Steel & Tube Holdings Limited
Annual Report 2018

Our goal is to be the leader in buying, selling, processing and placing steel products in New Zealand.

On behalf of the Board and Management team of Steel & Tube Holdings Limited (Steel & Tube), we would like to thank our shareholders for their support during what has been a very challenging year. We have been working hard to address legacy issues and are now seeing early benefits from our business transformation initiatives, as well as improving sales. The capital raise announced on 7 August 2018 will strengthen our balance sheet and we are committed to delivering better value to our shareholders. We invite you to read more about our company, our goals and our progress in this year's Annual Report.

Susan Paterson
Chair
30 August 2018

Mark Malpass
Chief Executive Officer

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OUR BUSINESS

Steel & Tube is one of New Zealand's leading providers of steel solutions, and a proud New Zealand company, with over 65 years of trading history.

We offer New Zealand's most comprehensive range of steel products, services and solutions, and our stable of best-in-class businesses are some of this country's leading steel suppliers.

We distribute and process a range of products from nuts and bolts, roofing, reinforcing and floor decking systems through to large structural steel products.

As experts in our field, we pride ourselves in being able to offer an end-to-end customer experience, advising, sourcing and supplying customers with their steel requirements. And underlying everything we do, is our continued commitment to quality.

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

We play a key role in supporting New Zealand's economic growth and development. With a national network of branches and distribution centres, we are where-ever our customers need us.

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

A nationwide footprint with **40 SITES** from Whangarei to Invercargill

SOLUTIONS DRIVEN organisation with more than 65 years of industry experience

Working with more than **15,000 ACTIVE CUSTOMERS** every year

~$500 MILLION in sales

~1,000 PEOPLE in the Steel & Tube team

FY18 AT A GLANCE

REFRESHED BOARD:
Appointment of two further Directors with industry expertise, taking Board to five independent Directors.

NEW LEADERSHIP:
Mark Malpass appointed as CEO and Greg Smith appointed as CFO. Refreshed the executive team.

DEPLOYMENT OF NEW ERP (ENTERPRISE RESOURCE PLANNING) IT SYSTEM:
Implementation issues impacted in FY18 but have now been resolved.

ALIGNMENT OF BUSINESS INTO DIVISIONS:
Distribution and Infrastructure.

INITIATED CHANGE PROGRAMME:
Right sizing of inventory, facilities and staff; integration of acquired businesses; rationalisation of distribution and reinforcing operations.

COMMENCED 'PROJECT STRIVE':
Business transformation initiatives delivered under Steel & Tube's four strategic pillars, with benefits expected in FY19 and onwards.

OPENED NEW FACILITIES:
New coil processing facility and new distribution centre, both in Christchurch.

RESET AND REBUILD:
Company-wide review commenced in late 2017.

REVISED GUIDANCE RESETTING THE BUSINESS:
In May 2018, announced inventory write downs and impairments along with other non-trading costs of up to $54 million. Normalised EBIT expected to be around $16 million.

EXIT FROM S&T PLASTICS:
Planned exit due to downturn in long term outlook for irrigation market along with need for further capital investment in the business.

RESULTS SLIGHTLY AHEAD OF GUIDANCE:
Revenue $495.8 million, Operating Earnings[1] (EBIT) $(36.2) million and FY18 Normalised EBIT $16.5 million, Net Loss $(32.1) million.

POST FINANCIAL YEAR-END:

INITIATED $80.9 MILLION CAPITAL RAISING:
To strengthen the balance sheet and provide financial flexibility for Steel & Tube to execute its business transformation initiatives and achieve longer term strategic objectives.

GREENSHOOTS:
Early benefits already being seen from Project Strive business transformation initiatives; positive sales trajectory seen in last quarter of FY18 has continued into FY19.

[1] Operating earnings is Earnings Before Interest and Tax (EBIT). FY18 normalised operating earnings is EBIT excluding non-trading adjustments of $53.8m and a $1.1m timing benefit from reduced software amortisation costs due to the ERP implementation delay (refer to page 14 and 15).

Further information and detail on FY18 financial results can be found in the FY18 Full Year Results Investor Presentation at **www.steelandtube.co.nz/investor/presentations**.

CHAIR'S REPORT

It has been a challenging year for the company and for our people, as we have worked hard to reset our organisation for a stronger future.

The Board had to make some difficult judgements, in particular around impairments, the write down of inventory, rationalisation of our nationwide footprint and the exit from S&T Plastics. While these had a significant impact on the FY18 results, we believe they were the responsible and appropriate decisions for the company and for shareholders.

We now have a solid foundation from which to build Steel & Tube, and with the proceeds from the capital raising currently underway, we will have the financial flexibility to implement our business transformation initiatives and achieve our longer term strategic objectives.

We are focused on the future, with our customers at the fore - strengthening Steel & Tube's position as New Zealand's leading supplier of steel products and solutions; driving earnings improvements; and delivering value for our shareholders.

This year has seen greater engagement with the investment community as we 'tell our story' and ensure further transparency with our key funders.

Our pathway to success is being led by Steel & Tube's new CEO, Mark Malpass. Mark was appointed as a Director of Steel & Tube early in 2017 and stepped down from the Board in September to take up the role of Interim CEO. He accepted the permanent position in February this year.

Mark was previously chief executive of Fletcher Building's largest division and worked in senior roles for ExxonMobil Corporation. His strategic and commercial skills, industry experience and people skills, have seen the introduction of a new four-pillar strategy that has engaged every employee across the group and is already delivering positive results.

Mark is being ably supported by CFO, Greg Smith, who joined Steel & Tube in October last year. Greg has worked hard to build a strong and robust financial platform for the company and provided sound advice to the Board on the difficult financial decisions we needed to make in the last year.

