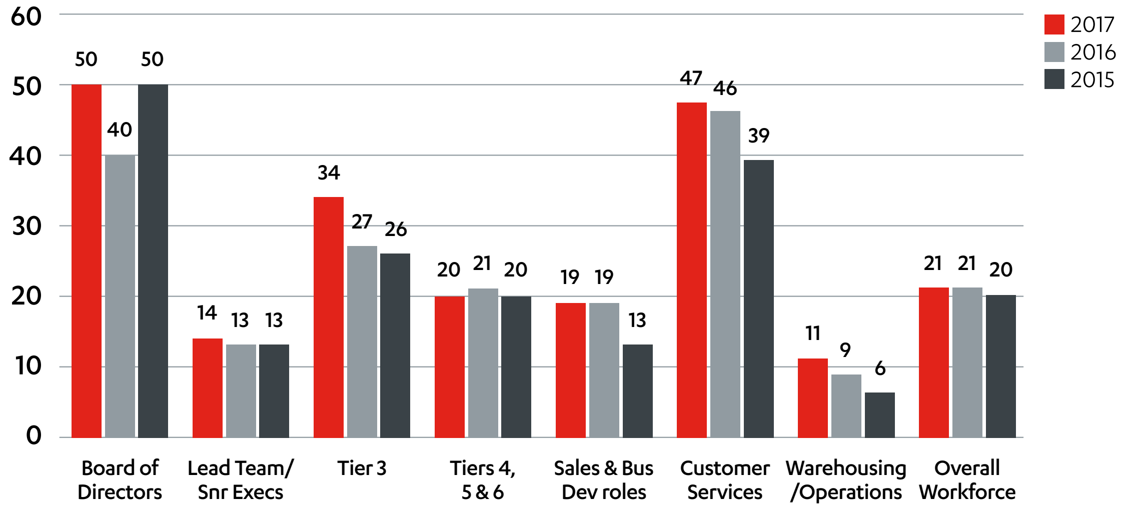
Steel & Tube believes that attracting and retaining a committed workforce is contributed to by embracing diversity.

The company's Diversity Policy (available on www.steelandtube.co.nz) aims to ensure a focus on diversity throughout the organisation.

The policy is reviewed annually, along with a review of progress towards achieving its diversity principles and objectives. In undertaking the August 2017 review of the Policy and its implementation, the Board concluded that overall Steel & Tube is meeting its diversity principles and objectives.

The goal of the Diversity Policy is to ensure that everyone working at Steel & Tube is treated fairly and with respect and that diverse skills, values, backgrounds, ethnicity and experience are truly valued within the company.

% of females in Steel & Tube roles as at 30 June 2017



Remuneration

Remuneration framework

The Board has adopted a Remuneration Policy and this is available on the company's website at www.steelandtube.co.nz.

The Board is assisted in delivering its responsibilities for director and executive remuneration by the Remuneration and Governance Committee. The role and membership of this Committee is set out earlier in this report.

Director remuneration

Total remuneration available to non-executive directors in the year ended 30 June 2017 was $420,000 as approved by shareholders. This annual fee pool limit has not been increased since it was approved at the 2007 Annual Shareholders Meeting.

The Remuneration and Governance committee reviews the remuneration of directors annually.

As at 30 June 2017 the standard annual directors' fees per annum were $126,000 for the chair and $63,000 for each non-executive director. Board committee chairs and members do not receive additional fees for their committee responsibilities.

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 independent directors during the year ended 30 June 2017 were:

Director	Directors fees	Responsibility
Susan Paterson [1]	$52,350	Board Chair
Sir John Anderson [2]	$86,800	Board Chair
Mark Malpass [3]	$21,000	
Dean Pritchard	$63,000	Governance & Remuneration Committee Chair
Anne Urlwin	$63,000	Audit Committee Chair
Rosemary Warnock	$63,000	HS&E Committee Chair

1. Susan Paterson was appointed a Director in January 2017 and became Chair on 16 February 2017
2. Sir John Anderson retired as a Director in March 2017
3. Mark Malpass was appointed a Director in March 2017

Independent directors do not participate in an incentive or profit-sharing plan, do not receive compensation in share options, do not have superannuation or any scheme entitlements, and do not receive retirement benefits.

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 MD/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 MD/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 MD/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 MD/CEO and executives are set as a percentage of FAR.

STI performance targets reflect a mixture of financial, safety and personal objectives appropriate for the position held by the individual STI participant.

There are two LTI performance conditions (50% each). The Benchmark Comparator ranks the Company's Total Shareholder Return (TSR) relative to the TSR of the NZX (All Index) securities and the Base Comparator ranks the Company's TSR relative to the NZ Consumer Price Index plus 5%. LTI grants are able to be exercised from the third anniversary of the grant date until the expiry date (the fifth anniversary of the grant date plus three months), providing the performance conditions have been satisfied i.e. LTI grants can vest between three and five years if performance conditions are met.

