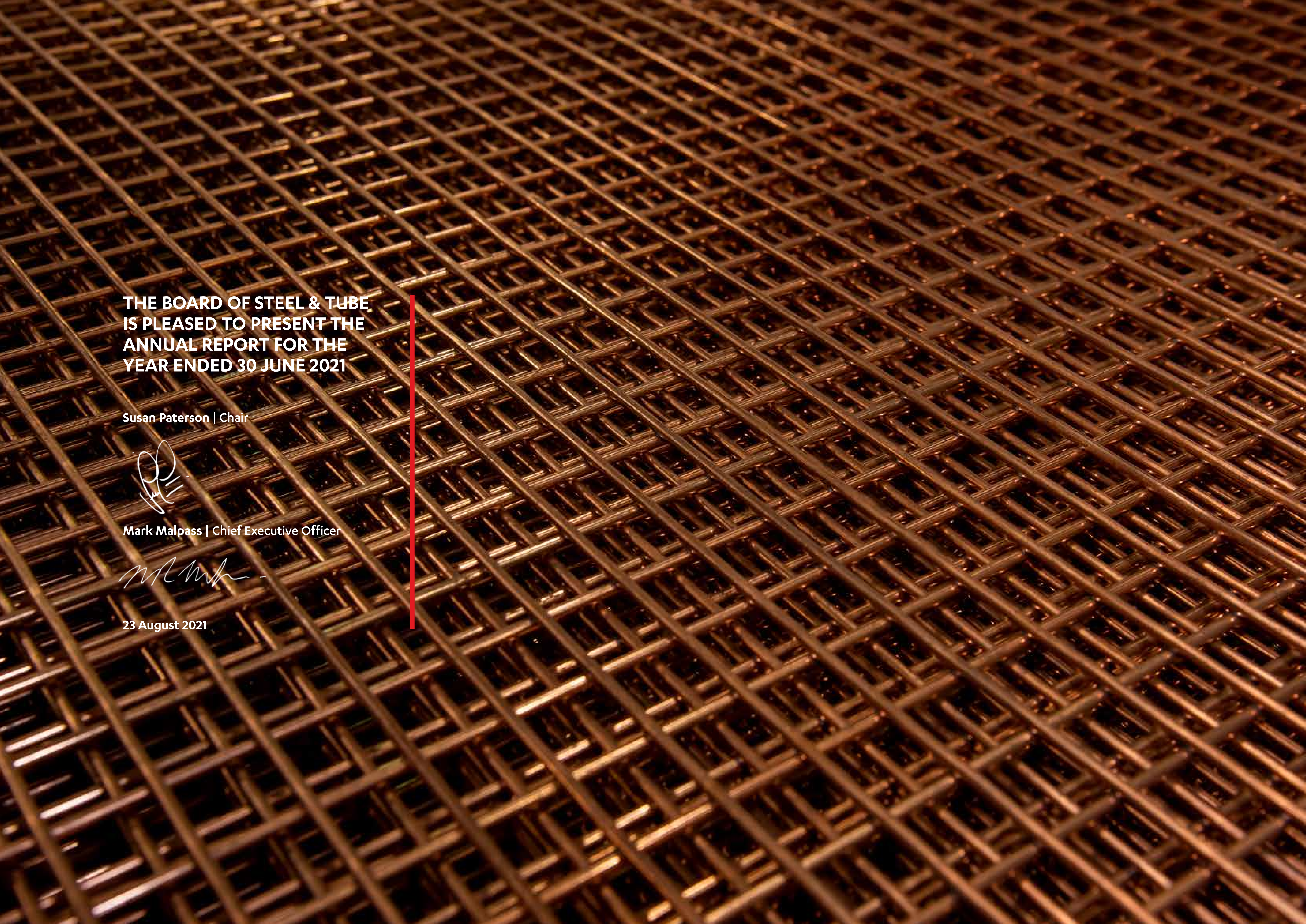
steel&tube
STRONGER TOGETHER

2021 ANNUAL REPORT

STEEL & TUBE HOLDINGS LIMITED



THE BOARD OF STEEL & TUBE IS PLEASED TO PRESENT THE ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

Susan Paterson | Chair

Mark Malpass | Chief Executive Officer

23 August 2021

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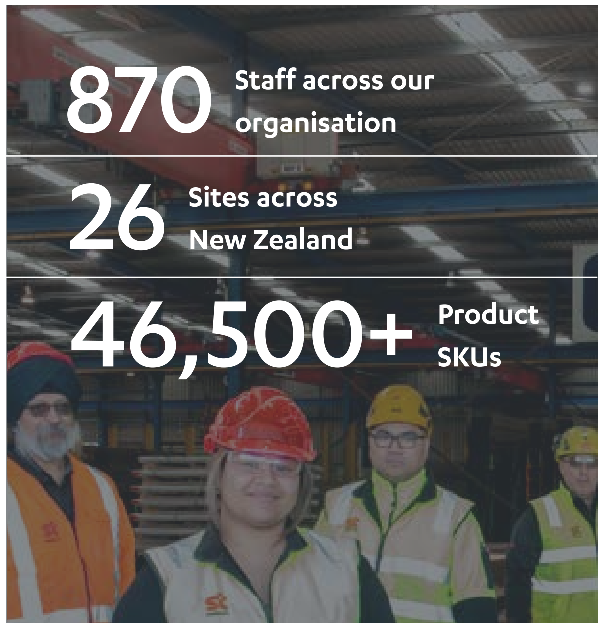
FY21 AT A GLANCE

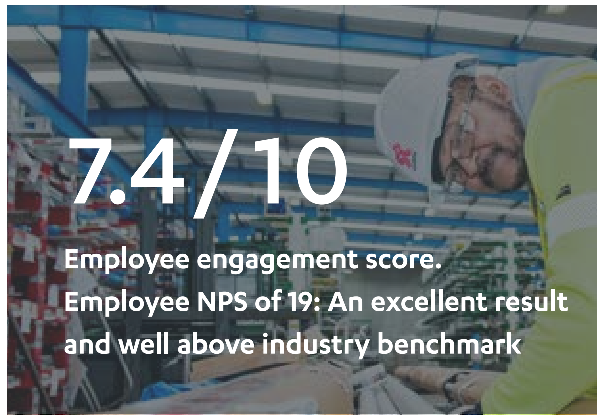
OUR BUSINESS



870 Staff across our organisation

26 Sites across New Zealand

46,500+ Product SKUs



7.4/10

Employee engagement score. Employee NPS of 19: An excellent result and well above industry benchmark

1.86 Well below industry standards

Safety eTRIFR[1]

Positive movement in key sustainability metrics:

13% reduction in fuel consumed;
9% reduction in greenhouse gas emissions;
2% reduction in energy use

10,500+ Active customers

OPERATING ENVIRONMENT

Strong residential construction and infrastructure activity, an uplift in commercial tenders and more recent growth in manufacturing

Increased fast moving inventory in response to global supply chain capacity and shipping constraints

Steady increase in activity across the year following Covid-19 lockdowns, with momentum increasing in 2H21

Steel price inflation due to rising steel commodity input prices coupled with shipping and logistics cost pressures

Labour constraints in some sectors, particularly construction

[1] eTRIFR: Employee Total Recordable Injury Frequency Rate per 1 million work hours

STRATEGIC PROGRESS

Our goals are to be the best in the business, the preferred choice for customers, a rewarding place to work and an attractive investment for our shareholders

Continue to invest in digital technologies to continuously improve the customer experience and expand the customer offer, providing competitive advantage

Continued prioritisation of quality, health, safety and wellbeing

Significant structural cost reductions and network optimisation programme largely completed, with future refinements to be undertaken as needed

Selected partner on large projects; building a reputation for value engineering and delivery performance

Focus on gross margin dollar improvement, customer service and growing sales in attractive segments

New appointments to Board and Leadership Team

Karen Jordan Independent Director
Richard Smyth Chief Financial Officer

FINANCIAL

Significant improvement in earnings

↑ $40.7m EBITDA
↑ $21.8m EBIT
↑ $19.0m Normalised EBIT (Increase from $0.4m in prior year)

Revenue

↑ $480.0m + 15%

Gross Margin dollars

Year on year improvement in gross margin dollars and percentage

Net Profit After Tax

↑ $16.1m

Strong improvement on prior year

Robust Operating Cashflow

$31.5m

Strong Balance Sheet with all bank debt repaid

$25.0m cash as at 30 June 2021

FY21 Paid and Declared Dividends

4.5 cents per share

CHAIR AND CEO'S REVIEW

We are now seeing the benefits of our strategic initiatives over the last three years with an improved financial performance, a leaner organisation and a strong balance sheet. Our thanks go to you our shareholders for your support during this time.

STRATEGIC PROGRESS

At the start of the FY21 financial year, we put in place a clear roadmap to guide our actions going forward and we are making good progress under each of our five pathways which are focused on customers, our people, technology, service and operational efficiency. This year's improved financial results are an indication of the growing value being generated as we move forward with clear strategic objectives – to be the best in the business, the preferred choice for customers, a rewarding place to work and an attractive investment for our shareholders.

In Q4 FY20, Covid-19 provided a unique opportunity to reassess our strategy and we made the bold move of aggressively advancing our long-term network optimisation plans. We exited six sites, including moving the Wellington Head Office to one of our Auckland distribution Centres, and reduced our footprint at a further four locations, resulting in a significant reduction in rental costs. We have also reengineered many of our business processes and organisation requirements. This has allowed us to move forward with a focussed and efficient operating structure.

We are now seeing the benefits of our strategic initiatives over the last three years and particularly our investment in our people and digital technology. We have seen improvements in all areas, with customer sales and margins recovering across the year and a strong pipeline of secured work. Customer service and delivery fulfilment have been a priority and the target of much of our digital investment as we implement an omni-channel platform that delivers the optimal experience for our customers.

We have continued to bring together our businesses by cross selling our extensive offer to customers, leveraging our national footprint and breadth of product offering. We have established a centralised Customer Excellence Centre that maintains a regional focus, provides expanded access to specialist expertise in our sales teams and uses digital data to enable customer segmentation and category management.

Significant site footprint changes have been executed and we now have an optimised national network, maintaining a regional presence and providing an increased product offering. While we see continued efficiency opportunities, the network consolidation programme is largely complete. This, along with the accelerated cost out programme, has delivered a material reduction in our underlying cost structure.

Supply chain management has also been an increased focus, with the establishment of the new role of GM Supply Chain & Distribution Centres early in FY21. During the year, we better managed our working capital, investing in fast moving inventory in response to current global supply chain and capacity issues, while at the same time reducing aged inventory. Technology is again playing an important role as we manage increasing steel prices and cost pressures, with advanced data analytics supporting inventory traceability and pricing governance and controls.

MARKET CONDITIONS

FY21 was a challenging time for many businesses and communities and we are incredibly proud of our people for standing up supporting our customers and delivering a strong result. While we in New Zealand have been lucky to escape the worst of the Covid-19 pandemic, the recent Alert Level 4 lockdowns are a reminder of the impact the pandemic is still having around the world and its economic effects.

Demand for steel has increased as consumers spend up large on whiteware, cars and other items, residential construction soars and governments invest in infrastructure programmes to boost economic activity. Steel mills are operating at capacity and on top of this, supply chains have become congested with no signs that these headwinds will be alleviated anytime soon. This has led to increased pricing across a broad range of steel products.

Steel & Tube has a number of advantages in this environment. We are the most diversified steel provider in New Zealand and not unduly reliant on one or two sectors, which provides greater stability in demand and activity. Our size and scale provides us with buying power and we have long standing and positive relationships with our suppliers in both New Zealand and offshore. Our investment into digital and technology is paying dividends across all areas of our business, enhancing our customer offer and delivering improved efficiencies, governance and controls.

While we have not been overly affected, we are seeing some impact from the labour shortages and travel restrictions with more competition for temporary staff and construction experts and issues with those in our team who have some form of work visa. We continue to provide support and work closely with immigration to provide certainty for these staff members.

FINANCIAL PERFORMANCE

The FY21 financial year saw a strong recovery from Covid-19 in New Zealand, with the execution of strategic initiatives delivering growth, and underpinned by positive economic activity. We significantly improved year on year earnings as a result of sales and margin growth and a material reduction in our underlying cost structure.

FY21 revenue was up 15% to $480.0m with sales and volume growth from both our Distribution and Infrastructure businesses.

EBITDA was $40.7m with normalised EBITDA being $37.9m (FY20: $20.9m). EBIT significantly improved to $21.8m; on a normalised basis this was $19.0m compared to $0.4m in the prior year.

The company had a strong return to profitability with net profit after tax of $16.1m compared to a reported loss of $60.0m in the prior year.

Continued improvements in working capital management and debt collection assisted in the generation of robust operating cashflow of $31.5m.

All debt was repaid during the year, with $25.0m net cash at year end. The asset disposal programme has now been completed with the $7m sale and leaseback of the Hautonga Street site in Petone in March 2021.

The company has a strong financial platform to invest in targeted organic growth initiatives and market opportunities. Our capital expenditure in FY21 was $7.7m, with 53% of this allocated to digital initiatives.

Investments in digital technologies, people, safety and quality are all delivering value and providing a strong platform to move forward with growth plans in FY22.

Steel & Tube's strong financial performance in FY21 and return to profitability is our first step as our focus transitions from the turnaround of our business to growth and value add. We were pleased to declare a final unimputed dividend of 3.29 cents per share, taking full year dividends to 4.5 cents per share.

FOCUSING ON WHAT MATTERS

The events of this past year have reinforced the importance of taking the long-term view and establishing policies and business strategies that look beyond next quarter or year. Your Board remains committed to building a sustainable business, that delivers long term value to shareholders and other stakeholders. We continue to progress in our sustainability journey, focusing on areas that are important for our people, our planet and our company.

With many businesses facing labour constraints, it is encouraging to see the high employee engagement results from Steel & Tube's latest survey, with stand out areas including clarity on goals, fairness of treatment for all employees, management support and focus on employee safety.

Safety remains a priority and while we were pleased to see our employee TRIFR drop to 1.86 – well below the industry averages - we remain focussed on reviewing our critical risks and controls, and promoting active participation by our team in workplace safety initiatives and safety conversations. We have continued our investment in equipment, critical risk management processes and assurance.

Energy and carbon use has reduced year on year which was particularly gratifying given that the prior year included four weeks of lock down and limited operation.

Our competitive advantage is built on our reputation as a trusted and reliable provider and product quality remains a key focus. Most recently, Steel & Tube has become the first company in New Zealand to achieve the Bolt Importer Charter, which 'ensures that fasteners and anchor bolts supplied to the local steel construction sector are sourced using good procurement practices and represents a mark of excellence for bolt importers in New Zealand'. We were also one of the first companies to become a Chartered Member of the Sustainable Steel Council.

DIVISION PERFORMANCE

Distribution

Distribution continues to go from strength to strength with gross margin improving year on year. Revenue growth is being driven by strong residential, infrastructure and manufacturing sectors. We are closely monitoring steel commodity input prices, increased demand, capacity constraints and shipping challenges. Inventory and pricing optimisation, aided by technology, ensure that high demand products are priced appropriately and available where and when needed by our customers. Our optimised national network of branches and distribution centres, realigned sales team and Customer Excellence Centre are delivering improved customer service and experience.

Infrastructure

Infrastructure covers a range of sectors with our specialist made to order products primarily supplied to the vertical construction and infrastructure sectors. Volumes were up versus the prior period with gross margin improvements from the cost out programme being partially offset with competitive pricing pressure in some areas. While slower to recover, an increasing volume of activity has been seen in 2H21 as infrastructure and large commercial projects come back on stream. We have a strong pipeline of secured work and are seeing an increasing volume of tender activity for large infrastructure and vertical construction projects. Steel & Tube's positioning as a large scale, reliable provider focused on improved project methodology, technical advisory services and a deep focus on safety and quality provide us with a competitive advantage.

OUTLOOK

Our focus remains on customer service, growing sales in attractive segments and gross margin dollar improvement.

Market conditions look to remain positive for at least the medium term as the economic cycle is expected to be 'stronger for longer'. The current residential boom is likely to ease over the next one to two years, however, commercial, infrastructure and manufacturing are all expected to continue to grow.

We have a strong pipeline of secured work in place and are well positioned to take advantage of new market and product opportunities.

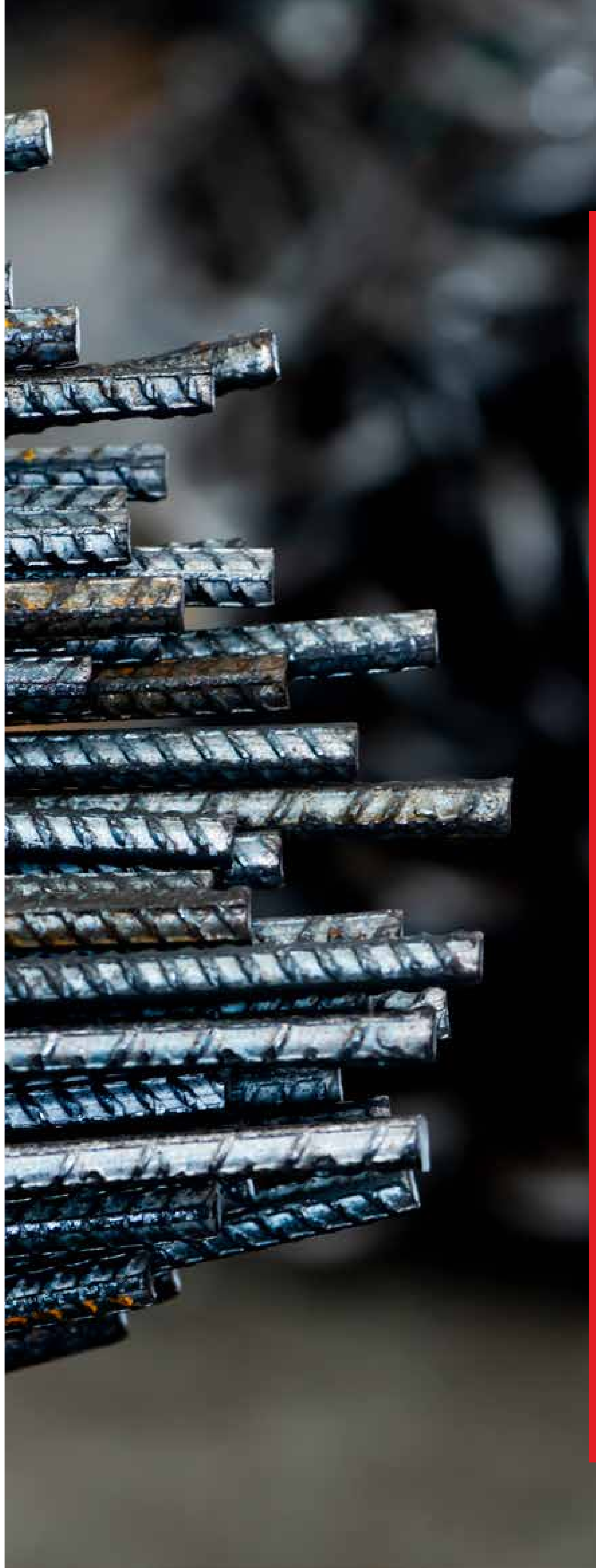
While our focus remains on optimising the business, we have also identified a number of organic growth opportunities and are investigating potential capital management activities. Investing in new processing equipment will assist in opening up identified new markets as well as drive operating efficiencies, safety and product quality. In addition, we will continue to invest in digital technologies to continuously improve the customer experience and expand the customer offer, providing further competitive advantage.