Mark and Greg are being aided by a new leadership team, reflecting the changes in the organisational structure implemented last year. Each of these leaders is an experienced executive, with strong expertise in their specialist areas, and their appointments have been endorsed by the Board.

The Board has benefitted from the addition of two further Directors with relevant industry expertise and governance experience. Steve Reindler and Chris Ellis both joined the Board in October 2017 and their insights, challenge and support, alongside that of Anne Urlwin and Rosemary Warnock, have been greatly appreciated.

I would like to acknowledge the eight years of service of Dave Taylor as CEO and Managing Director and long serving Director, Dean Pritchard, who retired at the 2017 Annual Meeting after 12 years on the Board, including seven years as Chair.

One of Steel & Tube's strengths is its revenue diversity across different sectors – rural, manufacturing and residential/commercial and infrastructure construction.

Non-residential construction makes up about 25% of our current revenue stream and we are very cognisant of the challenges being faced by this sector of the construction industry. Risk allocation remains a major issue, as does appropriate pricing of contracts. The New Zealand sector, as a whole, needs to improve its contracting practices and ensure risk is assigned where it can best be managed. This will benefit not just the sector, but the wider New Zealand economy.

As a company, we do extensive due diligence of construction projects and carefully assess risk before taking on jobs. This ensures that we can provide the best possible level and quality of service and products to our customers.

Quality has been another area in which we have made great progress, from establishing a rigorous upstream supplier audit programme through to quality and process improvement in everything we do. Safety has maintained its high priority as we engage with all our people to ensure they remain safe in all their work.

This has been a year of exceptional effort by our whole team and we are grateful for their dedication, their continual seeking for improvement, and for delivering their best. On behalf of the Board, I would like to extend our thanks to all Steel & Tube's people and our key partners and customers, for their support, hard work and loyalty during this challenging time. The benefits of their endeavours are now starting to show and we are looking forward to a very positive and exciting future.

Susan Paterson
Chair

CEO'S REVIEW

A reset of the company is underway and early benefits are now being seen from a company-wide change programme and business transformation.

On many fronts, the 2018 financial year was disappointing with a number of legacy issues identified, a difficult ERP system implementation and the need for significant write downs and impairments impacting on our results.

However, the extensive company-wide review we undertook during the year has allowed us to address issues and reset our company. We now have a comprehensive understanding of our business, our strengths, the opportunities ahead of us and strategic clarity.

Steel & Tube is a New Zealand business with a long heritage, great brands and businesses, talented people and a strong Board providing leadership and support for Management. We are now beginning the journey to build value and deliver improved operating and financial performance.

We have a new strategy in place, Striving for Excellence. This is focused on the absolute essentials we believe are fundamental to creating a great business – Safety and Quality, Operational and Supply Chain Excellence; a Strong Customer Focus; and Our People. You can read more on each of our strategic pillars on the following pages.

We have launched Project Strive – an inhouse programme of business transformation initiatives based on our core pillars – and this is already delivering early benefits. Staff are encouraged to identify opportunities for improvement across the business and then develop solutions and pathways to help us achieve our potential.

The organisation has been restructured to improve capabilities and efficiency, and capture synergies from acquisitions. In addition, Steel & Tube's property footprint continues to evolve, to remove duplication and improve customer service.

The company decided to plead guilty to the Commerce Commission case relating to the historical application of testing methodologies and we are looking forward to having final resolution on this legacy issue. We are awaiting a decision on sentencing and do not expect this to affect FY18 results or guidance. We believe that the historical mesh will perform in materially the same way as mesh tested in accordance with the standard, and this is supported by information we have received from experts in this area. We have been concerned to hear and see reports of homeowners being targeted by people intent on spreading unnecessary worry, fear and alarm. We have a high degree of confidence in the performamce of our products and would vigorously defend any class action and seek full recovery of any direct and indirect costs incurred.

We have initiated an $80.9 million capital raising to strengthen the balance sheet and following completion, we will be well positioned to execute our business transformation initiatives and achieve our longer term strategic objectives.

STRIVING FOR EXCELLENCE

COMMITMENT TO SAFETY & QUALITY

- SAFE AND HEALTHY WORK ENVIRONMENT
- QUALITY PROCESSES
- QUALITY PRODUCTS
- CONTINUAL IMPROVEMENT

OPERATIONAL AND SUPPLY CHAIN EXCELLENCE

- LEVERAGE OUR PROCUREMENT AND SUPPLY CHAIN SCALE
- EXCELLENT INVENTORY MANAGEMENT
- EMPLOY DATA ANALYTICS TO BETTER SERVICE OUR CUSTOMERS
- DRIVE EFFICIENCIES

PUTTING THE CUSTOMER AT THE HEART OF OUR BUSINESS

- PRODUCTS AND SERVICES TO MEET CUSTOMER NEEDS
- LEVERAGE OUR TECHNICAL EXPERTISE
- DELIVERY ON TIME AND ON SPEC

SUPPORTING A WINNING TEAM

- DEVELOP LEADERS
- EVERYONE MATTERS
- RECOGNISE PERSONAL AND TEAM CONTRIBUTIONS
- PROVIDE A REWARDING WORKPLACE

OUR GOAL

TO BE THE LEADER IN BUYING, SELLING, PROCESSING AND PLACING STEEL PRODUCTS IN NEW ZEALAND

FINANCIAL PERFORMANCE

For the FY18 year, Steel & Tube reported sales revenue of $495.8 million, with lower year on year sales reflecting the short term impact of implementation issues with the new ERP system, alongside highly competitive trading conditions in some businesses.