The company's LTI scheme has been in place since 2003 and is currently being reconsidered, including a review of the performance conditions.

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.

MD/CEO remuneration

The MD/CEO's remuneration consists of a FAR, an STI at 50% of FAR and an LTI of 60% of FAR. This is reviewed annually by the Board Remuneration Committee and approved by the Board each year.

The STI performance targets for the MD/CEO for the year ending 30 June 2017 were as follows:

Target KPIs		Weighting
Net Profit Before Tax		30%
Working Capital	Debtor Days	10%
	Inventory	10%
Health & Safety – Leading and lagging indicators		10%
Personal KPIs based on strategic and business priorities		40%

The table immediately below sets out MD/CEO FAR and the pay for performance components of the MD/CEO's remuneration package. This table sets out the pay for performance outcomes for STI and LTI assuming 100% is paid out. This is not what was paid to the MD/CEO during the reported financial year.

	Fixed Remuneration			Pay for Performance			Total target remuneration
	FAR[1]	Non-taxable benefits[2]	Sub total	Target STI[3]	Target LTI[4]	Sub total	
FY17	$855,000	$6,214	$861,214	$427,500	$513,000	$940,500	$1,801,714

The Table below sets out the percentage of target achieved for the pay for performance component of the MD/CEO's remuneration package.

	% of target STI paid	STI performance period	% of target LTI vested	Span of LTI performance periods
FY17	47.50%	FY16	50%	FY14–16
FY16	83.75%	FY15	84%	FY13–15

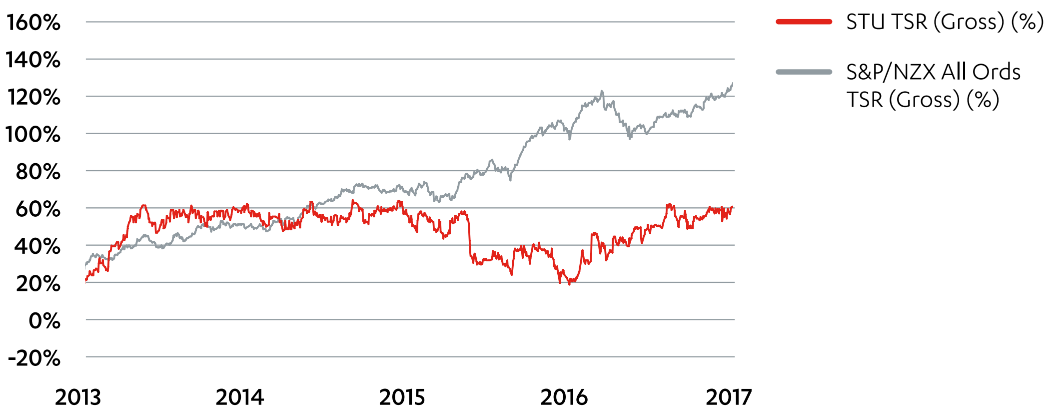
The table below sets out what has been earned (as opposed to paid in the year) by the MD/CEO over the last two years.

	Fixed annual remuneration	Non-taxable benefits	STI earned in FY[5]	Value of LTI vested during FY[6]	Total remuneration earned during FY
FY17	$855,000	$6,214	$106,875	$268,316	$1,236,405
FY16	$824,000	$4,635	$195,700	$563,317	$1,587,652

1 FAR includes any KiwiSaver employer contributions
2 Other benefits consist of Life & Disability insurance
3 STI target for the FY which is subject to achievement of performance targets as agreed with Board in each FY
4 LTI value of actual Rights granted in each FY period (which may vest in the following three to five year period based on performance)
5 STI payable for the FY following 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

The graph below represents a five-year summary of cumulative gross Total Shareholder Returns (TSR) for Steel & Tube against the NZX All Ords Index.

Five year TSR comparison



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 2017 are specified in the table.

The remuneration noted includes all monetary payments actually paid during the course of the year ended 30 June 2017, and the gross dividends paid to LTI scheme participants for share performance rights that vested in the year ended 30 June 2017.

The remuneration paid to, and other benefits received by Dave Taylor in his capacity as MD/CEO for the year ended 30 June 2017 are detailed on pages 70 and 71, and are excluded from the table.

Remuneration Range $000	No. of Employees
100 – 110	23
110 – 120	23
120 – 130	20
130 – 140	15
140 – 150	7
150 – 160	9
160 – 170	10
170 – 180	4
180 – 190	5
190 – 200	3
200 – 210	1
220 – 230	1
230 – 240	1
250 – 260	1
260 – 270	1
270 – 280	1
290 – 300	2
300 – 310	1
420 – 430	1
440 – 450	1

Disclosures

Directors

Sir John Anderson retired as a director on 31 March 2017.