We are confident in our strategy and are moving forward with a robust financial and operating platform, leadership positions across many product categories, an experienced executive team and strong employee morale.

We look forward to building on Steel & Tube's legacy as New Zealand's leading steel provider and adding value for shareholders and all stakeholders.

Susan Paterson, Chair

Mark Malpass, Chief Executive



OUR BUSINESSES

Steel & Tube has the broadest range of steel products and solutions in New Zealand. We source, process and distribute steel products – including fastenings, chain and rigging, stainless and engineering steel – to customers across New Zealand through our nationwide network of branches and distribution centres. We also make steel products to order on a project basis, including roofing, ComFlor decking and reinforcing, and offer onsite installation services.

We have expertise across a diverse range of sectors and reach across the country, offering our customers a wide range of products and solutions to meet their steel needs.

DISTRIBUTION

- **Revenue $286.8m**
- **Normalised EBITDA $23.7m**
- **EBIT $15.2m**
- **Normalised EBIT $13.8m**

INFRASTRUCTURE

CFDL/REO AND ROLLFORMING

- **Revenue $193.2m**
- **Normalised EBITDA $12.9m**
- **EBIT $6.6m**
- **Normalised EBIT $6.4m**

DISTRIBUTION

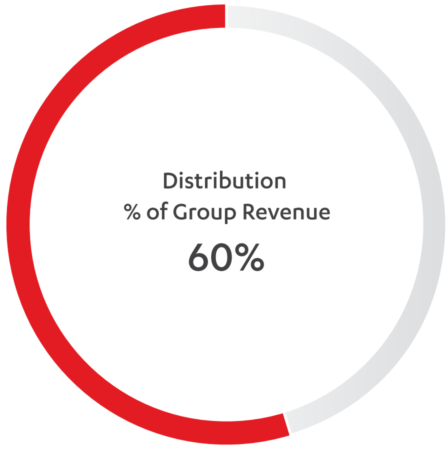
The Distribution business serves the needs of customers across a broad range of sectors, with a mix of customers from rural to fabricators, manufacturers and merchants. While there are several competitors in this area, none can match Steel & Tube's breadth and scale. Sales growth has been driven by strong residential and infrastructure activity, with growth in commercial and manufacturing.

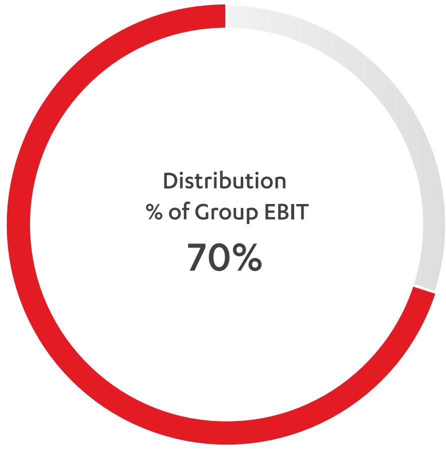
The Distribution market is primarily a commodity market, with competitive advantages being delivered from Steel & Tube's reputable brand, quality products and customer service. Market share remained stable in FY21 with increases in some areas.[2]

Operating costs were significantly reduced with a right sized cost base now in place. The network optimisation project has been largely completed. The freight optimisation programme has also delivered positive results, with reduced costs and carbon emissions.

Along with the realignment of the sales team, an increased focus is being put on cross selling Steel & Tube's wide range of products and solutions. Growth opportunities have been identified in several areas, with the primary focus on continuing to optimise gross margin dollars and delivering customer service excellence. In FY21, Steel & Tube acquired a small fastenings business, symbolic of the strategy to invest in segments that matter to our customers.

[2] Management market share estimates





HIGHLIGHTS

- Distribution going from strength to strength, with increased volumes and margins delivered in FY21
- Value being realised from accelerated cost out programme
- Continue to optimise inventory, to better meet customer needs
- National network and distribution centres delivering improved customer service
- Realignment of sales team to focus on priority segments and customers
- Development of Customer Excellence Centre to deliver optimal customer service
- Closely monitoring and responding to input pricing pressures , increased demand, capacity constraints and shipping challenges
- Increased stock holdings to ensure availability of high demand products

INFRASTRUCTURE

WIRE AND CFDL/REINFORCING

Steel & Tube is one of the largest suppliers of fabricated reinforcing steel mesh, cut and bent bar, piles, beams and columns for use by the New Zealand building and construction industry. Primarily, these products are supplied to the vertical construction and infrastructure sectors. We also offer onsite installation through our reinforcing and CFDL teams.

Volumes were up year on year, particularly for mesh which was driven by residential construction activity, while reinforcing also had strong volumes but lower margins.

Barriers to entry in this sector are low and competition has kept pressure on margins. Price management is an important factor in Steel & Tube's tendering process and the company will not participate at price levels that are unsustainable. Pleasingly, many customers choose Steel & Tube as their preferred supplier due to our reputation for reliability, quality, safety and delivery.

Our focus is on end to end project management, from design and manufacture to delivery and installation, and we seek to engage early with clients to add value from the concept stage.

We are also utilising our expertise in new market opportunities such as windfarms, where we recently won a $7 million contract for the Harapaki windfarm in Hawkes Bay.

Macro trends are positive, with Government infrastructure spend and signs of life in the vertical construction sector. Commercial activity is picking up pace with an increasing volume of tenders that bodes well for the future.

ROLLFORMING AND COMFLOR

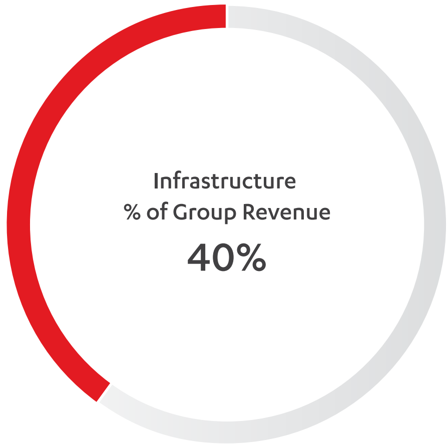
Rollforming consists of roofing, coil processing and purlins, while ComFlor is the industry leading metal decking product.

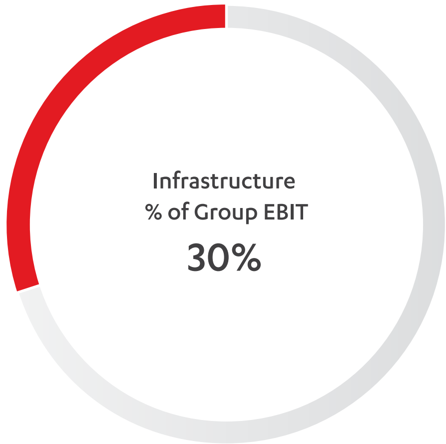
Privately funded vertical construction ground to a halt during Covid-19 lockdowns as large commercial buildings, shopping centres and hotels were put on hold. This impacted ComFlor in particular. Some improvement was seen in 2H21 and this is expected to continue to build as activity comes back on stream in FY22.

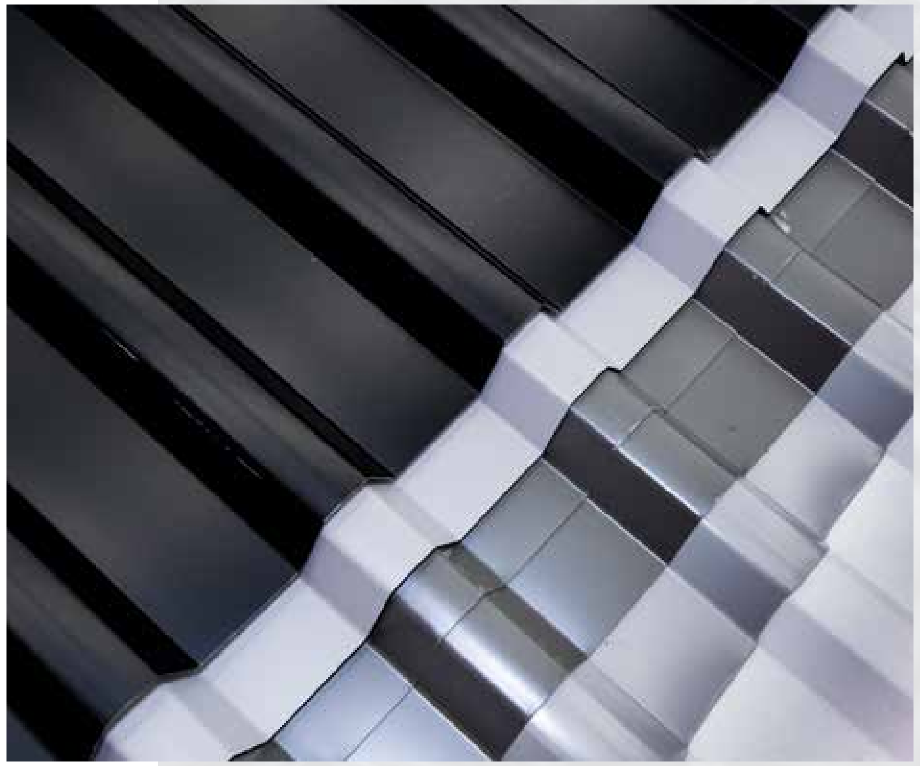
Gross margins in Rollforming were strong, following the restructuring and the cost out programme. Earnings growth has been turned around with improved demand being driven by the continuing build of 'big sheds' and warehouses and the strong residential market.

As part of the new sales structure, we have expanded our sales team, almost doubling the number of sales people to capture opportunities. We also continue to prioritise the safety of our people and have invested in machine and truck guarding across our network.

In FY22, we will be investing into new equipment, providing more capacity, efficiency and the ability to deliver more in-spec products. We also see an opportunity in steel frame housing as a durable and efficient solution for New Zealand's housing constraints. We are seeing an improvement in the number of tenders for large commercial projects and we are able to respond with a wider solution and offer from across our group. Our primary focus is growing sales while maintaining our margins.







HIGHLIGHTS

- Secured a number of significant projects and built a long pipeline of secured work
- Slower recovery from Covid-19 with large commercial projects paused. Activity increased in 2H21 with a long runway of new infrastructure projects planned
- Wire and reinforcing volumes up year on year, with continuing competitive activity driving pricing and margin pressure
- Completed integration of Reinforcing and CFDL installation into one team
- Lift in earnings and strong gross margin improvement in Rollforming
- Invested in expanded sales team, safety (machine and truck guarding) and new equipment

TECHNOLOGY

The use of digital technology to drive customer experience and operational efficiency is becoming an increasingly valuable strategic pathway for the company. Our technology platform investment is becoming integral to our sales, service and employee value propositions.

The focus for FY21 was on establishing our e-commerce capability with the first release of the Steel & Tube and Fortress webshops, improvements in our traceability platforms, cyber security and data analytics.

Our goals for e-commerce are to create an omni-channel platform that allows our customers to engage with us digitally, through a range of platforms and at any time, whether that be online, by phone or face to face.

The launch of our webshop and e-commerce platform has been successful with data showing online customers are buying more, buying more frequently and more broadly and delivering a higher margin per customer. While this is still early days for e-commerce initiatives in the steel industry, we are confident of significant growth over the next 12 months. This growth will be supported by a range of new features and planned additions to support new digital channels for our customers.

Digital is also playing an important role in our traceability programme. Our traceability applications are providing increased visibility, accuracy and auditing of product provenance. We have also introduced easier ways for customers to retrieve test certificates such as through our chatbot Stanley and the webshop. In addition, we have recently piloted integration with the ordering system of a large scale customer, allowing them to receive test certificates automatically with their orders. This has resulted in significant time savings and we will be looking to expand this offer to all large customers.

Cyber security remains a priority and an extensive amount of work has been undertaken in the last 12 months with independent audits and an ongoing programme of work. This has substantially improved the company's cyber security position and our ability to recover from a cyber security incident.

Data analytics was another primary focus for FY21. The pricing project has helped identify areas of margin improvement across the business and established a more dynamic and responsive pricing regime which can be optimised for different customer groups.

Digital investment will continue into FY22 with a new Customer Relationship Management (CRM) system to be installed and commissioned. CRM will support our Customer Excellence teams and Account Managers across the business to focus on quickly resolving customer issues and the targeting of revenue opportunities.

HIGHLIGHTS

- Launch of centralised Customer Excellence Centre with regional focus
- Significant reductions in dropped calls and call wait times
- Cloud based telephony allowing better analysis and insights into customer needs
- Automated test certification retrieval adding value for customers and improving traceability
- Digital design capabilities enabling customer engagement from concept stage

- Increased access to invoices, order details and track and trace capability
- Optimised freight runs and routes, generating efficiencies and reducing carbon emissions

- Extensive cyber security programme, boosting resilience to cyber attacks
- Advanced data analytics to support inventory and pricing management strategies
- Reduction in slow moving and aged inventory and increase in fast moving inventory aided by data analytics

- Expansion of online training library - more than 2,000 personal development and skills modules completed by team members in FY21

- Commissioned Intelex Quality, Health & Safety software with phase 1 rollout in August 2021

WE USE A POWERFUL COMBINATION OF PEOPLE AND TECHNOLOGY TO CREATE CUSTOMER EXPERIENCES THAT ARE DYNAMIC, PERSONALISED AND EFFORTLESS

OUR STRATEGIC ROADMAP

OUR PURPOSE

To make life easier for our customers needing steel solutions.

OUR VISION

To provide unparalleled customer service and experience.

OUR GOAL

To be the best in the sector, the preferred choice for steel products and solutions and a trusted partner for our customers.

OUR FOCUS AREAS

MAKING IT EASY

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

FULL SERVICE PROVIDER

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

BETTER WAYS OF WORKING

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

INNOVATION & TECHNOLOGY

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

ONE TEAM

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

WHAT MATTERS

At Steel & Tube, we are committed to creating a sustainable business, one that delivers value for all our stakeholders, from our shareholders to our staff and the communities we operate in, as well as reducing the environmental impact of our activities.

For each of our four strategic pillars, we have identified key topics which we believe are essential for the long term sustainability of our company and which support our social licence to operate. We monitor and measure our impact in these areas and develop initiatives to drive positive change.

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

CUSTOMER FIRST

> **Customer Satisfaction**
> **Product Life Cycle Performance**

OPERATIONAL AND SUPPLY CHAIN EXCELLENCE

> **Financial Performance & Corporate Governance**
> **Material Efficiency & Recycling**
> **Energy & Carbon**

COMMITMENT TO QUALITY, HEALTH, SAFETY AND ENVIRONMENT

> **Occupational Health & Safety**
> **High Quality Products & Services**

ONE WINNING TEAM

> **Talent Attraction & Retention**
> **People Development & Labour Practices**
> **Culture of Wellbeing**

COMMITMENT TO QUALITY, HEALTH & SAFETY

WORKPLACE SAFETY & WELLBEING

The health & safety of our employees remains our number one priority. We continue to actively engage with staff across the business. Our total recordable injury frequency rate has significantly improved over the last five years and is well below the industry average.

We have a dedicated team who support our health & safety strategy and we encourage a 'speak up' culture which helps identify areas for improvement. Our focus on health & safety is led from the top, with health & safety committees at every level of the organisation.

A Board approved annual workplan is used to govern our activities. The Board and senior managers are actively involved in critical risk reviews to ensure risk controls are effective. An independent safety review was conducted this year to assess compliance with legislation, assess systems and processes, and workplace culture. Safety conversations are also had at all levels of the business to aid Directors and Officers' understanding of workplace risks and controls, visibly demonstrate commitment to safety, and to lift confidence that processes are carried out as intended.

A company-wide health & safety statistics report is published monthly and analysed to provide lead and lag indicators. This information enables quality decision making when interventions are required.

There has been a significant emphasis on training during the year with our best practice training programmes recognised to National and International certification standards. Our partner, Major Oak Safety Training, has received a number of awards by industry bodies for their training programmes.

Employee involvement and workplace culture is a key component of our risk management framework. In the recent employee engagement survey, in response to "is this organisation committed to providing a safe working environment?" Steel & Tube scored 8.6 out of 10.