Operating earnings (EBIT) were a loss of $(36.2) million including non-trading adjustments of $(53.8) million.

Excluding non-trading costs, impairments and a timing benefit from reduced software amortisation costs of $1.1 million, normalised operating earnings[1] were $16.5 million. A net loss after tax of $(32.1) million was reported for the FY18 year.

Proceeds from the $80.9 million capital raising will be used to pay down debt. Following completion, gearing is expected to be approximately 1.15x normalised EBITDA. The capital structure policy has been reset to operate with net debt of less than 2.0x normalised EBITDA.

While no final dividend will be paid for FY18, the company expects to resume dividend payments in FY19 consistent with its stated policy of paying 60-80% of normalised NPAT.

BUSINESS DIVISIONS

DISTRIBUTION

~58% OF FY18 REVENUE

Products are sourced from preferred steel mills and distributed through Steel & Tube's national network of branches

Steel products	**Rural Products**
Piping systems	**Fastenings**
Chain & Rigging	**Stainless Steel**

INFRASTRUCTURE

~42% OF FY18 REVENUE

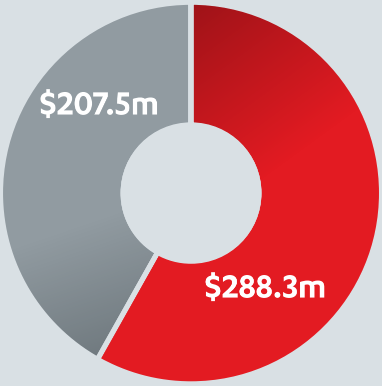
Products are processed before sale and typically on a contract or project basis, including onsite installation services

Roll-forming	*Roofing* *Coil Processing*	*Purlins* *Comflor*
Reinforcing/ Construction	*Reinforcing*	*CFDL*

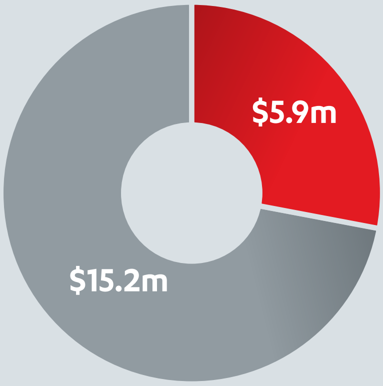
[1] Further details about normalised operating earnings for FY18 are outlined on pages 14 and 15.

OPERATIONAL PERFORMANCE

DIVISION: REVENUE



DIVISION: NORMALISED EBIT*



DISTRIBUTION

In FY18, the Distribution division generated $288.3 million revenue and normalised operating earnings of $5.9 million. Including non-trading adjustments of $(18.7) million, operating earnings were a loss of $(12.8) million.

Performance was materially impacted by the ERP system implementation issues which affected deliveries and customer service. These issues have now been resolved. The majority of the non-trading adjustments for Distribution were related to the impairment of inventory following extensive stock takes across the group and a detailed review, in addition to business rationalisation costs.

Many of Steel & Tube's 'Project Strive' business transformation initiatives - such as the introduction of Sales and Operations Planning, streamlining of duplicated sites, a focus on efficiencies and improvements in inventory management - will directly benefit the Distribution division in the coming year and are already having a positive effect.

The core focus on customer service and delivery performance is driving sales, a number of large project wins in late FY18 are now coming online and further efficiency initiatives are expected to deliver additional savings in FY19.

INFRASTRUCTURE

The Infrastructure division generated $207.5 million in revenue and normalised operating earnings of $15.2 million. Including non-trading adjustments of $21.3 million (mainly comprising the impairment on the Plastics business as well as inventory impairments), operating earnings for Infrastructure were $(6.1) million.

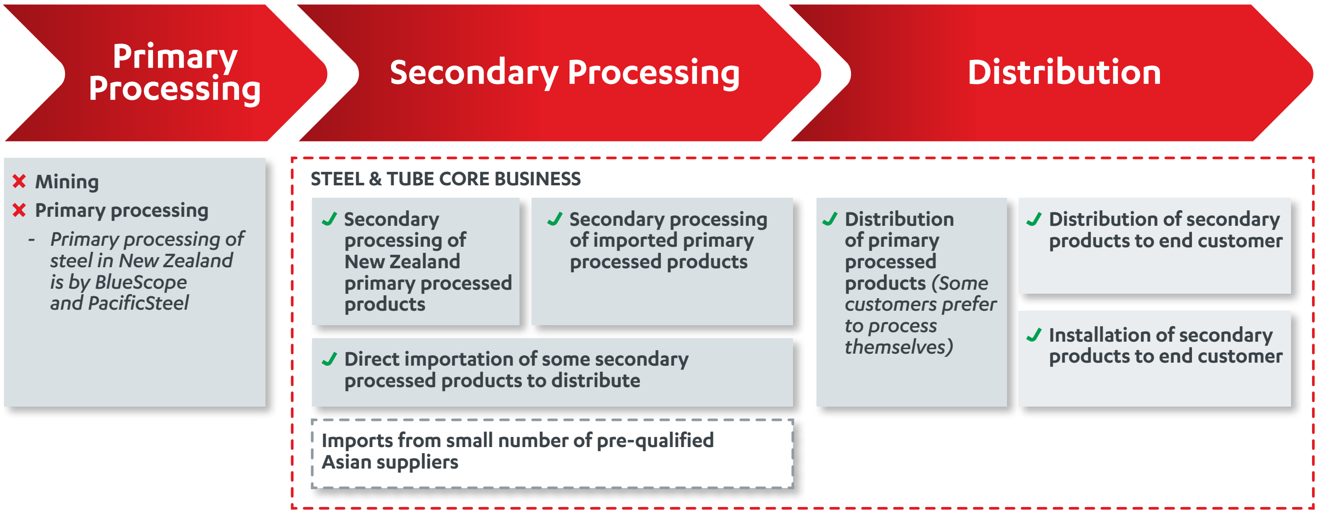
Despite the challenges faced, sales improved versus the prior year. Significant improvements have been made to the Reinforcing business, repositioning it as a leader in quality products and service. The roll-forming businesses also improved during the year as issues with the new ERP implementation were overcome. CFDL retained its strong performance levels and delivered a good result, albeit with some softening in the South Island market. While the Plastics business performed well as existing contracts were completed, the reliance on large projects became apparent with losses incurred in the second half of the year. As previously advised, a strategic decision has been made to exit this business due to a downturn in the long term outlook for the irrigation market, along with a need for further capital investment in the business.