Susan Paterson was appointed to the Board on 16 January 2017 and became Chair on 16 February 2017. Mark Malpass was appointed to the Board on 1 March 2017.

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 2017:

Director	Interests
Susan Paterson	Appointed as a Director 16 January 2017 and disclosed the following at that date: Director of: SkyNetwork TV, Goodman NZ Ltd and associated companies, Arvida Group Limited, Theta Systems Limited, Les Mills NZ Ltd, Electricity Authority, Tertiary Education Commission.
Mark Malpass	Appointed as a Director 1 March 2017 and disclosed the following at that date: Director of: Waitomo Group Limited, Candesco Limited, Member of Auckland Grammar School Board of Trustees.

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 2017 are:

Director	Shares held
Susan Paterson	40,000 beneficially owned
Mark Malpass	25,000
Dean Pritchard	10,000
Dave Taylor	449,577 individually owned 15,000 jointly owned 672,258 rights to shares
Anne Urlwin	15,000
Rosemary Warnock	2,500

Directors' security dealings

During the year ended 30 June 2017 directors disclosed the following securities transactions in respect of section 148(2) of the Companies Act 1993. 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	24/02/17	40,000	On-market acquisition	$99,878
Mark Malpass	03/03/17	25,000	On-market acquisition	$62,407
Dave Taylor	28/10/16	84,822	Conversion of rights to ordinary shares as per the Executive Share Plan 2003 upon achieving specified targets.	nil
Anne Urlwin	13/03/17	5,000	On-market acquisition	$12,750

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 2017 were:

Company	Directors
Steel & Tube New Zealand Limited	Dave Taylor
Composite Floor Decks Holdings Limited	Dave Taylor, Janie Elrick
Studwelders Limited	Dave Taylor, Janie Elrick
S&T Stainless Limited	Dave Taylor, Janie Elrick
Manufacturing Suppliers Limited	Dave Taylor, Janie Elrick
S & T Plastics Limited	Dave Taylor, Janie Elrick
Composite Floor Decks Limited	Dave Taylor, Janie Elrick

Subsequent to 30 June 2017, Dave Clegg has replaced Janie Elrick as a director on all subsidiary company boards.

Top 20 shareholders

AS AT 16 AUGUST 2017

HSBC Nominees (New Zealand) Limited *	5,152,322	5.69
National Nominees New Zealand Limited *	3,732,788	4.12
Forsyth Barr Custodians Limited	2,540,228	2.80
HPI Avondale Limited	2,103,786	2.32
FNZ Custodians Limited	1,999,951	2.21
Citibank Nominees (New Zealand) Limited *	1,649,906	1.82
Custodial Services Limited a/c 3	1,516,549	1.67
HSBC Nominees (New Zealand) Limited a/c State Street *	968,362	1.07
Custodial Services Limited a/c 4	899,927	0.99
Chester Perry Nominees Limited	871,718	0.96
Custodial Services Limited a/c 2	828,093	0.91
Masfen Securities Limited	812,297	0.90
Public Trust Class 10 Nominees Limited *	789,128	0.87
ASB Nominees Limited a/c 208747 ML	708,307	0.78
Accident Compensation Corporation *	680,000	0.75
Custodial Services Limited a/c 18	532,726	0.59
David William Taylor	449,577	0.50
BNP Paribas Nominees (Nz) Limited – BPSS40 *	442,180	0.49
Neil Douglas Waites	440,620	0.49
CRS Nominees Limited – Steel & Tube Exec Share Plan 2	440,315	0.49
	27,558,780	**30.42**

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

Spread of shareholders as at 30 June 2017

Census of shareholders

AS AT 31 JULY 2017

Size of holdings	Number of holders	Number of shares	% of issued shares
1 – 999	1,653	680,791	**0.75**
1,000 – 4,999	3,618	8,598,116	**9.49**
5,000 – 9,999	1,463	9,487,418	**10.47**
10,000 – 49,999	1,474	25,728,823	**28.40**
50,000 +	196	46,092,878	**50.88**
	8,404	90,588,026	**100.00**

Substantial security holder

The Company has not received any Substantial Security Holder notices during the year ending 30 June 2017.

Issued shares in the Company comprise:

Ordinary shares fully paid	**90,588,026**
Ordinary shares partly paid (no voting rights)^	**45,000**
	90,633,026

^ Shares issued in the Senior Executives Share Scheme 1993

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Computershare Investor Services Limited

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Email: enquiry@computershare.co.nz

Website: www.computershare.co.nz

STRONGER IN EVERYWAY

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