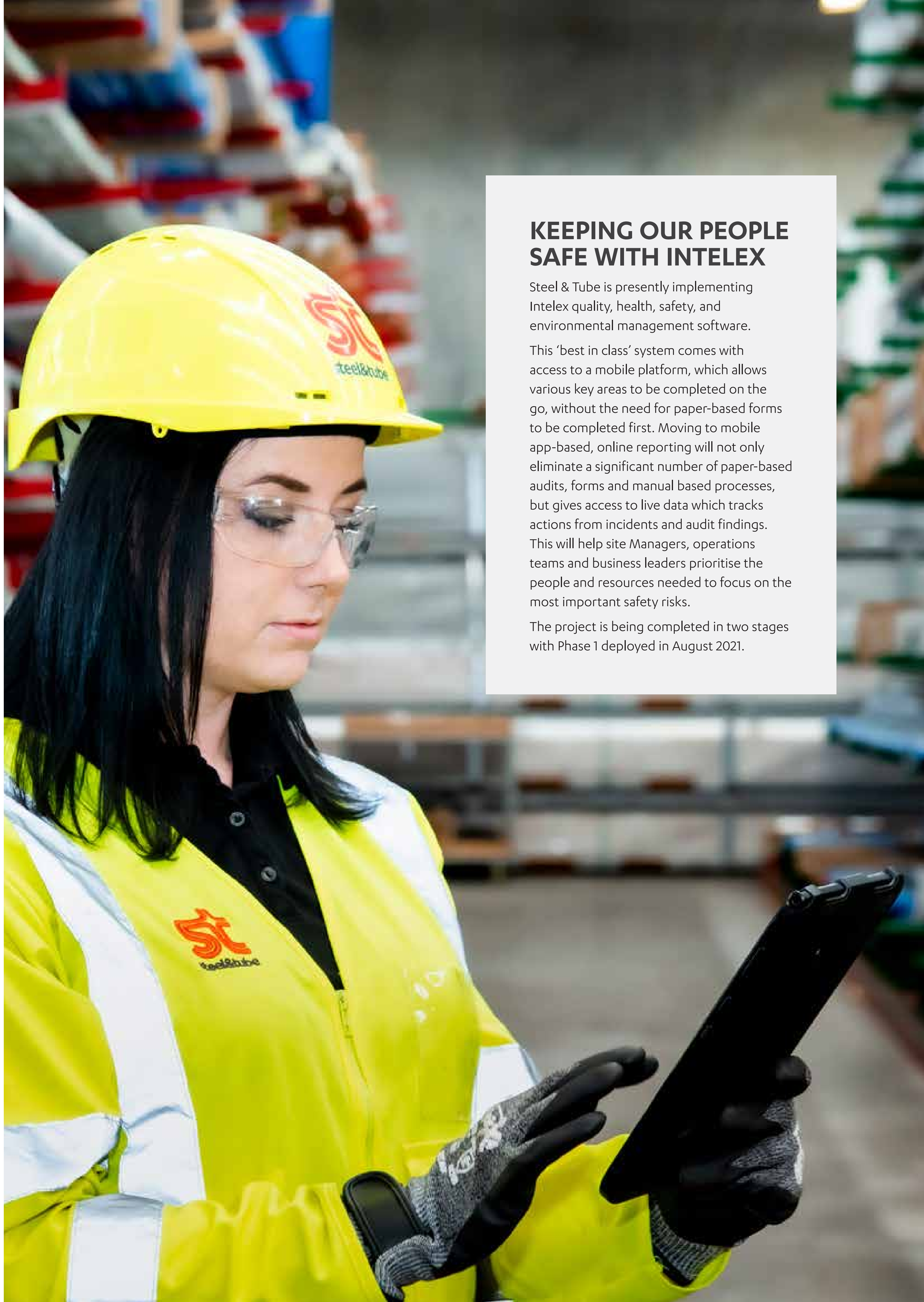
Employee Total Recordable Injury Frequency Rate (eTRIFR)

* LTIFR is Lost Time Injury Frequency Rate

HIGHLIGHTS

- Strong improvement in eTRIFR, down to 1. 86, well below industry average. LTIFR of 0*
- Continued training in best practice crane, forklift, offloading and unloading operations
- 8.6 out of 10 employee rating on Steel & Tube's commitment to providing a safe work environment
- Upskilling to higher national and international standards:
  - 160 forklilft operators
  - 155 gantry crane operators
  - 72 basic rigging

- Entire business now certified to ISO 9001: 2015 quality standard
- Successfully achieved recertification of Steel & Tube's Structural Steel Distributor Charter
- Audited against the new Steel Construction NZ Bolt Importer Charter, with no non-conformances
- Independent audits were carried out on eight supplier mills



KEEPING OUR PEOPLE SAFE WITH INTELEX

Steel & Tube is presently implementing Intelex quality, health, safety, and environmental management software.

This 'best in class' system comes with access to a mobile platform, which allows various key areas to be completed on the go, without the need for paper-based forms to be completed first. Moving to mobile app-based, online reporting will not only eliminate a significant number of paper-based audits, forms and manual based processes, but gives access to live data which tracks actions from incidents and audit findings. This will help site Managers, operations teams and business leaders prioritise the people and resources needed to focus on the most important safety risks.

The project is being completed in two stages with Phase 1 deployed in August 2021.

INVESTMENT IN TRUCK AND MACHINE GUARDING

Truck guarding systems provide additional safety for our people when loading and unloading steel items. The portable, guardrailed stairs and platforms add another safety dimension and have been rolled out across every Steel & Tube site. This adds to the ongoing investment being made into machine guarding, which is our first line of defence across our manufacturing businesses.

HIGH QUALITY PRODUCTS AND SERVICES

Our products are used in all areas of New Zealand's economy, from dairy vats and fencing in the rural sector to pipes and materials in manufacturing, steel beams and reinforcing in infrastructure and flooring, roofing and everything in between in construction.

Ensuring high quality, durable and trusted products is essential to what we do. An important factor in this is independent audits and certifications.

ISO 9001:2015 Audits

Every one of our businesses has now achieved ISO 9001: 2015 quality certification, with 12 sites audited during the year and Fortress Fasteners and CFDL/REO achieving certification for the first time.

Chartered Member of the Sustainable Steel Council (SSC)

We were pleased to be one of the first businesses to receive certification as a Chartered Member of the Sustainable Steel Council in its inaugural year of operation. This recognises the work being done by companies to advance the sustainability of their operations in line with the SSC charter. SSC Chartered Membership is also recognised as a criterion in the New Zealand Green Building Council's Green Star (NZGBC) rating scheme.

Steel Construction New Zealand Charter Audits

We successfully achieved recertification against the Structural Steel Distributor Charter, following an independent assessment carried out by Telarc, with no non-conformances identified.

In addition, Telarc performed a full audit against the Bolt Importer Charter for our Fortress Fasteners for the first time with no non-conformances raised. Steel & Tube is the first company in New Zealand to achieve the Bolt Importer Charter which is the latest steel construction industry quality assurance programme. The Bolt Importer Charter ensures that fasteners and anchor bolts supplied to the local steel construction sector are sourced using good procurement practice and represents a mark of excellence for bolt importers in New Zealand.

Lloyds Register - Supplier Mill Audits

We have continued to build on our strong quality compliance program working with Lloyds Register to perform independent third-party supplier mill assessments of mills within Asia Pacific and Europe. In FY21, eight suppliers were audited within Asia. In FY22, we aim to audit a further eight existing suppliers plus up to four new suppliers within Asia Pacific.

Fair Trading Act Compliance Program

As part of our 'Fair Trading Act' compliance program, we have commenced random sampling of high risk products. These are tested by an independent International Accreditation NZ (IANZ) accredited laboratory in New Zealand for verification to the relevant standard. We have also engaged Lloyd's Register to verify the sample test certificates of high and medium risk products against the reference standard.

Traceability

We are continually improving the traceability of our products and raw materials with a range of different initiatives. Digital is playing an important role and we have updated our dashboards, improved our digital processes to automatically match test certificates to products, and introduced easier ways for customers to retrieve test certificates. These initiatives build trust with our customers and make transacting with us faster and more efficient, resulting in reduced costs and improved efficiency for both Steel & Tube and our customers.

OPERATIONAL AND SUPPLY CHAIN EXCELLENCE

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Corporate governance at Steel & Tube is predicated on high standards of ethics and performance and is achieved through robust governance policies, practices and processes to ensure a culture that is open, transparent and focused on adding value for our stakeholders. A summary of Steel & Tube's corporate governance actions and performance against each of the principles in the NZX Corporate Governance Code can be read on pages 75 to 82.

A key focus for Board and management is to deliver long term sustainable financial returns. The benefits of our strategic initiatives are now becoming clear and we were pleased to report an improved financial performance in FY21. There is still more to do and we remain focused on gross margin dollar improvement, customer service and growing sales in attractive segments. Disclosure of our financial performance can be found in Steel & Tube's financial statements on pages 36 to 68.

MATERIAL EFFICIENCY AND RECYCLING

Construction waste is an industry-wide issue. We use leading edge design technology to ensure optimal use of steel and labour when making to order, resulting in a reduction in waste. Other initiatives include recycling and reusing supplier packaging, and using barcoding to record and manage the sale of offcuts.

Inventory management is also an important tool in managing waste. Our investment in data analytics enables us to identify high demand, fast moving products and reduce the amount of slow moving aged inventory. Where possible, we identify alternative markets or opportunities for aged inventory.

ENERGY AND CARBON

We have a number of initiatives in place to reduce our energy use and carbon emissions. An important focus in FY21 has been network design and freight optimisation, ensuring our products get from our businesses to our customers in the most efficient manner possible.

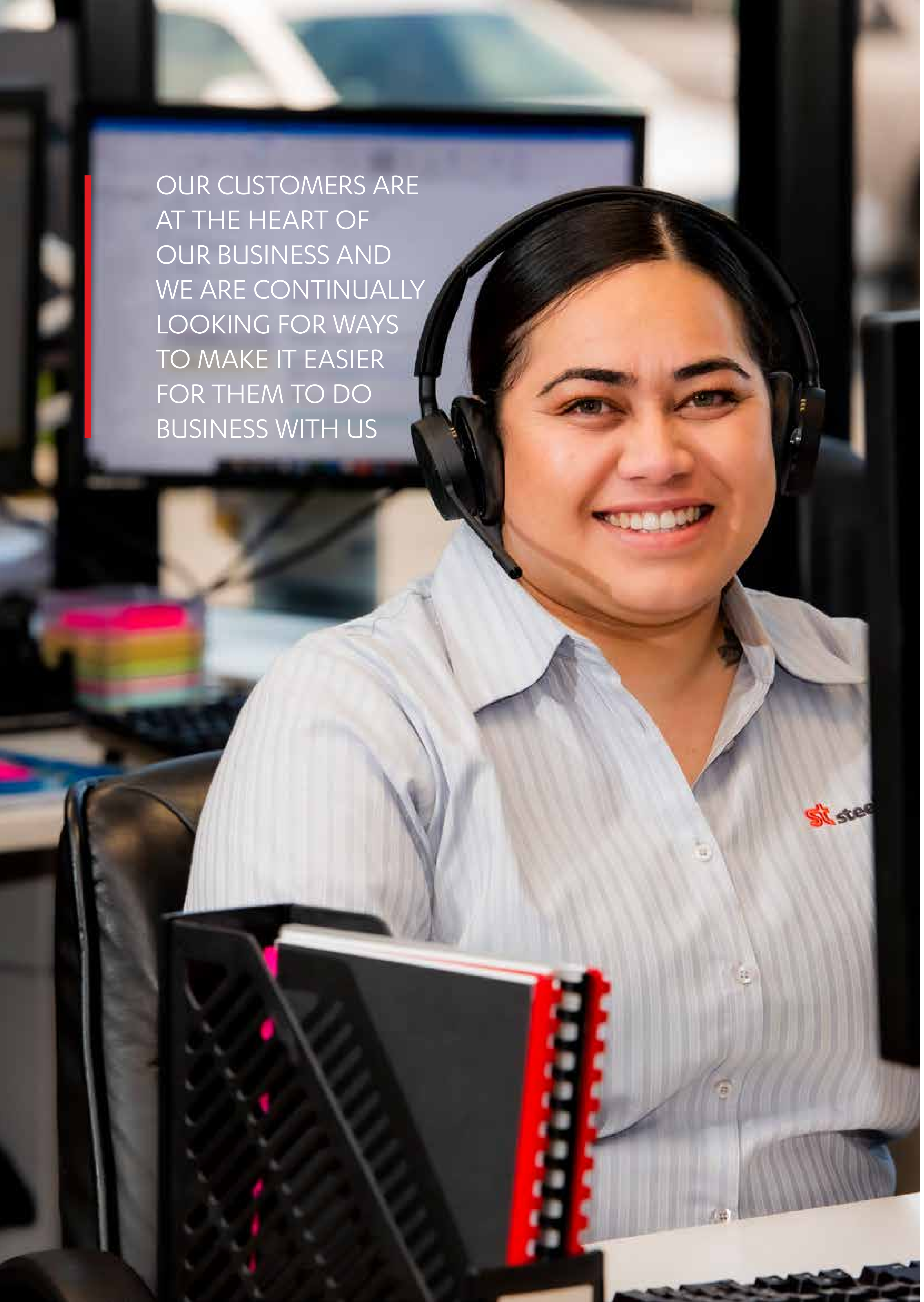
We are also seeing reductions in our fuel consumption from the transition to newer vehicles and the use of new telemetry technology. Not only are the new vehicles more fuel efficient, but the telemetry technology allows us to encourage driver behaviour that reduces fuel consumption.

HIGHLIGHTS

- Implemented measuring and monitoring of:
  - Waste to landfill
  - Waste recycled
  - Steel scrap
- Use of leading-edge technology to optimise material and labour use during manufacture
- Positive movement in key metrics:
  - 13% reduction in fuel consumed
  - 2% reduction in electricity consumed
  - 9% reduction in greenhouse gas emissions*
- Freight efficiency programme – optimising freight routes and loads, driving reduction in carbon emissions and fuel use
- Developed our expertise in new market opportunities in low carbon infrastructure e.g. windfarms, solar energy farms
- 100% of raw materials for reinforcing steel and seismic mesh sourced in New Zealand, reducing global freight requirements
- Focussed on national footprint and network design ensuring the most efficient delivery of products from our businesses to our customers

- Robust governance and financial reporting

* We measure our greenhouse gas emissions in tonnes of carbon dioxide equivalents (tCO_2e) and in line with international protocols and standards and include all material emissions under Scope 1 and 2; with Scope 3 limited to business travel.



PUTTING THE CUSTOMER AT THE HEART OF OUR BUSINESS

CUSTOMER SATISFACTION

We are building a powerful combination of people and technology to create customer experiences that are dynamic, personalised and effortless.

Many of our digital initiatives in FY21 have been focused on delivering a seamless omni-channel experience that allows our customers to engage with our company at the time and through the channel that suits them, whether it be phone, email, online or face to face.

An important initiative in FY21 was establishing a central Customer Excellence Centre, while still offering a regional focus. We have invested in skills development and training across both our sales and our Customer Excellence teams. Our call centre staff have expertise across our range of products and businesses and product experts are available to provide more specialised information.

PRODUCT LIFE CYCLE PERFORMANCE

Steel is an essential construction material and the backbone of New Zealand's built environment and infrastructure.

In a 'circular economy', society reduces the burden on nature by ensuring resources remain in use for as long as possible through use, reuse, remanufacture and recycling. Steel is the ideal circular economy material - infinitely recyclable without product degradation and easily reused and repurposed.

In addition, there is minimal construction waste of steel compared to other building products such as timber and concrete. Renewable energy sources available in New Zealand are used for making steel; and steel's durability means less need for replacement or structural changes. Steel does not buckle, distort, warp or splinter, making it ideal for earthquake prone areas in New Zealand.

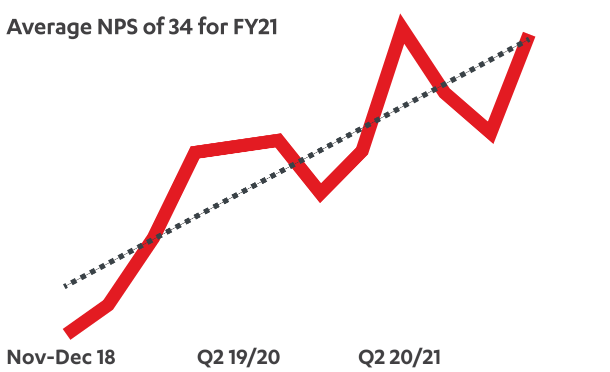
We have worked closely with industry associations and other businesses this year to ensure that politicians are well informed on the need for a 'cradle to cradle' approach to assessing the impact of different construction materials. Importantly, we believe it is also essential that material choices should be grounded in good science and made by the experts – engineers, architects and designers.

HIGHLIGHTS

- Created centralised Customer Excellence Centre with regional focus
- Careful customer segmentation to ensure service levels match customer needs
- Delivered significant reductions in dropped calls and call wait times
- Net Promoter Score of 34: continues to rise strongly (up from 22 in FY20)

- Improved online access to key information to meet customer demand:
  - Test certificates
  - Invoices
  - Order tracking
- Webshops: volume and revenue growing by 15% per month. Successfully rolled out in Distribution and to be expanded in FY22

- Worked closely with industry to build awareness of the value of steel as an essential construction item



SUPPORTING A WINNING TEAM

TALENT ATTRACTION AND RECRUITMENT

Our aim is to provide a rewarding and welcoming workplace for our employees. We have experienced minimal impact from the reported labour shortages in the New Zealand market, with strong employee loyalty and commitment as well as attraction of good talent to new roles. Our average length of service is 6.1 years, reflecting a mix of new and experienced team members.

We are working closely with our local communities to offer employment opportunities. This year, as well as continuing the successful SWEP partnership with Papakura High School, we also introduced a new Maori cadetship. This is in conjunction with Te Puni Kokiri which provides subsidised funding to support mentoring and career path training for participants. We currently have four cadets and are working with them to help them achieve their career aspirations.

We also support First Foundation, providing scholarships for Steel & Tube family members attending tertiary education. We had one new scholarship this year, with six other recipients from prior years still being funded and provided with work experience.

PEOPLE DEVELOPMENT AND LABOUR PRACTICES

Our priorities for FY21 were leadership development and building our online training library. A Leadership Contract programme, which focuses on driving an accountable leadership culture, is being implemented across our organisation, with participation from 70 supervisors and team leaders. We now have over 50 modules available in our online library, ranging from IT, systems and AX training, through to leadership skills and customer service.

We regularly engage with employees to seek their feedback on what we can do better and over the last 12 months we were pleased to see our employee NPS lift to 19 – a great score. Our mobile MySay app allows all leaders to receive their team results and feedback as well as accessing coaching to help them improve their results.

We employ people from a diverse range of backgrounds and over 15 different ethnicities and believe the diversity of our people makes us a stronger business. The number of female employees in our business has lifted to 25% (from 22% in FY20), with the number of female reports to General Managers at 35%.

CULTURE AND WELLBEING

As a high performing team, we want everyone to be addressing their work as well as personal space. Included in our online library are modules focused on wellbeing such as how to check in with workmates, dealing with difficult people in the workplace and the importance of Me Time. These are some of our most popular modules.