The focus for the coming year is on building the customer base and delivering further manufacturing and operating efficiencies. Positive wins are already being seen on the majority of projects, along with a significant lift in manufacturing efficiencies.

* Normalised EBIT is reported EBIT adjusted for non-trading items in FY18 outlined on pages 14 and 15.

OUR POSITION IN THE VALUE CHAIN

We offer access to the widest range of steel products in the New Zealand market, from roofing to flooring, large steel plates and sheets to the smallest nuts and bolts. We are experts in the processing of steel into the products that our customers need, and have specialised manufacturing facilities, with high tech equipment and skilled staff. And we have a nationwide network of distribution centres, allowing our customers easy access to a wide range of steel solutions.



OUTLOOK

The 2018 financial year was about resetting the business. Legacy issues are now behind us, restructuring has been completed and Steel & Tube is in a much stronger position.

We are beginning the journey to significantly improve financial and operating performance.

We have a detailed strategic plan in place and significant progress is being made on Project Strive business transformation initiatives which will have a positive benefit in the 2019 financial year.

The company has a balanced exposure across the rural, manufacturing and construction sectors, with consistent demand and activity forecast in all sectors over the next few years. Recent increases in volume are encouraging and we expect sales to continue the positive trajectory seen in the last four months.

In light of the improving performance we have provided EBIT guidance for FY19 of $25.0 million.

I would like to personally thank all the people at Steel & Tube for their hard work and support over the last year, and our customers for their loyalty. We remain focused on our goal of being the leading provider of steel products and solutions in New Zealand and are confident we have the right strategy, the right people and the right organisational structure to achieve this goal.

Mark Malpass
Chief Executive Officer

COMMITTED TO SAFETY AND QUALITY

The health and safety of our staff, customers and suppliers is paramount, and essential for our success. Our zero harm goal is embedded in our culture. We are committed to delivering safe work systems, quality facilities and training, and workplace safety procedures are always top of mind. We provide extensive education programmes and have initiatives and daily compliance expectations all designed to keep our people safe at work.

Our ability to deliver quality products and solutions is what sets us apart. Quality is in everything we do, from sourcing and production of products through to customer service and delivery. We are committed to the principle that all our customers and stakeholders should expect consistent, outstanding service and quality products from the company. All employees have a responsibility to deliver on this - there are no exceptions. In all that we do, we continually seek to improve and do better.

Key initiatives currently underway include:

- **Safety leadership Legends programme**
- **Company-wide update to ISO 9001:2015**
- **Enhanced quality assessments of steel mills**
- **Traceability enhancement including barcode scanning**

IMPROVING TRACEABILITY: The ability to track and trace raw materials and products through all stages of production and distribution is essential for good business and to meet recognised standards and regulations. It also allows us to verify the source and placement of our products. One of Steel & Tube's new traceability initiatives is the current trial of a computerised tracking and scanning system. Barcode scanning technology allows raw materials to be scanned on arrival and inventory systems are instantly updated. Reports identify the quantity, location and value of on-hand material and related administrative processes such as invoicing have also been simplified. This will allow products to be easily tracked from their source through to the customer.

PUTTING THE CUSTOMER AT THE HEART OF OUR BUSINESS

Key initiatives currently underway include:

- **Sales account alignment, management and sales excellence training programme**
- **Investment in new and enhanced product offering**
- **Development of customer loyalty programme**
- **Activation of new call centre**
- **Common customer contact point**

Our customers are at the heart of our business and everything we do is aimed at meeting and exceeding their expectations. Our aim is to do the best we can for our customers today and into the future.

We are continually reviewing our offer to make sure we have products and solutions to meet our customers' needs. Delivering these on time and on spec is essential.

Technology is a big enabler, allowing us to improve sales effectiveness and lower our cost to service our customers.

We are optimising our national branch network and improving the sales model, with customers able to access all products and solutions from one point of call.

We are bringing outsourced services in-house, such as our team of 'fixers' (who install reinforcing) and warehousing. This provides us with even more control over quality outcomes.

CUSTOMER SATISFACTION ON THE RISE: Steel & Tube works with more than 15,000 customers every year and delivering great customer service is a top priority. Edwards & Hardy Roofing is New Zealand's largest roofing company and a key customer for Steel & Tube. Edwards & Hardy Group General Manager, Tony Thorn, commented: "We've noticed big changes recently with new management, a more stable management team and better customer service... If we have an issue, we ring up and it's solved quickly - and that's all you can ask for... Management are more involved in the business and that's definitely delivering a better customer service for us". Great customer feedback such as this is a result of Steel & Tube's renewed focus on wining the hearts and minds of our customers.

OPERATIONAL AND SUPPLY CHAIN EXCELLENCE

Our success is predicated on our ability to source, process, deliver and place steel products. We have to get the right product to the customer at the right time every time in the most efficient and profitable manner possible.

Having an excellent operations and supply chain is essential to achieving our goals.

This means suppliers providing us with high quality products at good prices. It means working efficiently in our warehouses to get products out to the customer on time and to minimise waste. Excellent inventory management is necessary to make sure we have product available where and when our customers need it. Continual improvement is essential to make sure we are servicing our customers as best we can.

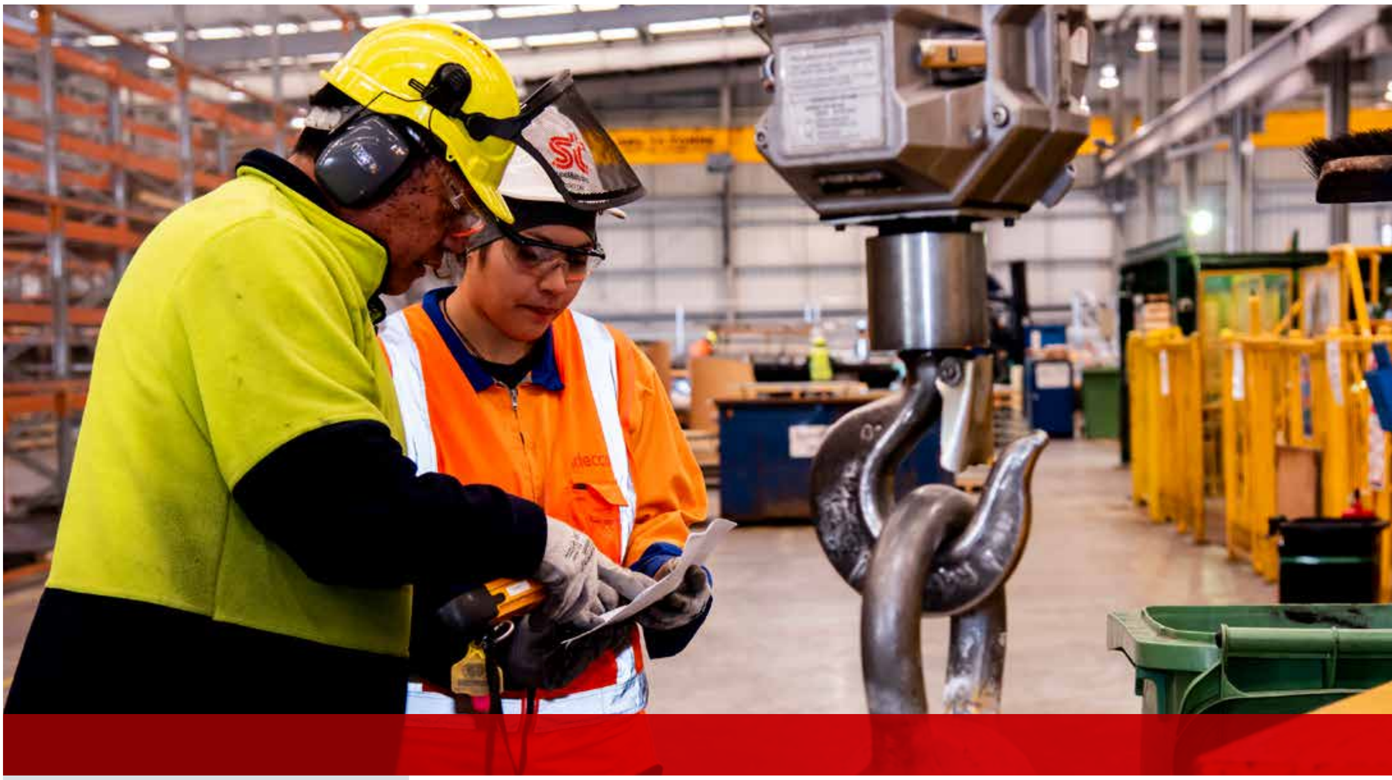
As part of our focus, we are continually seeking to minimise the environmental effects of our activities. This translates to reusing and recycling, operational policies and processes, and efficient freight management.

Key initiatives currently underway include:

- **Implementation of a new Sales and Operations Planning model**
- **Leverage procurement scale**
- **Operational excellence and efficiency**
- **Freight efficiencies**
- **Optimising our facility footprints**

ROOFING DELIVERING OPERATIONAL EXCELLENCE: Customer feedback tells us that relationship and delivery sits ahead of price when it comes to value. Our aim is to be the preferred trading partner for our customers by delivering in full, on time, to spec and in a cost effective manner by reducing waste. The Roll-forming business has been making great strides by taking small steps, which are positioning the business to reach its goal. These include ensuring the right structure and talent to support manufacturing operations. Daily reports to measure accuracy. Accurate customer and supplier pricing in the ERP system. And investment in equipment upgrades and new equipment to improve safety, accuracy and reduce inefficiency. The results are already becoming clear, with strong uplifts in business performance and positive customer feedback.

SUPPORT A WINNING TEAM



Key initiatives currently underway include:

- **Succession planning**
- **Supervisor/Manger development programme**
- **Lead2Succeed programme**

To be a great organisation, we need great people. It's their talents, passion, determination and resourcefulness that are our greatest assets and what drives our company forward.

It's our job to provide an environment that inspires and rewards our people. We invest in training and programmes to develop, nurture and grow our team talent to unleash potential. We work hard to develop future leadership talent and our Lead2Succeeed programme focuses on rising and diverse future leaders.

While excellent financial and commercial performance is a given, we believe it's also important to add value in other ways. This is our fifth year of partnering with the First Foundation, assisting academically talented students to achieve their potential through tertiary education and to prepare them to positively influence and benefit their communities.