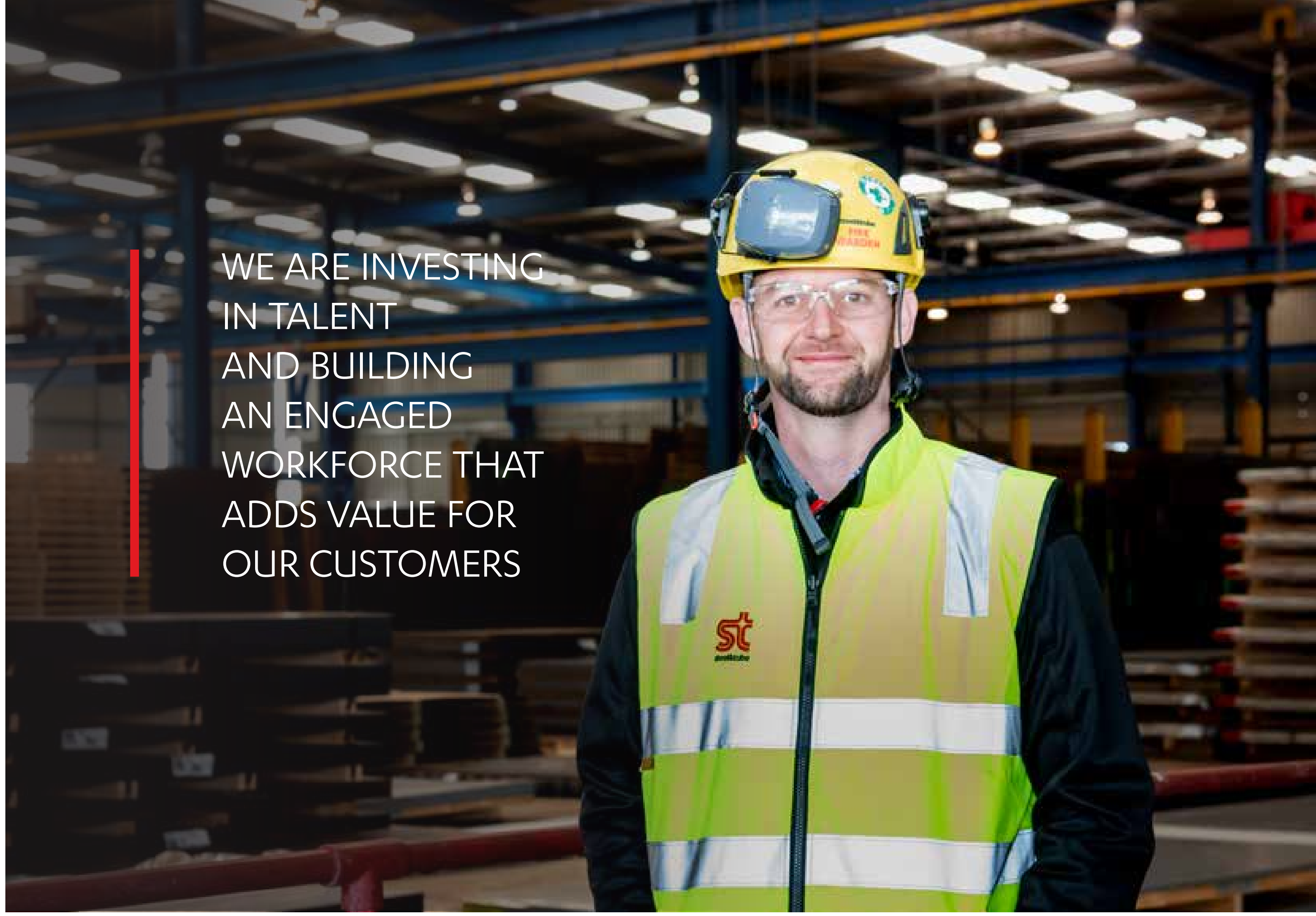
Pleasingly, our employees have again rated Steel & Tube highly for 'caring management support' and 'fair treatment for employees from all backgrounds'. Our overall health and wellbeing score is 8 out of 10, up on the prior year.

HIGHLIGHTS

- Average training investment per employee approximately $430 per person

- Over 50 online training modules currently available in our online training library, with 2,000 modules completed by team members in FY21

- Leadership programme rolled out across the organisation with participation from 70 supervisors and team leaders
- New Maori cadetship programme, in partnership with Te Puni Kokiri with four cadets currently enrolled in the programme
- Continued to support First Foundation; and Sector Workforce Engagement Programme (SWEP) with Papakura High School
- Strong employee engagement at 7.4/10 and Employee NPS of 19 (up from industry benchmark of ENPS of 5 in FY20)
- Introduced Back to School fund, providing support for Steel & Tube families
- Female proportion of workforce increased to 25% (from 22% in FY20)



LEADERSHIP TEAM

FURTHER STRENGTHENING OUR LEADERSHIP TEAM IN FY21

Richard Smyth (Right)
Chief Financial Officer

Richard joined Steel & Tube in April 2021 as CFO, after 16 years with SkyCity Entertainment Group, holding the role of Deputy CFO for the past seven years. Prior to this, Richard was a Director with PwC.

He is an experienced senior finance executive who brings broad capability to the role. He has strong technical and commercial skills, strategic thinking and extensive experience and networks in the listed company environment.

Mark Baker (Left)
General Manager Supply Chain & Distribution Centres

Mark was appointed to the new role of GM Supply Chain & Distribution Centres in September 2020. He brings executive experience in areas such as operations management, manufacturing, technology, supply chain, logistics and customer engagement. He has worked in the information technology, manufacturing, logistics and retail sectors, and held senior roles in leading NZ companies, such as Foodstuffs Auckland, PlaceMakers, NZ Post and Kiwi Dairies.

OUR BOARD

The Steel & Tube Board currently comprises five independent Directors, who have significant relevant industry and market experience, skills and expertise that are of value to the company.

Karen Jordan was appointed to the Board in December 2020, following the retirement of Anne Urlwin at the 2020 Annual Shareholders' Meeting.

The Board has a skills matrix, which identifies four key focus areas in the organisation and the skill set which the Board believes would add value to Steel & Tube. This can be seen on page 76. Directors' capabilities are considered against this skills matrix and the Board believes that the current directors offer valuable and complementary skill sets. Importantly, every one of Steel & Tube's Directors has either worked in, or is involved in directorships, in this sector.

The Board has identified that the addition of a director with experience in Digital transformation will add strength to the Company and is actively seeking candidates.

SUSAN PATERSON

ONZM, CFINSTD, MBA (LDN), BPHARM

CHAIR AND INDEPENDENT DIRECTOR

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

CHRIS ELLIS

BE, MS , CMINSTD

INDEPENDENT DIRECTOR

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

STEVE REINDLER

BE MECH (Hons), AMP, FIPENZ, CFINSTD

INDEPENDENT DIRECTOR

Steve was appointed a Director on 28 August 2017. Steve is an engineer with a background in large-scale infrastructure and heavy industry manufacturing. He was GM Engineering at Auckland International Airport for 11 years, and his previous employment included 22 years with NZ Steel and BHP Steel where he held a number of roles including GM Engineering and Environment. Steve was inaugural chairman of the Chartered Professional Engineers Council and President of the New Zealand Institution of Professional Engineers. Steve's current directorships include Z Energy Ltd, Broome International Airport Group, Christchurch Multi Use Arena Project, he is chair of Waste Disposal Services JV, D&H Steel Construction Ltd, Clearwater Construction Ltd, Lincoln University Science North Building Programme, and is a Trustee of the Whitford Community Charitable Trust.

JOHN BEVERIDGE

BA, Post Grad Business Diploma, CMINSTD

INDEPENDENT DIRECTOR

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

KAREN JORDAN

BSOCSC, FCMA, CMINSTD

INDEPENDENT DIRECTOR

Karen was appointed in December 2020. She is a director experienced across private, public and not-for-profit sectors. She is a Chartered Member of the IOD NZ and a Fellow of CIMA. Karen has over 20 years corporate experience in FTSE listed energy companies in the UK energy infrastructure sector. She is currently a director on the Board of City Rail Link Ltd, an Independent Member of the NZDF Risk & Assurance Committee and of the NZ Inland Revenue Risk & Assurance Committee.

FINANCIAL MEASURES

NON-GAAP FINANCIAL INFORMATION

Steel & Tube uses several non-GAAP measures when discussing financial performance. These include Normalised EBIT and Working Capital. Management believes that these measures provide useful information on the underlying performance of Steel & Tube's business. They are used internally to evaluate performance, analyse trends and allocate resources. Non-GAAP financial measures should not be viewed as a substitute for measures reported in accordance with NZ IFRS.

NON-TRADING ADJUSTMENTS/UNUSUAL TRANSACTIONS

The financial results for FY21 include transactions considered to be non-trading in either their nature or size. Unusual transactions can be as a result of specific events or circumstances or major acquisitions, disposals or divestments that are not expected to occur frequently. Excluding these transactions form normalised earnings and can assist users in forming a view of the underlying performance of the Group.

EBITDA/EBIT

EBITDA is Earnings/(Loss) before the deduction of interest, tax, depreciation and amortisation. EBIT is Earnings/(Loss) before the deduction of interest and tax. These are both non-GAAP financial measures. FY21 EBITDA and EBIT were impacted by non-trading adjustments totalling $2.8 million.

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

NORMALISED EBITDA/EBIT

This means EBITDA/EBIT excluding non-trading adjustments and unusual transactions. Management believe that normalised measures provide a more appropriate measure of Steel & Tube's performance and more useful information on the normalised earnings of the company.

WORKING CAPITAL

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

	EBITDA		EBIT	
Reconciliation of Reported to Normalised Earnings	FY21	FY20	FY21	FY20
Year Ended 30 June	$000	$000	$000	$000
Reported	**40,731**	**(37,236)**	**21,752**	**(57,694)**
Add back / (subtract) unusual transactions / non-trading adjustments:				
Gain on sale of properties	(1,215)	-	(1,215)	-
NZ IFRS 16 (reversal of impairment) / impairment	(1,546)	4,298	(1,546)	4,298
Goodwill impairment	-	37,071	-	37,071
Intangible asset impairment	-	9,000	-	9,000
Business restructuring costs	-	3,449	-	3,449
Site rationalisation execution costs	-	2,011	-	2,011
Property, plant and equipment impairment	-	1,508	-	1,508
Holiday pay provision	-	750	-	750
Normalised	**37,970**	**20,851**	**18,991**	**393**

FIVE YEAR FINANCIAL PERFORMANCE

	2021 $000	2020 $000	2019 $000	2018 $000	2017 $000
Financial Performance					
Sales	**480,023**	417,923	498,110	495,806	511,400
EBITDA	**40,731**	(37,236)	24,085	(28,127)	39,310
Depreciation and amortisation	**(18,979)**	(20,458)	(7,290)	(8,060)	(7,681)
EBIT	**21,752**	(57,694)	16,795	(36,187)	31,629
Net interest expense	**(5,754)**	(6,661)	(2,828)	(4,631)	(3,577)
Profit/(loss) before tax	**15,998**	(64,355)	13,967	(40,818)	28,052
Tax (expense) / benefit	**125**	4,342	(3,552)	8,768	(8,012)
Profit/(loss) after tax	**16,123**	(60,013)	10,415	(32,050)	20,040
Operating cash flow	**31,450**	39,606	21,304	1,323	20,842
Funds Employed					
Equity	**196,560**	181,290	253,901	172,612	212,130
Non-current liabilities	**92,023**	106,084	26,699	113,826	140,988
	288,583	287,374	280,600	286,438	353,118
Comprises					
Current assets	**222,510**	193,761	213,827	228,887	243,290
Current liabilities	**(80,024)**	(58,871)	(45,563)	(59,099)	(59,609)
Working Capital	**142,486**	134,890	168,264	169,788	183,681
Non-current assets	**146,097**	152,484	112,336	116,650	169,437
	288,583	287,374	280,600	286,438	353,118
Statistics					
Dividends per share (cents) [1]	**4.5**	-	5.0	7.0	16.0
Basic earnings per share (cents)	**9.8**	(36.4)	6.8	(20.9)	13.1
Return on Sales	**3.4%**	(14.4%)	2.1%	(6.5%)	3.9%
Return on Equity	**8.2%**	(33.1%)	4.1%	(18.6%)	9.4%
Working Capital (times)	**2.8**	3.3	4.7	3.9	4.1
Net tangible assets per share	**$1.11**	$1.03	$1.19	$1.27	$1.60
Equity to total assets	**53.3%**	52.4%	77.8%	50.0%	51.4%
Gearing (debt to debt plus equity)	**-**	5.2%	5.6%	37.7%	37.4%
Net Interest cover (times)	**3.8**	(4.9)	5.9	(7.8)	8.8
Ordinary shares	**8,036**	8,036	8,310	8,163	8,404
Employees	**799**	884	1,003	1,015	972
- Female	**201**	192	214	203	193
- Male	**598**	692	789	812	779
Directors & Officers					
- Female	**3**	4	6	4	4
- Male	**11**	10	9	8	10

[1] Dividends per share are calculated based on dividends issued in respect of the financial year.

FINANCIAL REPORT

FINANCIAL STATEMENTS 2021

THE FINANCIAL REPORT FOR STEEL & TUBE INCLUDES THESE SECTIONS:

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

KEY POLICY

Significant accounting policies which are relevant to the understanding of the financial statements are provided throughout the report.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Estimates and judgements are continually evaluated, based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions about the future. Actual results may differ from these estimates.

KEY JUDGEMENTS

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.

GENERAL INFORMATION

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

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

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

These financial statements have been prepared:

- In accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP), for which Steel & Tube is a for-profit entity
- To comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and with International Financial Reporting Standards (IFRS)
- In accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013 and the NZX Main Board Listing Rules (issued 10 December 2020)
- In New Zealand dollars (which is the Company's and subsidiaries' functional currency and the Group's presentation currency) and rounded to the nearest thousand dollars
- Under the historical cost convention, as modified by the revaluation of certain assets as identified in specific accounting policies

NON-GAAP FINANCIAL INFORMATION

The Group's standard profit measure prepared under New Zealand Generally Accepted Accounting Practice (GAAP) is profit for the period, or net profit after tax. The Group also uses non-GAAP financial information which is not prepared in accordance with NZ IFRS when discussing financial performance. The directors and management believe that this non-GAAP financial information provides useful information to readers of the financial statements to assist in the understanding of the Group's financial performance.

Definitions of non-GAAP financial information used in these financial statements are:

- Earnings before interest, tax, other gains and losses and impairment
- Earnings before interest, tax and impairment
- Earnings before interest and tax

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2021

	Notes	2021 $000	2020[1] $000
Sales revenue		**480,023**	417,923
Other operating income	A5	**273**	7,449
Cost of sales	A2	**(381,929)**	(338,470)
Operating expenses	A2	**(79,903)**	(92,400)
Earnings / (loss) before interest, tax, other gains and losses and impairment		**18,464**	(5,498)
Other gains / (loss)	C1	**1,410**	(66)
Earnings / (loss) before interest, tax and impairment		**19,874**	(5,564)
Impairment of property, plant and equipment and intangibles	C1, C2	**-**	(47,579)
Reversal / (Impairment) of Right-of-use assets	C4	**1,878**	(4,551)
Earnings / (loss) before interest and tax		**21,752**	(57,694)
Interest income		**98**	98
Interest expense		**(5,852)**	(6,759)
Profit / (loss) before tax		**15,998**	(64,355)
Tax credit	A4	**125**	4,342
Profit / (loss) for the period attributable to owners of the Company		**16,123**	(60,013)
Items that may subsequently be reclassified to profit or loss			
Other comprehensive income - hedging reserve		**488**	17
Items that may not subsequently be reclassified to profit or loss			
Other comprehensive loss - revaluation reserve	C1	**-**	(1,646)
Other comprehensive income - deferred tax on revaluation reserve		**245**	84
Total comprehensive income / (loss)		**16,856**	(61,558)
Basic earnings per share (cents)	A1	**9.8**	(36.4)
Diluted earnings per share (cents)	A1	**9.8**	(36.4)

[1] The Group has reclassified the prior period balances between Cost of sales and Operating expenses to align with the presentation at 30 June 2021. Refer to Note A2 for details.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2021

	Notes	Share capital $000	Retained earnings $000	Hedging reserve $000	Revaluation reserve $000	Treasury shares $000	Share-based payments $000	Total equity $000
Balance at 1 July 2020		**156,669**	**22,541**	**(85)**	**4,552**	**(2,896)**	**509**	**181,290**
Comprehensive income								
Profit after tax		**-**	**16,123**	**-**	**-**	**-**	**-**	**16,123**
Other comprehensive (loss) / income								
Hedging reserve (net of tax)		**-**	**-**	**488**	**-**	**-**	**-**	**488**
Release of revaluation to retained earnings		**-**	**4,797**	**-**	**(4,797)**	**-**	**-**	**-**
Deferred tax on above		**-**	**-**	**-**	**245**	**-**	**-**	**245**
Total comprehensive income		**-**	**20,920**	**488**	**(4,552)**	**-**	**-**	**16,856**
Transactions with owners								
Dividends paid	A1	**-**	**(2,008)**	**-**	**-**	**-**	**-**	**(2,008)**
Employee share schemes		**-**	**268**	**-**	**-**	**-**	**154**	**422**
Balance at 30 June 2021		**156,669**	**41,721**	**403**	**-**	**(2,896)**	**663**	**196,560**
Balance at 1 July 2019		**156,669**	**94,142**	**(102)**	**5,832**	**(2,896)**	**256**	**253,901**
Adoption of NZ IFRS 16 (net of tax)		-	(9,762)	-	-	-	-	(9,762)
Restated total equity at the beginning of the financial year		**156,669**	**84,380**	**(102)**	**5,832**	**(2,896)**	**256**	**244,139**
Comprehensive income								
Loss after tax		-	(60,013)	-	-	-	-	(60,013)
Other comprehensive (loss) / income								
Hedging reserve (net of tax)		-	-	17	-	-	-	17
Release of revaluation to retained earnings		-	(282)	-	282	-	-	-
Asset revaluation		-	-	-	(1,646)	-	-	(1,646)
Deferred tax on above		-	-	-	84	-	-	84
Total comprehensive income		**-**	**(60,295)**	**17**	**(1,280)**	**-**	**-**	**(61,558)**
Transactions with owners								
Dividends paid	A1	-	(2,518)	-	-	-	-	(2,518)
Supplementary dividend tax credits received		-	908	-	-	-	-	908
Employee share schemes		-	66	-	-	-	253	319
Balance at 30 June 2020		156,669	22,541	(85)	4,552	(2,896)	509	181,290

BALANCE SHEET

As at 30 June 2021

	Notes	2021 $000	2020 $000
Current assets			
Cash and cash equivalents	E6	**25,033**	17,418
Trade and other receivables	B2	**83,401**	73,797
Inventories	B1	**113,469**	101,061
Income tax receivable		**-**	432
Derivative assets	E6	**607**	103
Assets held for sale		**-**	950
		222,510	193,761
Non-current assets			
Deferred tax	A4	**11,773**	11,595
Income tax receivable		**1,361**	908
Property, plant and equipment	C1	**34,393**	41,009
Intangibles	C2	**13,033**	11,886
Right-of-use assets	C4	**85,537**	87,086
		146,097	152,484
Total assets		**368,607**	346,245
Current liabilities			
Trade and other payables	B3	**63,892**	39,105
Provisions	E2	**3,006**	6,896
Derivative liabilities	E6	**47**	223
Short term lease liabilities	C4	**13,079**	12,647
		80,024	58,871
Non-current liabilities			
Borrowings	D1	**-**	10,000
Provisions	E2	**1,281**	1,024
Long term lease liabilities	C4	**90,742**	95,060
		92,023	106,084
Equity			
Share capital	D3	**156,669**	156,669
Retained earnings		**41,721**	22,541
Other reserves		**(1,830)**	2,080
		196,560	181,290
Total equity and liabilities		**368,607**	346,245

These financial statements and the accompanying notes were authorised by the Board on 23 August 2021.