INVESTING IN TRAINING AND DEVELOPMENT: Investing in our people remains a priority. Over the past year we have delivered a range of training and development initiatives – ranging from our Health & Safety culture 'Legends' programme, supervisory and Quality 5S continuous improvement programmes, to continuation of our successful future leaders programme, Lead2Succeed. Induction programmes for new workers and mentoring are also an important part of building the capability of our people.

FY18 FINANCIAL MEASURES EXPLAINED

An overview of the financial results for the year ended 30 June 2018 can be read in the CEO's commentary on page 07 with more detailed disclosure included in the Financial Statements and Note Disclosures on pages 23 to 60.

Non-trading adjustments/ Unusual transactions:

The financial results for FY18 include a number of unusual transactions, considered to be non-trading in either their nature or size. These transactions are excluded from normalised earnings. The following reconciliation is intended to assist readers understand how the earnings reported in the Financial Statements for the year ended 30 June 2018 reconcile to normalised earnings. Non-trading adjustments of $(53.8) million were included in the FY18 results.

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 may be used internally to evaluate performance, analyse trends and allocate resources. Non-GAAP financial measures should not be viewed in isolation nor considered as a substitute for measures reported in accordance with NZ IFRS.

Steel & Tube's unaudited reconciliation of non-GAAP measures to GAAP measures for the financial year ended 30 June 2018 are detailed below.

RECONCILIATION OF GAAP TO NON GAAP MEASURES

Year ended 30 June 2018

	June 2018 $000	June 2017 $000
GAAP: (Loss)/Earnings before interest and Tax (EBIT)	**(36,187)**	31,629
Add back unusual transactions (non-trading adjustments):		
Inventory write-downs and write-offs (Note B1)	**24,005**	-
Exit from S&T Plastics (Note C4)	**10,849**	-
Impairment of Intangible assets (Note C2)	**12,127**	-
Business Rationalisation (Note E2)	**2,727**	-
Organisational Restructuring (Note E2)	**3,317**	-
Other unusual costs	**762**	-
One-off payment by subsidiary vendor	**-**	(442)
Normalised EBIT – non-GAAP	**17,600**	31,187
Unexpected benefit from timing of ERP IT system amortisation	**(1,132)**	-
Normalised EBIT comparable to May 2018 Earnings Guidance – non-GAAP	**16,468**	31,187

Business rationalisation includes business change costs incurred to rationalise Steel & Tube's property footprint including onerous leases, rationalisation and re-organisation of manufacturing operations and delivery logistics operations, and costs incurred in reviewing and streamlining operations. These costs are included in Note E2 to the Financial Statements.

Organisational restructuring includes the costs incurred to improve capabilities, remove duplication and inefficiencies and capture synergies from acquisitions. These costs are included in Note E2 to the Financial Statements.

Other unusual costs include significant doubtful debt and contract disputes provisions, offset by a net gain on sale of properties and settlement of acquisition earn out payments. These items are included in Notes B2, B3, E2 and Section C to the Financial Statements.

Note references included in the table on page 14 are to specific notes in the audited Financial Statements.

Revenue: FY18 sales revenue of $495.8 million, was slightly lower year on year sales reflecting the short term impact of ERP implementation issues, alongside highly competitive trading conditions in some businesses.

EBIT: This means (loss) / earnings before interest and tax and is calculated as profit for the period before net finance costs and tax. FY18 EBIT was impacted by a number of non-trading adjustments totalling $(53.8) million, as shown in the table above.

Normalised EBIT: This means EBIT after normalisation adjustments. Steel & Tube reports its normalised EBIT as $16.5m for FY2018. This is directly comparable to the earnings guidance issued on 23 May 2018, which forecast normalised EBIT of $16m. Subsequent to this announcement, the amortisation start date for the new ERP system was amended. This reduced amortisation expenditure by $1.1m in comparison to that included in the May 2018 forecast.

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

FIVE YEAR FINANCIAL PERFORMANCE

	2018[1] $000	2017[1] $000	2016 $000	2015 $000	2014 $000
Financial Performance					
Sales	**495,806**	511,400	515,947	501,795	441,433
EBITDA	**(28,127)**	39,310	43,160	38,267	32,900
Depreciation and amortisation	**(8,060)**	(7,681)	(6,354)	(4,945)	(6,104)
EBIT	**(36,187)**	31,629	36,806	33,322	26,796
Net Interest expense	**(4,631)**	(3,577)	(3,638)	(3,496)	(1,919)
Profit before tax	**(40,818)**	28,052	33,168	29,826	24,877
Tax expense – operating income	**8,768**	(8,012)	(7,342)	(8,379)	(6,973)
Profit after tax	**(32,050)**	20,040	25,826	21,447	17,904
Funds Employed					
Equity	**172,612**	212,130	180,245	167,009	160,381
Non-current liabilities	**113,826**	140,988	100,296	75,007	2,345
	286,438	353,118	280,541	242,016	162,726
Comprises:					
Current assets	**228,887**	243,290	221,539	204,895	205,327
Current liabilities	**(59,099)**	(59,609)	(49,899)	(45,785)	(114,240)
Working capital	**169,788**	183,681	171,640	159,110	91,087
Non-current assets	**116,650**	169,437	108,901	82,906	71,639
	286,438	353,118	280,541	242,016	162,726

Statistics					
Dividends per share (cents)	**7.0**	16.0	22.5	19.0	16.0
Basic Earnings per share (cents)	**(35.8)**	22.4	28.9	24.5	20.4
Return on sales	**(6.5%)**	3.9%	5.0%	4.3%	4.1%
Return on equity	**(18.6%)**	9.4%	14.3%	12.8%	11.2%
Working capital (times)	**3.9**	4.1	4.4	4.5	1.8
Net tangible assets per share	**$1.27**	$1.60	$1.47	$1.59	$1.55
Equity to total assets	**50.0%**	51.4%	54.5%	58.0%	57.9%
Gearing (debt to debt plus equity)	**37.7%**	37.4%	34.7%	28.8%	26.8%
Net interest cover (times)	**(7.8)**	8.8	10.1	9.5	14.0
Ordinary shareholders	**8,163**	8,404	8,506	8,299	8,348
Employees	**1,015**	972	918	781	773
– Female	**203**	193	193	154	139
– Male	**812**	779	725	627	634
Directors & Officers					
– Female	**4**	4	3	4	4
– Male	**8**	10	10	9	9

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

EBIT – Earnings before interest and tax.

[1] Normalised financial results for the financial years are included on pages 14 and 15.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steel&tube

LEADERSHIP TEAM

MARK MALPASS

GREG SMITH

STEVE KUBALA

DAMIAN MILLER

MARC HAINEN

MIKI COOKE

DAVE CLEGG

Mark Malpass

CEO

Mark first joined Steel & Tube as an Independent Director in March 2017, but stood down from the Board after being appointed interim Chief Executive on 25 September 2017. Mark was permanently appointed as Chief Executive on 22 February 2018. Mark has had significant executive experience both in NZ and overseas. He worked with ExxonMobil Corporation for over 19 years and was Chief Executive of Fletcher Buildings largest division, Infrastructure Products, which included transforming their steel distribution businesses.

Greg Smith

CFO AND COMPANY SECRETARY

Greg joined the company on 30 October 2017. A chartered accountant, Greg has financial and senior level leadership experience across the telecommunications, dairy, electricity and infrastructure sectors. He commenced his finance career with KPMG's audit team in Wellington in 1996 and has held senior finance roles with Opus International Consultants Limited and since 2011, as Chief Financial Officer of Wellington Electricity Lines (WEL) / International Infrastructure Services Company (IISC).

Steve Kubala

GENERAL MANAGER S&T ROLL-FORMING

Steve first joined the company with the purchase of Cable Price Steel in 1989. In 1995 he left to join Mico Wakefield, returning to S&T in 2007. Since that time he has held a number of senior managerial roles across the company. As Integration Manager, Steve led the assimilation of the company now trading as S&T Stainless, before becoming GM of that business. Now General Manager Roll-forming, he leads the teams which includes Roofing, Coil, Purlins and Comflor businesses.

Damian Miller

QUALITY MANAGER

Damian joined the company in 2016 and has 20 years' international experience in Operations Management, Quality, Health, Safety & Environment, QA/QC, Oil & Gas and most recently the steel industry. He has held various Operations & Executive Management positions in the US, Asia, Africa, Latin America.

Marc Hainen

GENERAL MANAGER DISTRIBUTION

Marc, who joined the company on 1 November 2017, brings significant experience in the steel and construction industry in New Zealand. He has a strong background in sales and marketing management, operations and manufacturing as well as logistics and supply chain. Marc has held a variety of management and leadership roles in New Zealand, Australia and the UK, including multiple roles leading a variety of divisions within Fletcher Building Limited.

Miki Cooke

NATIONAL MANAGER SUPPLY CHAIN

Miki joined the company in May 2017. She has worked for more than 25 years in Supply Chain, specialising in Procurement and for a number of multi-national companies based in ANZ and within a number of industries. She has also played an active role in the supply chain industry, serving as President of APICS NSW and a director of APICS Australia.

Dave Clegg

GENERAL MANAGER PEOPLE & CULTURE

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

BOARD

Chris Ellis

Independent Director
Appointed October 2017

Chris' background spans the manufacturing, heavy construction and engineering sectors. He has held CEO roles with Brightwater Group and at Fletcher Building Limited where he was Chief Executive of the Building Products Division. Chris was the inaugural Chairman of the NZ Business Leaders' Health and Safety Forum. He is currently Chairman of HiWay Group and also serves on the Board of Directors of WorkSafe New Zealand, Horizon Energy, Steelpipe and the New Zealand Transport Agency.

Rosemary Warnock

Independent Director
Appointed September 2010

Rosemary has held senior leadership positions in the BP Group including sales, marketing & distribution in ANZ, global manufacturing and supply chain based out of London and Chief Executive Castrol Asia Pacific based out of Singapore. She was formerly Chair of the Thinc Group, global project management & consultants in major capital works. Rosemary is a Founding Partner of the Adelante Group, a partnership that provides executive leadership development services, a Director of The Buttery and a member of the Foundation Committee for The Buttery.

Susan Paterson

Chair
Appointed January 2017

Susan 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 to 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 holds a number of directorships including Sky Network TV, Goodman NZ, aged care provider Arvida, Les Mills NZ and is also Chair of IT consultancy Theta Systems and External Monetary Policy Advisor to RBNZ Governor.

Anne Urlwin

Independent Director
Appointed June 2013

Anne is a chartered accountant, business consultant and professional director. She has considerable governance experience and is currently deputy chair of Southern Response Earthquake Services Ltd. She has directorships with Chorus Ltd, Summerset Group Holdings, One Path Life (NZ), City Rail Link and Tilt Renewables and is the former Chair of the Naylor Love Group of Companies.