For the Board

Susan Paterson
Chair

Karen Jordan
Director

STATEMENT OF CASH FLOWS

For the year ended 30 June 2021

	Notes	2021 $000	2020 $000
Cash flows from operating activities			
Customer receipts		**468,634**	429,339
Interest receipts		**77**	98
Payments to suppliers and employees		**(431,565)**	(389,101)
Payments for interest on leases		**(4,998)**	(5,590)
Income tax payments		**-**	(430)
Interest payments		**(698)**	(1,314)
Wage subsidy received		**-**	6,604
Proceeds for litigation settlement	E2	**(1,563)**	-
Insurance proceeds received	E2	**1,563**	-
Net cash inflow from operating activities		**31,450**	39,606
Cash flows from / (to) investing activities			
Property, plant and equipment disposal proceeds		**8,650**	5,937
Property, plant and equipment and intangible asset purchases		**(7,656)**	(7,586)
Net cash inflow / (outflow) from investing activities		**994**	(1,649)
Cash flows to financing activities			
Repayment of borrowings		**(10,000)**	(14,000)
Dividends paid		**(2,008)**	(2,518)
Payment for leases		**(12,821)**	(13,031)
Net cash outflow from financing activities		**(24,829)**	(29,549)
Net increase in cash and cash equivalents		**7,615**	8,408
Cash and cash equivalents at the beginning of the year		**17,418**	9,010
Cash and cash equivalents at the end of the year		**25,033**	17,418
Represented by:			
Cash and cash equivalents		**25,033**	17,418
		25,033	17,418
Reconciliation of profit /(loss) after tax to cash flows from operating activities			
Profit / (Loss) after tax		**16,123**	(60,013)
Non-cash adjustments:			
Depreciation and amortisation		**18,979**	20,458
Deferred tax		**(178)**	(4,419)
Impairment of property, plant and equipment and intangibles		**-**	47,579
(Reversal of impairment) / Impairment of right-of-use assets		**(1,878)**	4,551
Other gains on lease reassessments		**(582)**	-
Share scheme expense		**425**	299
Other		**268**	(374)
Gain on items classified as investing activities:			
(Gain) / Loss on property, plant and equipment disposals		**(828)**	66
		32,329	8,147
Movements in working capital:			
Income tax		**(21)**	-
Inventories		**(12,408)**	12,901
Trade and other receivables		**(9,604)**	16,937
Trade and other payables and provisions		**21,154**	1,621
Net cash inflow from operating activities		**31,450**	39,606

COVID-19 PANDEMIC

The World Health Organisation declared a global pandemic on 11 March 2020 due to the outbreak and spread of Covid-19. Since then, the New Zealand Government had announced multiple changes to the lockdown levels. Whilst this has impacted the Group's results, there has been positive levels of trading activity as the market gradually recovers following the Covid-19 lockdown levels.

An assessment of the impact of Covid-19 on the Group financial statements as at 30 June 2021 is set out below, based on information available at the time of preparing the financial statements.

BALANCE SHEET ITEM	COVID-19 ASSESSMENT
Trade receivables	The Group has undertaken a review to ensure that the provision for expected credit losses reflects the current estimated exposure of defaults and the most recent economic forecasts. With the improvement in ageing of trade receivables balance and increasing collection rates, the Group has reduced the provision for doubtful debts to $2.2m as at 30 June 2021 (30 June 2020: $2.4m).
Intangibles	The Group's Intangible assets are stated at historical cost less accumulated amortisation and impairment. Following the impairment recognised on the Group's software intangible asset as at 30 June 2020, the Group has concluded that the Group's Digital strategy remain largely unchanged as at 30 June 2021 and that no reversal of the previous impairment of intangible assets should be made.
Property, plant and Equipment	Plant and equipment are stated at historical cost less depreciation and impairment. Following the completion of site exits as planned, the Group has not identified any indicator of impairment of its plant and equipment in this financial year. The Group has therefore concluded no impairment is required as at 30 June 2021.
Right-of-use assets/Lease liabilities	Following the impairment recognised on the Group's right-of-use leased assets as at 30 June 2020, the Group has subsequently recognised gains upon surrendering of these leases and upon exercising an early termination of its lease prior to maturity. This has resulted in a total gain of $1.1m recognised as at 30 June 2021. During the financial year, the Group had also successfully secured a sub-lease arrangement for one of its longer term leases which had been impaired previously. Based on the current market outlook and consideration over the sites' utilisation of space in line with the Group's network strategy, the Group has re-assessed the assumptions previously applied. Based on the assessment performed, the Group has recognised a reversal of impairment of $0.8m on these leases as at 30 June 2021.
Borrowings	There has been no changes to the covenants and waivers granted by the Group's banking partners since 30 June 2020. As at 30 June 2021, the Group did not rely on the waivers granted and is compliant with its covenants.
Inventories	The Group has undertaken a review of its inventory holdings to identify any inventory of higher risk of impairment, in particular slow moving inventory. Based on the assessment performed, the Group has recognised a provision for write-downs of $2.2m as at 30 June 2021 (30 June 2020: $1.0m).
Provisions	The Group has utilised provisions of $2.7m following the completion of site exits and restructuring activities which were underway up to the financial year ended 30 June 2021.
Deferred tax	Following improved trading results, the Group reviewed previously unrecognised tax losses and determined that it was now probable that taxable profits will be available against which the tax losses can be utilised. Based on the assessment performed, a deferred tax asset of $4.4m was recognised for these losses.

PERFORMANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

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

A1: DIVIDENDS AND EARNINGS PER SHARE

On 25 February 2021, the Board declared an unimputed interim dividend of 1.21 cents per share ($2.0m). The dividends were paid to shareholders on 26 March 2021. On 23 August 2021, the Board declared an unimputed final dividend of 3.29 cents per share (2020: nil).

	2021 $000	2020 $000
Dividends paid	2,008	2,518

Dividends were paid / payable in respect of the following years:	FY21 $000	FY20 $000
Interim Dividend Paid	**2,008**	-
Final Dividend Payable	**5,461**	-
Total	**7,469**	-

Cents per share	FY21	FY20
Interim Dividend (unimputed)	1.21	-
Final Dividend (unimputed)	3.29	-

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

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

Earnings / (Loss) per share (EPS)	2021 $000	2020 $000
Profit / (Loss) after tax	**16,123**	(60,013)
Weighted average number of shares for basic EPS	**165,000**	165,000
Weighted average number of shares for diluted EPS	**166,026**	165,025
Basic earnings / (loss) per share (cents)	**9.8**	(36.4)
Diluted earnings / (loss) per share (cents)	**9.8**	(36.4)

A2: **EXPENSES**

Cost of sales and operating expenses:	Notes	2021 $000	2020 $000
Inventories expensed in cost of sales		**348,863**	304,341
Bad and doubtful debts / (recovered)		**(79)**	2,826
Depreciation and amortisation	C1/C2/C4	**18,979**	20,458
Directors' fees		**449**	473
Donations		**1**	1
Employee benefits		**69,263**	71,066
Restructuring expenses		**-**	5,169
Defined contribution plans		**1,519**	1,536
Information technology expenses		**6,454**	6,599
Foreign exchange gains		**(860)**	(540)
Operating leases		**232**	(326)
Other expenses		**17,011**	19,267
Total cost of sales and operating expenses		**461,832**	430,870

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

Depreciation of $1.5 million (2020: $1.7 million) related to equipment used to manufacture products is included in cost of sales. Depreciation of right-of-use assets and other depreciation is included in operating expenses.

Operating leases relates to short term and low value lease costs not included in NZ IFRS 16 costs.

The Group has reclassified $4.7m from operating expenses to costs of sales in the prior reporting period ended 30 June 2020 to better reflect the nature of labour costs that are directly associated with deriving revenue following a review of business activities during the current reporting period. This reclassification has been made to align with the current year presentation in the Statement of Profit or Loss and Other Comprehensive Income.

A3: **OPERATING SEGMENTS**

The Group has identified two reporting segments as at 30 June 2021 having regard for the criteria outlined in NZ IFRS 8 Operating Segments (NZ IFRS 8). The Group's Chief Operating Decision Maker (being the CEO) receives financial reports which aggregate the activities of the Group's various operating segments into two distinct divisions, being Distribution and Infrastructure.

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

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

The CEO uses EBIT as a measure to assess the performance of segments. The segment information provided to the CEO for the period ended 30 June 2021 is as follows:

2021	Distribution $000	Infrastructure $000	Other/ Elimination $000	Reconciled to Group $000
Timing of revenue recognition				
At a point in time	286,766	97,286	17	**384,069**
Over time	-	95,954	-	**95,954**
Revenue from external customers	**286,766**	**193,240**	**17**	**480,023**
Depreciation and amortisation	(9,920)	(6,490)	(2,569)	**(18,979)**
Expenses	(261,646)	(180,198)	2,552	**(439,292)**
Segment EBIT	**15,200**	**6,552**	**-**	**21,752**
Interest on leases	(2,913)	(2,057)	(28)	**(4,998)**
Interest - others (net)				**(756)**
Reconciled to Group Profit Before Tax				**15,998**

2020	Distribution $000	Infrastructure $000	Other/ Elimination $000	Reconciled to Group $000
Timing of revenue recognition				
At a point in time	247,951	88,230	17	**336,198**
Over time	-	81,725	-	**81,725**
Revenue from external customers	**247,951**	**169,955**	**17**	**417,923**
Depreciation and amortisation	(10,004)	(7,016)	(3,438)	**(20,458)**
Expenses	(238,128)	(162,478)	2,784	**(397,822)**
Impairment of property, plant and equipment and intangibles	(25,230)	(22,349)	-	**(47,579)**
Impairment of right-of-use assets	(1,991)	(2,035)	(272)	**(4,298)**
Site rationalisation costs	(951)	(925)	(135)	**(2,011)**
Restructuring costs	(1,591)	(1,218)	(640)	**(3,449)**
Segment EBIT	**(29,944)**	**(26,066)**	**(1,684)**	**(57,694)**
Interest on leases	(3,175)	(2,354)	(61)	**(5,590)**
Interest - others (net)				**(1,071)**
Reconciled to Group Loss Before Tax				**(64,355)**

Depreciation and amortisation recognised as at 30 June 2021 is inclusive of depreciation recognised under NZ IFRS 16 Leases, which is in line with the financial reports received by the CEO. Comparative figures have been amended to include depreciation recognised under NZ IFRS 16 Leases to allow comparison on a like-to-like basis.

Interest recognised under NZ IFRS 16 Leases is shown separetely in the financial reports provided to the CEO. Comparative figures have been amended to disclose interest recognised under NZ IFRS 16 Leases to allow comparison on a like-to-like basis. Other interest income and expense are not allocated to segments as these are driven by the central treasury function, which manages the cash position of the Group.

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

Sales between segments are eliminated on consolidation. The amounts provided to the CEO with respect to segment revenue are measured in a manner consistent with that of the financial statements. Comparative figures have been amended to include a reclassification of $1.3m of revenue recognised from at a point in time to over time, in line with current year presentation.

A4: INCOME AND DEFERRED TAX

Income tax comprises both current and deferred tax.

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

KEY POLICY

Current tax is the expected payable on the taxable income for the period, using current tax rates, and any adjustment 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
- 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

Income tax expense The income tax expense is determined as follows:	2021 $000	2020 $000
Profit or loss		
Current income tax		
Adjustments in respect of prior periods	**-**	(1,295)
Prior period adjustment not recognised in current period	**-**	1,295
Deferred income tax		
Depreciation, provisions, accruals, tax losses and other	**(210)**	(4,342)
Adjustments in respect of prior periods	**85**	-
Income tax credit recognised in profit or loss	**(125)**	(4,342)

KEY JUDGEMENT - RECOGNITION OF DEFERRED TAX ASSET

The Group reviewed previously unrecognised tax losses and determined that it was now probable that taxable profits will be available against which the tax losses can be utilised. As a consequence, a deferred tax asset of $4.4m was recognised for these losses.

Reconciliation of income tax expense / (credit)	2021 $000	2020 $000
Profit / (Loss) before tax	**15,998**	(64,355)
Non-assessable income	**(1,503)**	(6,604)
Non-deductible expenditure	**297**	44,535
	14,792	(26,424)
Tax at current rate of 28%	**4,142**	(7,399)
Prior period adjustment	**85**	(1,295)
Tax losses (recognised) / not recognised	**(4,352)**	4,352
Total income tax credit	**(125)**	(4,342)
Represented by:		
Deferred tax	**(125)**	(4,342)
	(125)	(4,342)

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	Prior period adjustments $000	NZ IFRS 16 Transition tax impact $000	Recognised in income $000	Recognised in equity $000	Tax losses recognised / (not recognised) $000	Closing balance $000
Group 2021							
Property, plant and equipment	**(2,112)**	**37**	**-**	**(638)**	**245**	**-**	**(2,468)**
Net lease liability	**5,260**	**-**	**-**	**(604)**	**-**	**-**	**4,656**
Employee benefits	**1,420**	**-**	**-**	**828**	**-**	**-**	**2,248**
Provisions	**2,493**	**-**	**-**	**(332)**	**-**	**-**	**2,161**
Cash flow hedging reserve	**34**	**-**	**-**	**-**	**(192)**	**-**	**(158)**
Net taxable loss	**4,500**	**(122)**	**-**	**(3,396)**	**-**	**4,352**	**5,334**
	11,595	**(85)**	**-**	**(4,142)**	**53**	**4,352**	**11,773**
Group 2020							
Property, plant and equipment	(4,471)	-	-	2,275	84	-	(2,112)
Net lease liability	-	-	3,959	1,301	-	-	5,260
Employee benefits	1,383	-	-	37	-	-	1,420
Provisions	1,927	-	(163)	729	-	-	2,493
Cash flow hedging reserve	41	-	-	-	(7)	-	34
Net taxable loss	4,500	1,295	-	3,057	-	(4,352)	4,500
	3,380	1,295	3,796	7,399	77	(4,352)	11,595

	2021 $000	2020 $000
The analysis of deferred tax assets and deferred tax liabilities is as follows:		
Deferred tax liabilities	**(2,626)**	(2,112)
Deferred tax assets	**14,399**	13,707
	11,773	11,595

Imputation credits available at 30 June 2021 were $0.025m (2020: $0.005m).

A5: OTHER OPERATING INCOME

Other operating income for the financial year ended 30 June 2020 included wage subsidy of $6.6m which the Group applied for and received from the New Zealand Government during the Covid-19 pandemic. The funds received have been accounted for in line with NZ IAS 20 Government Grants and Disclosure of Government Assistance. The Group elected to recognise the funds received under the wage subsidy scheme as other income in the Statement of Profit or Loss and Other Comprehensive Income. No further wage subsidy was received by the Group for the financial year ended 30 June 2021.

WORKING CAPITAL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

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

B1: INVENTORIES

KEY POLICY

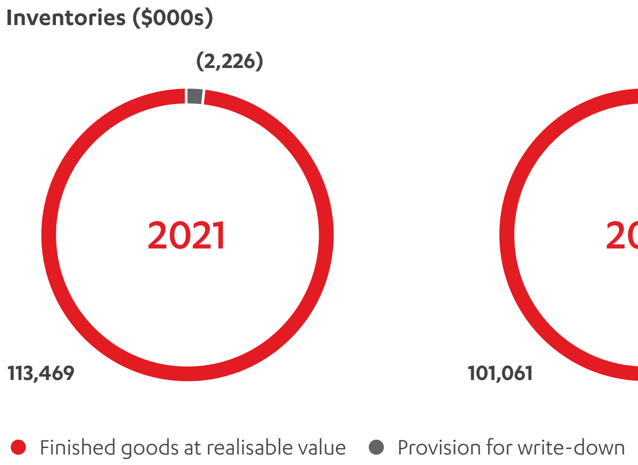
Inventories are stated at the lower of cost and net realisable value, with cost determined on a moving average cost basis or standard cost basis. Costs include expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, and selling expenses.

KEY JUDGEMENT - INVENTORY VALUATION

The majority of the Group's inventory comprises steel products and fastenings, which have long lives and generally are not at risk of obsolescence. The Group undertook an assessment of its inventory holdings at 30 June 2021 to determine whether the net realisable value (NRV) of inventory was greater than or equal to the current carrying value of inventory. The Group has undertaken a full review of all aged inventory to identify any inventory at higher risk of impairment, particularly slow moving inventory. Following this review, an impairment provision of $2.2m (2020: $1.0m) has been recognised as at 30 June 2021 to record the carrying value of inventory at its NRV where that is considered to be lower than its cost. Judgement was required in determining if the slow moving inventory can be sold and its expected sales price, and therefore whether inventory should be impaired. This includes consideration of forecast market conditions and prices.

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

The Group holds inventories valued at $113.5 million (2020: $101.1 million).



The Group is exposed to foreign exchange risk arising mainly from overseas purchases of inventory. In accordance with its Treasury Policy, all committed overseas purchase orders are hedged using forward foreign exchange contracts where payment is made in a foreign currency. The Group qualifies for hedge accounting. The effective portion of the changes in fair value is recognised in other comprehensive income and accumulated in the Hedging reserve in equity as described in section E9.

As at balance date foreign exchange contracts recorded as assets were $0.61m (2020: $0.1m) and as liabilities were $0.05m (2020: $0.22m). The notional value of foreign exchange contracts in place as at 30 June 2021 totaled $36.81m (2020: $17.09m). The fair value of the foreign currency forward exchange contracts is as shown on the Balance Sheet. Refer to section E6 for the fair value hierarchy determination.

If the NZ dollar had weakened/strengthened by 5% against foreign currencies (primarily US dollar) at balance date, there would be no impact on profit or loss, as the Group qualifies for hedge accounting and all hedges are 100% effective at balance date. The effect would be to equity +$1.70m if the NZ dollar strengthened by 5% and -$2.05m if the NZ dollar weakened by 5% (2020: + $0.93m /- $0.76m respectively).

B2: TRADE AND OTHER RECEIVABLES

KEY JUDGEMENT - PROVISION FOR IMPAIRMENT

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

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

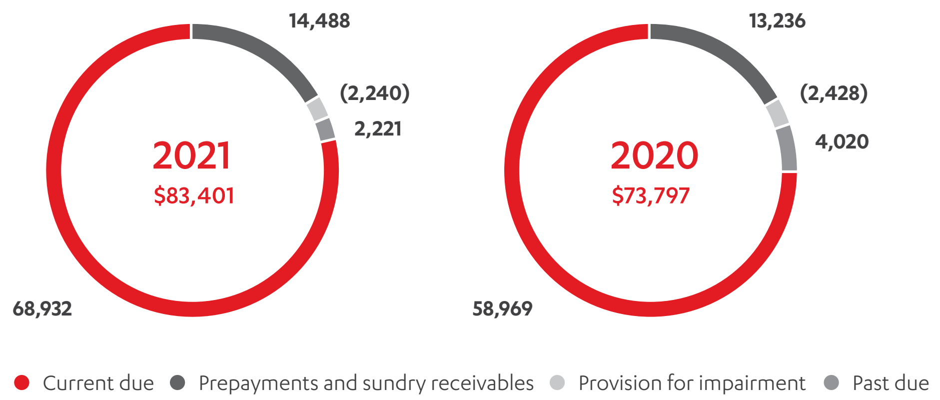
The Group considers the lifetime expected credit losses associated with its receivables upon initial recognition, and on an ongoing basis at the end of each reporting period. To assess whether there is a specific increase in credit risk, the Group compares the risk of default occurring on these receivables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

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

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

Trade receivables at 30 June 2021 are $71.2m (2020: $63.0m) and are recognised initially at fair value and subsequently at amortised cost less any provision for impairment. The carrying value of Trade and other receivables are equivalent to their fair value.

Trade and Other Receivables ($000s)

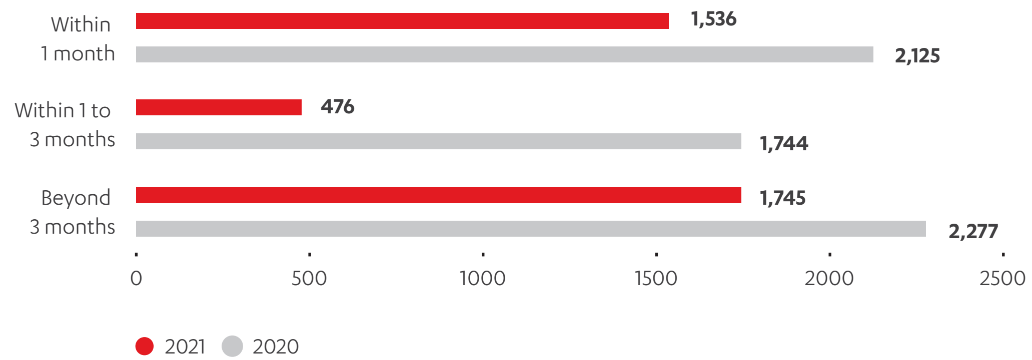


No one customer accounts for more than 5% of Trade receivables at 30 June 2021 (30 June 2020: 3%).

At 30 June 2021 trade receivables of $1.9m (2020: $3.5m) were greater than 60 days overdue. These relate to a number of independent customers for whom there is no recent history of default. The Group's credit terms are in line with industry peers. The Group does not have any customers with payment terms exceeding one year. As a result the Group does not adjust transaction prices for the time value of money.

The aging profile of the Group's customer balances is shown below.

Trade receivables excluding current at 30 June 2021 ($000s)



Provision for impairment

At 30 June 2021 an impairment provision of $2.2m (2020: $2.4m) was held.

The ECL allowance provision has been determined as follows:

As at 30 June 2021	Current $000	Within 1 Month $000	1-2 Months $000	2-3 Months $000	Beyond 3 Months $000	Total $000
Gross carrying amount	**67,396**	**1,536**	**274**	**202**	**1,745**	**71,153**
Baseline/Aging	428	28	46	18	1,706	2,226
Region	4	-	-	-	2	6
Sector	5	1	-	-	2	8
Expected credit loss allowance	**437**	**29**	**46**	**18**	**1,710**	**2,240**

As at 30 June 2020	Current $000	Within 1 Month $000	1-2 Months $000	2-3 Months $000	Beyond 3 Months $000	Total $000
Gross carrying amount	**56,844**	**2,125**	**548**	**1,196**	**2,276**	**62,989**
Baseline/Aging	196	230	33	127	1,822	2,408
Region	3	-	-	1	4	8
Sector	4	-	1	1	6	12
Expected credit loss allowance	**203**	**230**	**34**	**129**	**1,832**	**2,428**

Movements in the provision for impairment for the year ended 30 June 2021, are as follows:

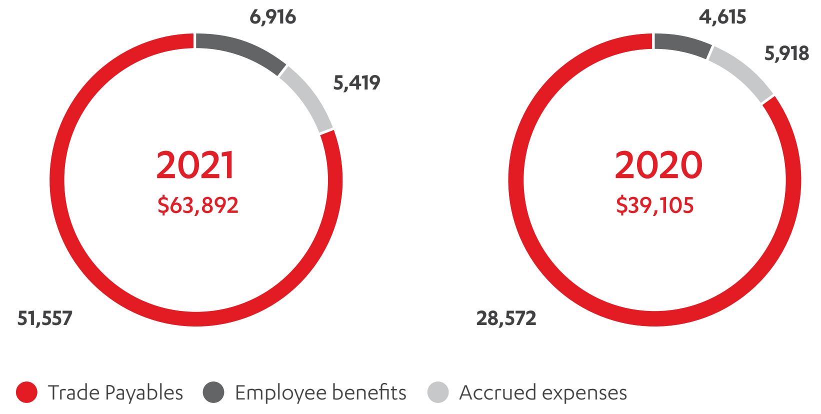
Provision for impairment	2021 $000	2020 $000
Provision as at 1 July	**2,428**	1,946
Recognised	**1,285**	2,524
Utilisation of provision/bad debts recovered	**(1,473)**	(2,042)
Provision as at 30 June	**2,240**	2,428

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

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

B3: TRADE AND OTHER PAYABLES

Trade and other payables ($000s)



The carrying amounts of the above items are equivalent to their fair values and subsequently measured at amortised cost using the effective interest method. Trade payables denominated in a foreign currency are not material either in the current or comparative year. Trade payables have increased significantly when compared to the prior year given trading activity in the prior year was impacted by Covid-19.

FIXED CAPITAL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

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

C1: PROPERTY, PLANT AND EQUIPMENT

KEY POLICY

Plant and equipment are stated at cost less accumulated depreciation. 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. This allocates the cost 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:

Plant, machinery and motor vehicles 3 - 20 years

Furniture, fittings and equipment 2 - 10 years

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in profit or loss.

	Land & buildings at fair value $000	Plant, machinery & vehicles at cost $000	Furniture, fittings & equipment at cost $000	Total $000
2021				
Opening cost	**5,900**	**85,752**	**18,794**	**110,446**
Opening accumulated depreciation	**(39)**	**(53,227)**	**(16,171)**	**(69,437)**
Opening net book value	**5,861**	**32,525**	**2,623**	**41,009**
Additions	**-**	**3,297**	**675**	**3,972**
Disposals	**(5,835)**	**(782)**	**(1)**	**(6,618)**
Depreciation	**(26)**	**(3,012)**	**(932)**	**(3,970)**
Closing net book value	**-**	**32,028**	**2,365**	**34,393**
Comprised of:				
Cost or fair value	**-**	**82,880**	**17,293**	**100,173**
Accumulated depreciation	**-**	**(50,852)**	**(14,928)**	**(65,780)**
Property, plant and equipment	**-**	**32,028**	**2,365**	**34,393**
2020				
Opening cost	14,273	88,804	18,454	121,531
Opening accumulated depreciation	(14)	(53,645)	(15,838)	(69,497)
Opening net book value	14,259	35,159	2,616	52,034
Additions	-	3,171	1,295	4,466
Land and building revaluations:				
Decrease to revaluation reserve	(1,646)	-	-	(1,646)
Disposals	(5,763)	(826)	(86)	(6,675)
Impairments	-	(1,478)	(30)	(1,508)
Transfer to assets held for sale	(950)	-	-	(950)
Depreciation	(39)	(3,501)	(1,172)	(4,712)
Closing net book value	5,861	32,525	2,623	41,009
Comprised of:				
Cost or fair value	5,900	85,752	18,794	110,446
Accumulated depreciation	(39)	(53,227)	(16,171)	(69,437)
Property, plant and equipment	5,861	32,525	2,623	41,009

Included within the plant, property and equipment categories is capital work in progress totalling $2.5m (2020: $1.0m).

During the current financial year, the Group had sold all of its remaining land and buildings. A net gain of $1.2m has been recognised upon sale in the Statement of Profit or Loss. Refer to disclosure of sale and leaseback transaction in note C4.

C2: INTANGIBLES

	Goodwill $000	Software & Licences $000	Other $000	Total $000
2021				
Opening cost	**47,171**	**30,429**	**2,522**	**80,122**
Opening accumulated amortisation and impairment	**(47,171)**	**(19,040)**	**(2,025)**	**(68,236)**
Opening net book value	**-**	**11,389**	**497**	**11,886**
Additions	**-**	**3,596**	**-**	**3,596**
Amortisation charge	**-**	**(2,343)**	**(106)**	**(2,449)**
Closing net book value	**-**	**12,642**	**391**	**13,033**
Comprised of:				
Cost	**47,171**	**34,025**	**2,522**	**83,718**
Accumulated amortisation and impairment	**(47,171)**	**(21,383)**	**(2,131)**	**(70,685)**
Closing net book value	**-**	**12,642**	**391**	**13,033**
2020				
Opening cost	47,171	26,778	2,522	76,471
Opening accumulated amortisation and impairment	(10,100)	(7,530)	(1,919)	(19,549)
Opening net book value	37,071	19,248	603	56,922
Additions	-	3,651	-	3,651
Amortisation charge	-	(2,510)	(106)	(2,616)
Impairment	(37,071)	(9,000)	-	(46,071)
Closing net book value	-	11,389	497	11,886
Comprised of:				
Cost	47,171	30,429	2,522	80,122
Accumulated amortisation and impairment	(47,171)	(19,040)	(2,025)	(68,236)
	-	11,389	497	11,886

Included within the intangibles categories is capital work in progress totalling $1.5m (2020: $1.3m). Other intangibles comprises customer relationships and customer contracts arising from business combinations.

KEY POLICY

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

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

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

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

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

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

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

The recent decision issued by the IFRS Interpretations Committee regarding future changes in intangible assets accounting policy has been discussed further in note E9.

KEY JUDGEMENT - IMPAIRMENT TESTING ON NON-FINANCIAL ASSETS

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

For the purpose of assessing impairment, assets are grouped in the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash generating unit or CGU), which as at 30 June 2021 were identified as being Distribution, CFDL/Reinforcing and Rollforming.

As at 30 June 2021, the Group has not identified any indicators of impairment over the assets held at the CGUs. The Group's market capitalisation is slightly below net assets at year end, however this market capitalisation value excludes any control premium and may not reflect the value of 100% of the Group's net assets. Furthermore, the Group has seen an improved trading performance in the current financial year when compared to the previous financial year.

The Group has therefore concluded that no impairment is required as at 30 June 2021. The Group has also concluded that no reversal of the previous impairment of intangible assets should be made following an assessment that the Group's Digital strategy remains largely unchanged in the current financial year.

C3: COMMITMENTS

Capital commitments

The Group has contractual commitments of $0.8m (2020: $0.3m) for purchase of plant and equipment.

C4: LEASES

KEY JUDGEMENT - IMPAIRMENT TESTING ON RIGHT-OF-USE ASSETS

The Group has assessed for any indicators of impairment on its right-of-use assets for the financial year ended 30 June 2021. The Group has re-assessed the assumptions used for the previously impaired sites with longer term leases (> 3 years) based on current market outlook and consideration over the sites' utilisation of space in line with the Group's network strategy. Based on the assessment performed, the Group has recognised a reversal of impairment of $0.8m on these leases as at 30 June 2021. The Group has also recognised $1.1m which represents a partial recovery of the total impairment charge recognised in the prior financial year following the surrender and early termination of its previously impaired leases. As a result, a total of $1.9m of impairment loss reversal was recognised as at 30 June 2021.

The below outlines the recognised right-of-use assets and corresponding lease liabilities by the Group as at 30 June 2021:

	Properties $000	Motor Vehicles $000	Equipment $000	Total $000
Right-of-use asset at 1 July 2020	**83,001**	**3,232**	**853**	**87,086**
Additions to right-of-use assets	8,814	1,465	174	10,453
Depreciation	(10,749)	(1,623)	(188)	(12,560)
Reassessments	29	-	-	29
Impairment loss reversed	1,878	-	-	1,878
Disposals	(1,349)	-	-	(1,349)
Total right-of-use assets at 30 June 2021	**81,624**	**3,074**	**839**	**85,537**

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

Lease liability maturity analysis	2021 $000	2020 $000
Between 0 to 1 year	13,079	12,647
Between 1 to 5 years	43,802	40,327
More than 5 years	46,940	54,733
Lease liabilities as lessee	**103,821**	**107,707**

Sale and Leaseback

The Group entered into a sale and leaseback agreement in relation to one of its previously owned property at 26 – 32 Hautonga St, Petone, Lower Hutt. The sale was completed on 22 March 2021 with a sales price of $7.0m. The impact of the sale and leaseback transaction had resulted in an addition of $1.0m to the Group's right-of-use assets and a corresponding gain of $0.7m recognised in the Statement of Profit or Loss for the year ended 30 June 2021.

FUNDING

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

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

D1: BORROWINGS

	2021 $000	2020 $000
Bank loans	-	10,000

KEY POLICY

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

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

In February 2021, the Group had executed an agreement with its banking partner to amend its current banking facility for a revised three year $50m Revolving Cash Advance Facility with an expiry date of 15 February 2024. Borrowing facilities arranged with the Group's banking partner can be drawn at any time, subject to meeting the terms of the Group's Facility Agreement.

In June 2020, the Group agreed a variation to its facility agreement which allowed the Group to use alternative measures for covenant reporting for the second half of the 2021 financial year. As at 30 June 2021, the Group has not relied on financial covenant waivers and is compliant with all financial covenants.

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

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

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

	Average Interest rate	6 months or less $000	6 to 12 months $000	1 to 3 years $000	Total $000	Carrying Value $000
2021						
Trade payables & accruals	**-**	**63,892**	**-**	**-**	**63,892**	**63,892**
Cash flow hedging of derivatives:						
Outflow	**-**	**36,533**	**272**	**-**	**36,805**	**36,805**
Inflow	**-**	**(37,088)**	**(277)**	**-**	**(37,365)**	**(37,365)**
	-	**(555)**	**(5)**	**-**	**(560)**	**(560)**
2020						
Borrowings	4.0%	207	198	10,573	10,978	10,000
Trade payables & accruals	-	39,105	-	-	39,105	39,105
Cash flow hedging of derivatives:						
Outflow	-	16,783	312	-	17,095	17,095
Inflow	-	(16,664)	(312)	-	(16,976)	(16,976)
	-	119	-	-	119	119

D2: NET DEBT RECONCILIATION

	Cash and cash equivalents $000	Borrowings $000	Total $000
Net debt as at 1 July 2020	**17,418**	**(10,000)**	**7,418**
Cash flows	**7,615**	**10,000**	**17,615**
Net debt as at 30 June 2021	**25,033**	**-**	**25,033**
Net debt as at 1 July 2019	9,010	(24,000)	(14,990)
Cash flows	8,408	14,000	22,408
Net debt as at 30 June 2020	17,418	(10,000)	7,418

D3: SHARE CAPITAL

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

Capital Structure Policy Targets

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

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

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

	2021 $000	2020 $000	2021 Shares	2020 Shares
Fully paid:				
Balance at the beginning of the year	**156,668**	156,668	**165,972,540**	165,972,540
Balance at the end of the year	**156,668**	156,668	**165,972,540**	165,972,540
Partly paid:				
Balance at the beginning of the year	**1**	1	**25,000**	25,000
Balance at the end of the year	**1**	1	**25,000**	25,000
Total balance at the end of the year	**156,669**	156,669	**165,997,540**	165,997,540

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

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

Treasury shares	2021 $000	2020 $000	2021 Shares	2020 Shares
Balance at the beginning of the year	**2,896**	2,896	**972,849**	972,849
Balance at the end of the year	**2,896**	2,896	**972,849**	972,849

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

OTHER

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

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

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

E1: **FINANCIAL RISK MANAGEMENT**

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

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

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

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

E2: **PROVISIONS**

	Restructure Provision $000	Make Good Provision $000	Commerce Commission Provision $000	Holiday Pay Provision $000	Other Provisions $000	Total $000
Opening balance	2,366	2,795	2,009	750	-	7,920
Additions	-	469	-	104	509	1,082
Used	(2,217)	(489)	(2,009)	-		(4,715)
Closing balance	**149**	**2,775**	**-**	**854**	**509**	**4,287**
Current	149	1,494	-	854	509	3,006
Non Current	-	1,281	-	-	-	1,281

KEY POLICY

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

- Restructure Provision. The Group undertook a business restructure folowing the impact of Covid-19 in the preceding year and the activities related to the restructure have largely concluded as at 30 June 2021. Costs included within this provision relate to the remaining committed restructuring activities.
- Make Good Provision on existing tenanted properties, including Stonedon Drive remediation work agreed as part of the sale and purchase agreement. Remediation work is currently in progress with a remaining provision estimated at $1.4m. Actual payment dates and costs will be known once each lease reaches its expiry date.
- Commerce Commission Provision. In December 2016 the Commence Commission announced that it had completed its investigation in relation to several steel companies, and that it intended to prosecute multiple companies under the Fair Trading Act, including Steel & Tube. The Commission's prosecution of Steel & Tube relates to the inadvertent use of a testing laboratory's logo on test certificates, and application of testing methodologies.

  In November 2020, the Court of Appeal confirmed a fine of $1.56m. As a result of the court judgement, the Group subsequently paid the $1.56m fine in December 2020. The provision previously held in relation to this prosecution has been utilised and an insurance payment was received. There was no net impact on the reported profit for the period.
- Holiday Pay Provision. The provision relates to the Group's potential backdated holiday pay obligations of $0.75m following a High Court judgement on an unrelated company on a similar matter. An additional $0.1m has been recognised in the current financial year based on the Group's incentive arrangement. This provision recognised represents the best estimate of the Group's exposure based on the current High Court ruling. The expected settlement of this obligation is dependant on the outcome of the appeal of the current High Court judgement.
- Other Provisions relates to an estimate of the costs of customer claims for faulty or defective products supplied.

E3: **CONTINGENT LIABILITIES**

Indemnities given to the Company's trading banks in respect of performance bonds were $3.5m (2020: $2.7m) at balance date and were transacted in the ordinary course of business.

E4: **AUDITOR REMUNERATION**

Fees paid to PwC	2021 $000	2020 $000
Annual audit & half year review	**443**	461
Tax advisory services in relation to the Company's Executive Share Scheme	**-**	1
Total	**443**	462

E5: **RELATED PARTY AND SHARE BASED PLANS**

The Group has related party relationships with its controlled entities and with key management personnel.

The subsidiaries in the Group are:

Subsidiaries	Principal Activity	Balance Date	2021 Holding	2020 Holding
Steel & Tube New Zealand Limited	Non-trading	30 June	**100%**	100%
Composite Floor Decks Holdings Limited	Non-trading	30 June	**100%**	100%
Studwelders Limited	Non-trading	30 June	**100%**	100%
S & T Plastics Limited	Non-trading	30 June	**100%**	100%
S & T Stainless Limited	Stainless Distributor	30 June	**100%**	100%
Manufacturing Suppliers Limited	Fastenings Distributor	30 June	**100%**	100%
Composite Floor Decks Limited	Floor Decking Installer	30 June	**100%**	100%

Transactions with Key Management Personnel	2021 $000	2020 $000
Short-term benefits	**4,333**	3,598
Share-based benefits (accounting expense)	**311**	274
Termination benefits	**155**	122
	4,799	3,994

The Key Management Personnel are the Non-Executive Directors and Executive Management. Included in short term benefits are Directors' fees of $448,983 (2020: $472,696).

Other Transactions with Related Parties

Certain Directors, shareholders and Management have relevant interests in a number of companies with which the Group has transactions in the normal course of the business. A number of the Group's Directors are also non-executive Directors of other companies, and a register of Directors' interests is maintained. Any transactions undertaken with these entities have been entered into in the normal course of business.

Certain Directors and Management hold shares in the Group and receive dividends in the normal course of business.

Performance Rights Plan 2017

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

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

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

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

- Where the Company TSR is less than or equal CoE no (AC) Performance Rights will be vested
- Where the Company TSR is equal to or greater than CoE + 2%, 100% of (AC) Performance Rights will vest
- Where the Company TSR is greater than CoE but less than (CoE) + 2%, then between 50% and 100% of the (AC) Performance Rights will vest as determined on a linear pro-rata basis

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

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

	No. of Rights Available 2021	No. of Rights Available 2020
Opening Balance	2,271,834	1,278,789
New Rights Granted	2,067,187	1,151,208
Rights Forfeited	(470,798)	(158,163)
Rights Lapsed	(189,747)	-
Total	**3,678,476**	**2,271,834**

Rights Performance Conditions Start Dates	Expiry date	Issue date fair value	Total Rights Issued	Rights Available 30 June 2021	Rights Available 30 June 2020
1 September 2017 - Tranche 1	1/09/2020	$2.09	**371,366**	**-**	195,673
12 September 2018 - Tranche 2	12/09/2021	$1.20	**1,160,204**	**713,669**	924,953
6 September 2019 - Tranche 3	6/09/2022	$0.80	**1,215,524**	**961,936**	1,151,208
11 September 2020 - Tranche 4	11/09/2023	$0.75	**2,002,871**	**2,002,871**	-
		Total	**4,749,965**	**3,678,476**	2,271,834

Weighted average remaining contractual life of options outstanding at end of period	**1.52**	0.98

The fair value of rights is determined using a Monte Carlo share price simulation model. The significant inputs into the model for rights 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 38.1%, expected option life of between 1 and 3 years and an annual risk free interest rate of 0.29%. Volatility has been calculated based on the annualised volatility for the three years prior to the rights issue.

KEY POLICY

The Performance Rights Plan 2017 is considered to be an equity settled scheme under NZ IFRS 2 and the vesting conditions for the scheme include both service and performance conditions.

Performance Rights Plan 2017

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

E6: FINANCIAL INSTRUMENTS

	Financial assets at amortised cost $000	Derivatives for hedging at fair value $000	Financial liabilities at amortised cost $000
2021			
Cash and cash equivalents	**25,033**	**-**	**-**
Trade and other receivables excluding prepayments	**81,603**	**-**	**-**
Derivative financial instruments [1]	**-**	**607**	**-**
Total financial assets	**106,636**	**607**	**-**
Trade and other payables	**-**	**-**	**63,892**
Derivative financial instruments [1]	**-**	**47**	**-**
Lease liabilities	**-**	**-**	**103,821**
Total financial liabilities	**-**	**47**	**167,713**
2020			
Cash and cash equivalents	17,418	-	-
Trade and other receivables excluding prepayments	71,318	-	-
Derivative financial instruments [1]	-	103	-
Total financial assets	**88,736**	**103**	**-**
Borrowings	-	-	10,000
Trade and other payables	-	-	39,105
Derivative financial instruments [1]	-	223	-
Lease liabilities	-	-	107,707
Total financial liabilities	**-**	**223**	**156,812**

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

E7: FINANCIAL ASSETS

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

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

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

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

E8: SUBSEQUENT EVENTS

On 17 August 2021, the New Zealand Government reinstated Covid-19 Alert Level 4 for the whole of New Zealand. The Alert 4 settings are applicable to the Auckland and Coromandel regions for at least seven days and the rest of New Zealand for at least three days, effective from 11.59pm 17 August 2021. On 20 August 2021, the New Zealand Government announced that the rest of New Zealand will continue to be in Alert Level 4 for the same period of time as Auckland and Coromandel regions. In response to the change in Alert levels, the Group's operations were closed except where needed to supply Alert Level 4 businesses and will operate in compliance with the New Zealand Government's requirements. Following the initial Covid-19 outbreak, the Group restructured its operations and funding arrangements to withstand a long recovery period and the latest closure and operating restrictions have not required any further restructuring or adjustment to the 30 June 2021 reported balances.

On 23 August 2021, the Board declared a final dividend of 3.29 cents per share (2020: nil) totalling $5.5m (2020: nil). The dividends will be paid to shareholders on 24 September 2021.

E9: OTHER ACCOUNTING POLICIES

Basis of consolidation

The Group applies the acquisition method to account for business combinations. The Group financial statements comprise the financial statements of Steel & Tube Holdings Limited and its controlled entities (subsidiaries) (see Note E5).

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

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

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

Foreign currency

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

Derivatives - Cash flow hedge

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

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

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

Impairment of non-financial assets

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

Revenue recognition

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

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

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

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

Leases

Under NZ IFRS 16, the Group recognises right-of-use assets and lease liabilities for a number of categories of operating leases, including:

- Property leases - The Group has a variety of property leases across its national network of branches and processing facilities. Where the Group has entered into sub-leases in respect of its property leases, each sub-lease will be assessed under the new standard to determine if it qualifies as a finance lease or an operating lease under NZ IFRS 16
- Motor vehicle leases - The Group leases motor vehicles for staff use in sales and day-to-day operations
- Equipment leases - The Group leases certain equipment for use in its distribution, manufacturing and warehousing activities. This includes material handling equipment such as forklifts and pallet trucks
- Other leases - other leases includes the lease of assets such as IT equipment, photocopiers and other plant or office equipment

On inception of a new lease, the lease liability is measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at that date. The right-of-use assets are measured at an amount equal to the lease liability, and are depreciated over the estimated remaining lease term on a straight-line basis. The Group presents the right-of-use assets and lease liabilities separately on the face of the Balance sheet.

The Group has utilised the recognition practical expedients specified in NZ IFRS 16 in respect of short-term and low value leases where appropriate, as well as the use of a single discount rate to a portfolio of leases with reasonably similar characteristics.

Adoption status of relevant new financial reporting standards and interpretations

Future Change in Intangible Assets Accounting policy

In March 2021 the IFRS Interpretations Committee (the Committee), which is responsible for interpreting the application of IFRS, issued a decision that expenditure for configuring and customising software provided under software as a service arrangements (SaaS). The decision sets out that where a SaaS provider controls the application software, the expenditure is likely expensed when receiving the configuration and customisation services. However where the expenditure creates an asset controlled by the customer that is separate from the software, or the services are not separable from the Group's right to receive access to the SaaS provider's application, such costs might be capitalised and amortised over the expected SaaS term. The decision was subsequently ratified by the International Accounting Standards Board in April 2021.

Compliance with the Committee's decision necessitates a change to the Group's Intangible Assets accounting policy, as to date the Group has capitalised such expenditure. By making this change, a retrospective restatement of prior period financial statements is required in the year in which the revised accounting policy is adopted. To implement this change, the Group is currently examining all historically capitalised software configuration and customisation costs relating to SaaS arrangements to identify the level of restatement required. Given the number and complexity of the Group's software arrangements, the Group has decided to implement the revised accounting policy in the 30 June 2022 annual financial statements, with full compliance in the 31 December 2021 interim financial statements.

While the financial impact of the revised accounting policy is still being quantified, the change will reduce intangible assets and associated amortisation, increase operating expenses, and reclassify relevant spend from an investing to an operating cashflow. The change may also result in the recognition of prepayments.

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Independent auditor's report

To the shareholders of Steel & Tube Holdings Limited

Our opinion

In our opinion, the accompanying financial statements of Steel & Tube Holdings Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 30 June 2021, 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 Group's financial statements comprise:

- the balance sheet as at 30 June 2021;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

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

Key audit matters

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

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Description of the key audit matter	How our audit addressed the key audit matter
Assessment of the net realisable value (NRV) of inventory The Group has inventory of approximately $113.5 million as at 30 June 2021, with a provision for write-down of $2.2 million. The Group is required to hold inventory at the lower of cost and NRV. This is a Key Audit Matter as significant judgement is required to determine the sales price of any inventory at higher risk of impairment, particularly slow moving inventory given its limited sales evidence. The Group's estimate of NRV considered: • the most recent achieved sales price for each Stock Keeping Unit (SKU); and • management judgement of the current realisable value for each SKU. Disclosure of the Group's inventory valuation assessment is included in note B1.	We obtained an understanding and evaluated the Group's processes and controls relating to assessing the NRV of inventory. We assessed management's process for identifying inventory at higher risk of impairment. This included undertaking procedures to assess the accuracy of reports used by management to identify higher risk inventory as at 30 June 2021. We assessed the reasonableness of the Group's estimate of NRV by performing the following procedures: • enquired of supply chain personnel to understand and corroborate the assumptions applied in estimating inventory provisions; • attended stock counts to assess controls to identify obsolete and damaged stock; and • assessed the level of sales of slow moving inventory in the year and considered the margins achieved on inventory sales in the year. Where the Group assessed that a provision was not required for slow moving inventory, we obtained, on a sample basis, evidence to support or challenge this assessment. Evidence obtained included: • support to validate that slow moving SKUs could be cut or repackaged to faster selling dimensions or assortments, and / or • enquiry of supply chain personnel to understand the demand for the inventory.

Description of the key audit matter	How our audit addressed the key audit matter
Existence of inventory The existence of inventory was considered a Key Audit Matter because of the Group's: • high volume and value of inventory; • large number of inventory locations; and • the significant effort required to complete procedures to obtain sufficient audit evidence of the existence of inventory. Details of the Group's stock count programme are disclosed in note B1.	We obtained an understanding and evaluated the Group's processes and controls relating to the existence of inventory. We performed a number of procedures to address the risk that inventory did not exist. These procedures included inspection of the records for a sample of inventory counts and attendance at a sample of inventory counts to assess the appropriateness of the Group's count procedures, the accuracy of counting and the accuracy of recording adjustments. We determined which count locations to attend based on our assessment of risk, including: • the volume and value of inventory held at locations; • the extent of inventory adjustments, including counting accuracy rates; and • the extent of past compliance with the Group's cycle count programme. We also tested the reconciliation of the inventory counted to the quantity recorded in the inventory sub-ledger. To further assess whether materially all inventory had been counted during the year, we compared reports detailing inventory counted to the inventory listing by location as at 30 June 2021. We tested on a sample basis reconciling items, being SKUs that could not be validated as counted based on their location at 30 June 2021. These procedures included counting these SKUs post year end and testing movements since year end to supporting documents.

Our audit approach

Overview

Overall group materiality: $2,350,000, which represents approximately 0.5% of revenue.

We chose revenue as the benchmark for our materiality as we consider this is an appropriate and more stable measure of the Group's performance than profit/(loss) before tax.

We performed a full scope audit over the financial information of the significant components of the Group.

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

- Assessment of the net realisable value (NRV) of inventory
- Existence of inventory

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. 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.

Materiality
The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

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

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

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

Responsibilities of the Directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

This description forms part of our auditor's report.

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Who we report to

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

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

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
23 August 2021

Auckland

GOVERNANCE

Corporate governance at Steel & Tube is predicated on high standards of ethics and performance and is achieved through robust governance policies, practices and processes to ensure a culture that is open, transparent and focused on adding value for our stakeholders. The Board regularly reviews Steel & Tube's governance structures and processes to identify opportunities for enhancement, ensure they are consistent with best practice and reflect Steel & Tube's operations.

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

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

The information in this report is current as at 23 August 2021 and has been approved by the Board of Steel & Tube.

CODE OF ETHICAL BEHAVIOUR

"Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation."

We expect our Directors and staff to act with integrity and professionalism, and undertake their duties in the best interests of the company, taking into account the interest of shareholders and other stakeholders.

The Board has adopted a Code of Ethics, which is available on the company website and staff intranet. The company Policy Manual also includes detailed standards of integrity, conduct and behaviour required of all employees. This forms part of the new employee induction programme.

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

Steel & Tube does not donate to political parties.

Insider Trading Policy

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

While there is no formal requirement to do so, all Directors hold shares in the company either directly or through affiliates. Details of Directors' share dealings are set out on page 88 of this report.

BOARD COMPOSITION AND PERFORMANCE

"To ensure an effective Board, there should be a balance of independence, skills, knowledge, experience and perspectives."

The Steel & Tube Board comprises five Independent Directors, who have significant relevant industry and market experience, skills and expertise that are of value to the company. Profiles of Directors are available on the company website and included in the Annual Report. Directors' interests are disclosed on page 87 of the Annual Report.

Karen Jordan was appointed as an Independent Director on 10 December 2020 and will stand for election by shareholders at the 2021 Annual Shareholders' Meeting. Karen brings valued professional governance expertise in the areas of finance, risk management, commerce and business transformation.

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

The Board has delegated authority for the day to day management of the business to the CEO and the wider senior management team with specified financial and non-financial limits. A formal Delegations of Authority Policy documents delegated authorities and is reviewed annually by the Board.

The company has written agreements with each Director, outlining the terms of their appointment. The Board is satisfied that each Director has the necessary time available to devote to the position, broadens the Board's expertise and has the competencies to ensure the effective functioning of the Board.

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

All Directors have access to executives to discuss issues or obtain information on specific areas in relation to matters to be discussed at Board meetings, or other areas as they consider appropriate. The Board Committees and Directors, subject to the approval of the Board Chair, have the right to seek independent professional advice at the company's expense, to enable them to carry out their responsibilities.

Professional Development

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

Board Performance

The Board monitors its own performance and from time to time commissions external reviews to assess the performance of individual Directors and the Board's effectiveness. An external review is being undertaken in calendar year 2021.

Director Appointment

Membership, rotation and retirement of Directors is determined in accordance with the company constitution and NZX Listing Rules. The Nomination Committee has delegated responsibility from the Board to make recommendations on Board composition and nominations, subject to the company constitution.

Key information is provided to shareholders when a Director stands for election or re-election.

Directors will retire and may stand for re-election by shareholders at least every three years, in accordance with the NZX Listing Rules. A Director appointed since the previous Annual Shareholders' Meeting holds office only until the next Annual Shareholders' Meeting but is eligible for election at that meeting.

The Board asks for Director nominations each year prior to the Annual Shareholders' Meeting, in accordance with the company constitution and the NZX Listing Rules.

The Board has developed a skills matrix and takes into account a number of factors including qualifications, experience and skills. Shareholders may also nominate candidates for election to the Board. The Board believes that the current Directors offer valuable and complementary skill sets. Importantly, every one of Steel & Tube's Directors has either worked or is involved in directorships in the sector.

SKILLS MATRIX

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

Strong

Moderate

Diversity

Equality and diversity are cornerstones of our organisational culture. We believe that diversity at Steel & Tube is integral to creating a collaborative workplace culture, competitive advantage and ultimately, sustainable business success. Diversity provides us with a broad range of perspectives and experience that enhance the quality and depth of our decision-making, and helps create a united team approach across all levels of our organisation. Our approach to diversity is outlined in the Diversity Policy, which is available on the company website. A number of initiatives are in place to support diversity and the Board believes the principles in the Policy were adhered to in FY21.

Key areas of focus are:

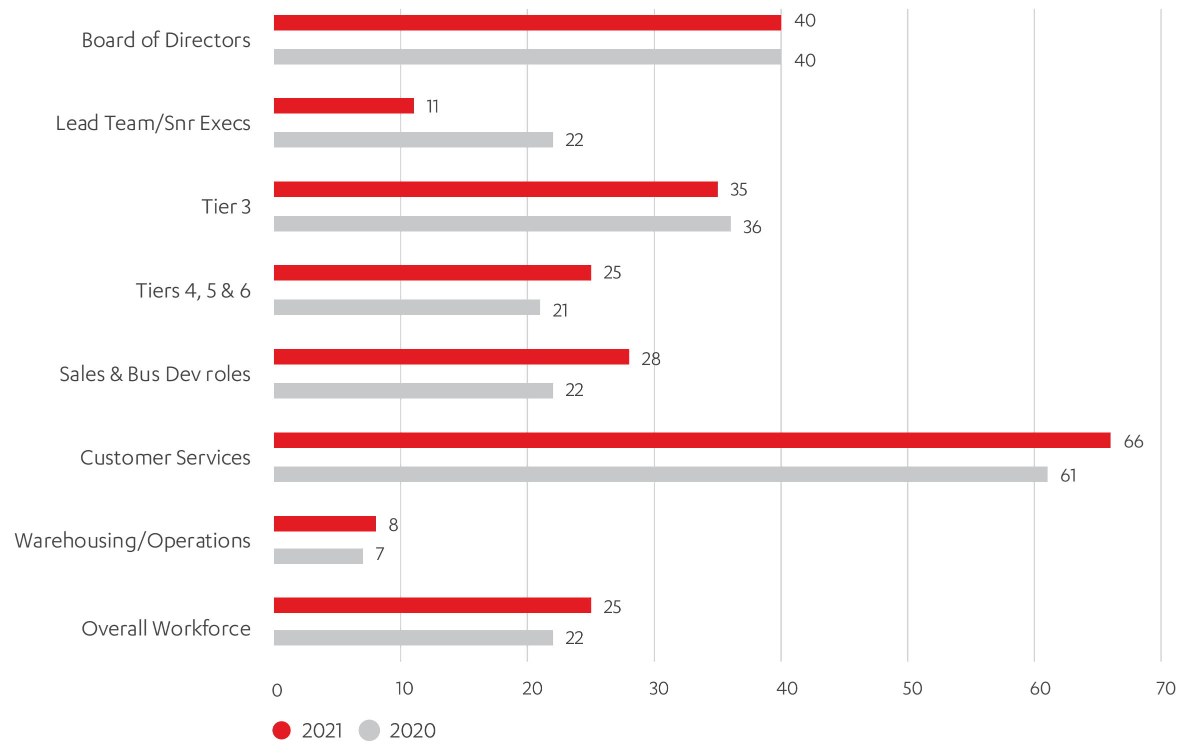
- Recruitment and retention of a diverse workforce
- Fair and consistent reward and recognition
- Flexible working arrangements
- Employee engagement
- Agreed standards of conduct and behaviour

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

The Officers of the Company (as defined by the NZX Listing Rules for the purposes of diversity reporting) are the CEO and specific direct reports of the CEO having key functional responsibility. As at 30 June 2021, females represented 21% of Directors and Officers of the Company (FY20: 28%).

As at 30 June	FY21 Male	FY21 Female	FY20 Male	FY20 Female
Directors	3	2	3	2
Officers	8	1	7	2

Gender Diversity at Steel & Tube (% of Females)



BOARD COMMITTEES

"The Board should use Committees where this will enhance its effectiveness in key areas, while still retaining Board responsibility."

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

Current membership of each of the Board committees is set out below.

Steel & Tube's Board Committees as at 30 June 2021

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

Board committees assist the Board by focussing on specific responsibilities in greater detail than is possible in Board meetings. However, the Board retains ultimate responsibility for the functions of its committees and determines their responsibilities.

The Board appoints the members and chair of each committee, with the committee chair reporting committee recommendations to the Board. Management attendance at committee meetings is by invite only.

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

The table below sets out committee membership and Director attendance at Board and committee meetings during FY21. Board meetings are scheduled throughout the year, with other meetings to deal with certain matters arising from time to time being held when necessary.

	Board	Quality, Health, Safety & Environment Committee	Audit & Risk Committee	Governance & Remuneration Committee	Nomination Committee
Total number of meetings	**11**	**4**	**4**	**3**	**4**
Susan Paterson[1]	11	-	3	3	4
Anne Urlwin[2]	4	1	1	-	3
Chris Ellis	11	4	-	3	4
Steve Reindler	11	-	4	3	4
John Beveridge	11	4	4	-	4
Karen Jordan[3]	4	2	2	-	-

[1] Susan Paterson was appointed to the Audit and Risk Committee on 4 November 2020
[2] Anne Urlwin retired from the Board on 1 October 2020
[3] Karen Jordan was appointed to the Board on 10 December 2020

REPORTING AND DISCLOSURE

"The Board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures."

Continuous Disclosure

Steel & Tube's Directors are committed to keeping investors and the market informed of all material information about the company and its performance, in a timely manner. In addition to all information required by law, Steel & Tube also seeks to provide sufficient meaningful information to ensure stakeholders and investors are well informed. Steel & Tube is committed to providing accurate, timely, consistent and reliable disclosure of information to ensure market participants have fair access to information that may impact on its share price. The company's Continuous Disclosure Policy sets out the principles and requirements of this commitment to timely disclosures.

Financial Reporting

For the financial year ended 30 June 2021, the Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and facilitate compliance of the financial statements with the Financial Markets Conduct Act 2013.

The Audit and Risk Committee oversees the quality and integrity of external financial reporting, including the accuracy, completeness, balance and timeliness of financial statements. It reviews Steel & Tube's full and half year financial statements and makes recommendations to the Board concerning accounting policies, areas of judgement, compliance with accounting standards, stock exchange and legal requirements, and the results of the external audit. All matters required to be addressed, and for which the Committee has responsibility, were addressed during the reporting period.

The Chief Executive Officer and Chief Financial Officer have confirmed in writing that Steel & Tube's external financial reports are presented fairly in all material aspects.

The Chief Financial Officer holds the role of Company Secretary. In all accounting and secretarial matters, the Board ensures that the Secretary's reports are objective and that the Secretary has unfettered access to the Chair and the Audit and Risk Committee, without reference to the CEO.

Non-financial reporting

Steel & Tube has a commitment to ensuring that the Group adds value for all its stakeholders, from shareholders to staff and the communities the Group operates in, as well as reducing the environmental impact of the Group's activities.

Steel & Tube believes it is the Group's corporate responsibility to ensure the Group plays its part in making the world a better place. In line with this, over the last year the Group has formalised its approach to ESG – environmental, social and governance principles – which the Group believes will enhance Steel & Tube and support its growth. During FY21, the Group adopted a new Sustainability Policy and, in July 2021, the Group filled a new position, Sustainability Manager, to help oversee the Group's sustainability practices. Steel & Tube has reported on the Group's progress in the What Matters section in this report, on pages 16 to 27.

REMUNERATION

"The remuneration of Directors and Executives should be transparent, fair and reasonable."

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

The last increase in Director remuneration was approved by shareholders in November 2017. Board policy is that no sum is paid to a Director upon retirement or cessation of office.

Details of Director and Executive Remuneration in FY21 are provided on pages 83 to 86.

RISK MANAGEMENT

"Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks."

Steel & Tube's ability to deliver appropriate returns to its shareholders requires successful execution of business strategy and the elimination, reduction and mitigation of associated risks. The Board has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Board is responsible for overseeing and monitoring significant business risks and overseeing Management's processes to mitigate the identified risks. Management regularly report to the Board on significant business risks and treatments for those risks.

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

Key Risks

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

Key risk areas include:

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

Risk Management Process

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

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

Key risks are owned by members of the executive leadership team. This promotes integration into operations and planning and a culture of proactive risk management. Key risks are reported to the Board. Legislative compliance is monitored across each business unit through Quantate compliance management software.

Quality, Health, Safety and Environment

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

Steel & Tube's aim is to be the preferred New Zealand supplier for steel products and solutions and our expert people play an important role in that, sharing their knowledge and experience with customers. Ensuring the quality of Steel & Tube's products remains a critical focus and an extensive Quality Management Programme is in place and overseen by the General Manager Quality, Health, Safety and Environment. More information on our approach to Quality and Health & Safety is outlined in the What Matters section on pages 18 to 21.

AUDITORS

"The Board should ensure the quality and independence of the external audit process."

External audit

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

For the year ended 30 June 2021, PwC was the external auditor for Steel & Tube. PwC was re-appointed under the Companies Act 1993 at the 2020 Annual Shareholders' Meeting. Partner rotation occurred in FY19. The external auditors attend the Annual Shareholders' Meeting each year. Following a formal request for proposal process, the Board has recommended that KPMG be appointed as the Company's auditor for FY22. This appointment is subject to shareholder approval at the Annual Shareholders' Meeting.

The Audit and Risk Committee monitors the ongoing independence, quality and performance of the external auditors and monitors audit partner rotation. The Committee pre-approves any non-audit work undertaken by PwC. There were no non-audit services provided by PwC in the year ended 30 June 2021. The fees paid for audit services in FY21 is identified in Note E4 of the Annual Report.

Internal Audit

Steel & Tube operates an outsourced internal audit function, which reports to and is monitored by the Audit and Risk Committee. KPMG were appointed internal auditors during FY17 and continued to provide this service in FY21.

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.

Following the appointment of KPMG as external auditors from the end of the September 2021 Annual Shareholders' Meeting, KPMG will cease to provide internal audit services. Alternative internal audit arrangements will be made for FY22 and beyond.

SHAREHOLDER RIGHTS AND RELATIONS

"The Board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer."

Shareholder Communications

Steel & Tube are committed to open and regular dialogue and engagement with shareholders. Easy access to information about the performance of Steel & Tube is available through the Investor Centre on the company's website at https://steelandtube.co.nz/investor-centre. Steel & Tube releases semi-annual Shareholder Newsletters as part of the company's initiative to keep shareholders informed about the business and the contribution the company makes to New Zealand's economic development and prosperity.

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.

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

In addition to shareholders, Steel & Tube has a wide range of stakeholders and maintains open channels of communication for all audiences, including brokers, the investing community and the New Zealand Shareholders' Association, as well as its staff, suppliers and customers.

Shareholder Meetings

Steel & Tube endeavours to make it easy for shareholders to participate in Annual Shareholders' Meetings, which are held in a main centre and also streamed live online. The notice of the Annual Shareholders' Meeting is announced on the NZX, sent to shareholders and posted on to the Company's website at least 20 working days prior to the meeting each year. Shareholders are able to ask questions of and express their views to the Board, management and the external auditors at Annual Shareholders' Meetings.

The Board considers that shareholders should be entitled to vote on decisions that would change the essential nature of Steel & Tube's business. The Board adopts the one share, one vote principle, conducting voting at shareholder meetings by poll. Shareholders are also able to vote by proxy ahead of meetings without having to physically attend those meetings.

REMUNERATION

DIRECTOR REMUNERATION

Total remuneration available to non-executive Directors in the year ended 30 June 2021 was $470,000 as approved by shareholders. The Remuneration and Governance Committee reviews the remuneration of Directors annually.

As at 30 June 2021 the standard Directors' fees per annum were $145,000 for the chair and $75,000 for each non-executive director. Board committee chairs also receive additional fees of between $5,000-$10,000 for their committee responsibilities.

Directors' fees exclude GST, where applicable. Directors are entitled to be reimbursed for costs directly associated with carrying out their duties, including travel costs. Board policy is that no sum is paid to a Director upon retirement or cessation of office.

The total amount of remuneration and other benefits received by the Directors during the year ended 30 June 2021 was $448,983 as shown in the table below:

Director	Directors Fees	Committee Chair Fees	FY21 Total	Responsibility
Susan Paterson	145,000	-	145,000	Board Chair
Anne Urlwin	18,956	2,527	21,483	Retired as at 1 October 2020
Karen Jordan[1]	37,500	5,000	42,500	Audit and Risk Committee Chair
Chris Ellis	75,000	10,000	85,000	QHSE Committee Chair
Steve Reindler	75,000	5,000	80,000	Governance & Remuneration Committee Chair
John Beveridge	75,000	-	75,000	

[1] Karen Jordan was appointed as a Director on 10th December 2020 following the announcement that Anne Urlwin would retire as a Director at the 2020 Annual Shareholders' Meeting held on 1 October 2020. Following Anne Urlwin's retirement from the Board, Karen Jordan was appointed as Audit and Risk Committee Chair.

EXECUTIVE REMUNERATION

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

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

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

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

The STI plan also includes a company based performance hurdle, where no STI is payable to any participant if the year-end results are 80% or less of the company's financial target.

If there is a fatality or serious harm where the Board deems either the Company as a whole or participating individuals culpable, the Board may decide that no STIP payment (all components) will be paid to one, some or all of the participants.

The current LTI (referred to as the Performance Rights Plan (PRP)) was developed and approved by the Board in February 2018. The PRP performance period runs for three years and comprises of two performance conditions (50% each) as outlined in note E5.

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

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

CEO REMUNERATION

The CEO's overall remuneration as at 30 June 2021 consists of a FAR, an STI at 60% of FAR and an LTI of 40% of FAR. This is reviewed annually by the Governance and Remuneration Committee and approved by the Board each year.

The STI scheme for FY21 was a transitional scheme following a review of the current market conditions and is payable up to a maximum of 50% of usual entitlements. The performance targets for the CEO for the year ending 30 June 2021 were as follows:

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

The Board ensures that the CEO's remuneration, including base salary, is aligned with appropriate market rates and reflects performance and delivery of sustainable shareholder value.

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

		Fixed Remuneration			Pay for Performance			
	MD/CEO	FAR[1]	Non-taxable benefits[2]	Sub total	Target STI[3]	Target LTI[4]	Sub total	Total target Remuneration
2021	Mark Malpass	$728,280	nil	$728,280	$218,484	$291,312	$509,796	**$1,238,076**
2020	Mark Malpass	$714,000	nil	$714,000	$428,400	$285,600	$714,000	**$1,428,000**
2019	Mark Malpass	$700,000	nil	$700,000	$420,000	$392,000	$812,000	**$1,512,000**
2018	Mark Malpass	$700,000	nil	$700,000	$420,000	$210,000	$630,000	**$1,330,000**
2017	Dave Taylor	$855,000	$6,214	$861,214	$106,875	$268,316	$375,191	**$1,236,405**

The financial performance target for the full year to 30 June 2021 was above the transitional scheme's 90% hurdle requirement and accordingly STI is payable to the CEO in relation to this.

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

	MD/CEO	FAR[1]	Non-taxable benefits[2]	STI earned in FY[5]	STI% against target	Value of LTI vested during FY[6]	Total remuneration earned during FY
FY21	Mark Malpass	$721,140	-	$273,105	125%	-	**$994,245**
FY20	Mark Malpass	$702,880	-	-	-	-	**$702,880**
FY19	Mark Malpass	$700,000	-	-	-	-	**$700,000**
FY18[7]	Mark Malpass	$587,239	-	$128,214	31%	-	**$715,453**
FY17	Dave Taylor	$855,000	$6,214	$106,875	100%	$268,316	**$1,236,405**

The CEO has personally made an investment in the Company and has acquired 318,284 shares through on-market transactions and the pro-rata rights offer capital raise.

1 FAR includes any KiwiSaver employer contributions

2 There were no costs associated with any other benefits during the year ended 30 June 2021

3 STI target for the full year which is subject to achievement of performance targets as agreed with the Board in each year. STI payment at target for FY21 is 50% of usual entitlement, with maximum payment at 125% of target.

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

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

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

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

PAY GAP

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

At 30 June 2021, the Chief Executive Officer's fixed remuneration of $728,280 was 11.69 times (2020: 12.1 times) that of the median employee at $62,316 per annum.

Employee Remuneration

The number of employees or former employees who received remuneration and other benefits valued at or exceeding $100,000 during the year to 30 June 2021 are specified in the table below.

The remuneration noted includes all monetary payments actually paid during the course of the year ended 30 June 2021 and restructuring and redundancy related compensation.

The remuneration paid to, and other benefits received by, Mark Malpass in his capacity as CEO for the year ended 30 June 2021 are detailed on pages 84 to 85, and are excluded from the table.

Remuneration Range $000	2021
100 - 110	31
110 - 120	21
120 - 130	11
130 - 140	7
140 - 150	5
150 - 160	5
160 - 170	12
170 - 180	1
180 - 190	2
190 - 200	1
200 - 210	4
210 - 220	1
230 - 240	1
270 - 280	1
280 - 290	1
310 - 320	2
370 - 380	1
430 - 440	1
Total	**108 (2020: 114)**

DISCLOSURES

CHANGES IN DIRECTORS' INTERESTS

Directors made the following entries in the Directors' Interests Register pursuant to section 140 of the Companies Act 1993 during the year ended 30 June 2021:

Director	Interests
Susan Paterson	Appointed as a director of Lodestone Energy Limited. Ceased to be a director of Sky Network Television Limited and Goodman NZ Limited and associated companies. Ceased to be a board member of the Electricity Authority.
Karen Jordan	Director of the City Rail Link Limited. Member of the New Zealand Defence Force Risk and Assurance Committee and Inland Revenue Department Risk and Assurance Committee
Chris Ellis	Appointed as the Chair of the Disputes Review Board for the Central Interceptor Project. Appointed as the Independent Chair of Oxcon Limited.
Steve Reindler	Appointed as a director of the Christchurch Multiuse Arena Project. Ceased to be a director of Yachting New Zealand

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 2021 are:

Director	Shares held
Susan Paterson	262,425 beneficially owned
Karen Jordan	1,069
John Beveridge	20,000 beneficially owned
Steve Reindler	46,427
Chris Ellis	10,000

DIRECTORS' SECURITY DEALINGS

During the year ended 30 June 2021 Directors' disclosed the following securities transactions in respect of section 148(2) of the Companies Act 1993 and sections 297(2) and 298(2) of the Financial Markets Conduct Act 2013.

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

Director	Date of Transaction	Number of shares acquired / (disposed)	Nature of transaction	Consideration
Steve Reindler	25 March 2021	20,000	On-market acquisition	$20,008
Karen Jordan	21 December 2020	1,069	On-market acquisition	$1,000

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 2021 were:

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

TOP 20 SHAREHOLDERS

As at 5 July 2021

Twenty largest security holders as at 5 July 2021	Ordinary Shares	Percentage
New Zealand Steel Limited	26,274,753	15.83%
HSBC Nominees (New Zealand) Limited *	5,687,455	3.43%
JPMorgan Chase Bank NA NZ Branch-Segregated Clients Acct*	3,604,547	2.17%
Citibank Nominees (New Zealand) Limited*	3,576,396	2.16%
Lennon Holdings Limited	3,450,157	2.08%
FNZ Custodians Limited	3,428,371	2.07%
Chester Perry Nominees Limited	2,230,516	1.34%
HPI Avondale Limited	2,103,786	1.27%
Accident Compensation Corporation *	2,050,843	1.24%
New Zealand Depository Nominee Limited	1,977,430	1.19%
Neil Douglas Waites	1,772,115	1.07%
Maxima Investments Limited	1,350,000	0.81%
ASB Nominees Limited	1,065,000	0.64%
John Francis Managh & David Robert Percy	999,454	0.60%
Andrew Paul Lissaman Everist	951,135	0.57%
Trevor Jeffrey Corfield & Marilyn Margaret Corfield	864,000	0.52%
Custodial Services Limited	824,773	0.50%
John Francis Managh	799,951	0.48%
Public Trust Class 10 Nominees Limited*	760,634	0.46%
Public Trust Forte Nominees Limited*	742,940	0.45%
	64,514,256	**38.87%**

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

STEEL & TUBE HOLDINGS LIMITED (STU) SPREAD OF SHAREHOLDERS

As at 5 July 2021

Size of holdings	Number of holders	Number of shares	% of issue shares
1 – 999	1,483	617,731	**0.37**
1,000 – 4,999	2,676	6,478,663	**3.91**
5,000 – 9,999	1,204	8,186,588	**4.93**
10,000 – 49,999	1,742	34,999,706	**21.09**
50,000 +	432	115,689,852	**69.70**
	7,537	**165,972,540**	**100.00**

SUBSTANTIAL SECURITY HOLDER

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

Issued shares in the company at 30 June 2021 comprise:	
Ordinary shares fully paid	165,972,540
Ordinary shares partly paid (no voting rights)^	25,000
	165,997,540

^ Shares issued in the Senior Executives Share Scheme 1993

DIRECTORY

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