Steve Reindler

Independent Director
Appointed October 2017

Steve is an engineer who has a background in large-scale infrastructure and heavy industry manufacturing. He has gained extensive experience through his previous executive roles at New Zealand Steel Limited and Auckland International Airport Limited, and through his industry position as inaugural Chairman of the Chartered Professional Engineers Council and as a board member and President of IPENZ. Steve holds a number of directorships including Meridian Energy Ltd, Broome International Airport Group, Z Energy, WorkSafe New Zealand, Lincoln University/Ag Research Joint Facility Board and Yachting New Zealand, and is also Chair of Waste Disposal Services JV in Auckland.

SUSAN PATERSON

CHRIS ELLIS

ANNE URLWIN

ROSEMARY WARNOCK

STEVE REINDLER

Financial Review

CONTENTS

Financial Statements 2018

The financial report for Steel & Tube includes these sections:

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

Significant matters in the financial year:

The Group has been impacted by a number of items, considered to be non-trading in nature, during the financial year ended 30 June 2018.

Enterprise Resource Planning System

The implementation of a new Enterprise Resource Planning (ERP) system went live on 2 October 2017. While the new ERP system is now operational, issues with its implementation across the Group hampered business operations and resulted in lost business. The Group worked closely with its IT suppliers to rectify issues and, while the Board and Management are disappointed in the execution of this project, they are confident that this new platform is the right one to take the Group forward. Refer to note C2.

The roll-forming business within the Infrastructure operating segment and the core Distribution businesses, in particular, were impacted by the ERP implementation issues. Refer to note A4.

S & T Plastics Closure

During the year, the Group carried out an extensive review of the S & T Plastics business resulting in a decision to exit the business. The Board considered that the narrow market segment the business operates in, further capital investment required in the business and a less favourable outlook for the irrigation market to be key factors in the decision to exit the business. The Board, having regard to optimising value for shareholders, considered that the Group would realise better value for shareholders by exiting the plastics business. The business and/or its assets are currently being marketed for sale. The assets related to S & T Plastics have been presented as held for sale following the decision to dispose of the business. The sale and close-down of the business is expected to be completed by December 2018. Costs associated with the impairment of assets to fair value less costs to sell and the exit of the plastics business totalled $10.8m in the 2018 financial year. Refer to note C4.

Business Reorganisation

Management also commissioned an independent consultant to undertake reviews of the operations of the Distribution and Infrastructure businesses in 2018. This led to decisions to restructure and re-organise certain parts of these businesses. These changes resulted in the Group incurring approximately $6m of expenditure. The Board considers these costs to be non-trading as they relate to business reorganisation activities and will not be repeated in future years.

Intangible Asset Impairment

The Group undertook value-in-use calculations for each Cash Generating Unit (CGU) that recognised Goodwill for the year ended 30 June 2018. A decline in performance over recent years in the Hurricane Wire and Distribution CGU's resulted in the value-in-use calculations showing a lower value than the recoverable amount of assets within those CGU's. This led to an impairment of Goodwill of $10.1 million. Management has commenced a business transformation project and consider that the financial performance of both CGU's can be improved.

The Group also reviewed capital spend associated with the implementation of the ERP system and assessed that costs totalling $2 million no longer provided economic benefit to the Group and were therefore impaired. Refer to note C2.

Inventory Impairment

During the year ended 30 June 2018, Management completed a detailed review of inventory holdings, aided by the implementation of the new ERP system. The new system assisted Management with improved visibility of inventory and the Group also completed detailed stock counts during May & June 2018. Following this detailed review and stock counts, Management identified that the carrying value of certain inventory items exceeded the net realisable value. This was primarily for stock items greater than twelve months old. Together with other aged stock impairments and valuation write-downs, the Group impaired approximately $15.3m of inventory value during the year. Following completion of detailed stock counts, the Group wrote-off approximately $8.7m of inventory which was no longer on hand. Management believe that the new IT system, together with improved stock count controls will ensure there is no further material write-downs of inventory. Refer to note B1.

The accompanying notes form part of these financial statements.

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

KEY POLICY

Critical accounting estimates and judgements

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

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

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year are highlighted throughout the report in boxes shaded in red.

KEY JUDGEMENT

General information

Steel & Tube Holdings Limited (the Company 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, plastic and related products.

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

These financial statements have been prepared:

- In accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP), for which Steel & Tube is a for-profit entity
- To comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and with International Financial Reporting Standards (IFRS)
- In accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013 and the NZX Main Board Listing Rules
- In New Zealand dollars (which is the Company's and subsidiaries' functional currency and the Group's presentation currency) and rounded to the nearest thousand dollars
- Under the historical cost convention, as modified by the revaluation of certain assets as identified in specific accounting policies.
- Following the implementation of a new ERP system during the period, certain comparative information has been reclassified to align with current year presentation. The changes to the comparatives are shown below:

	As previously stated $000s	Adjustments* $000s	Revised Financial statements $000s
Cost of sales	(380,226)	(4,674)	(384,900)
Interest expense	(3,091)	(537)	(3,628)
Operating expenses	(101,758)	5,211	(96,547)

*Adjustments

1 $4.67m adjustment from operating expenses to cost of sales to restate the salaries & wages payments that are directly associated with delivering revenue.

2 $0.54m in line fees for the Company's term loans were reclassified from operating expenses to interest expenses to better reflect the nature of the expense.

3. Intangibles - Software has been combined with licenses and comparatives changed in note C2.

The accompanying notes form part of these financial statements.

Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2018

	Notes	Group 2018 $000	Group 2017 $000
Sales revenue		**495,806**	511,400
Other operating income		**994**	1,676
Cost of sales	A3	**(398,399)**	(384,900)
Operating expenses	A3	**(115,924)**	(96,547)
Operating (loss) / earnings before other gains and financing costs		**(17,523)**	31,629
Impairment of property, plant and equipment and intangibles	C1/C2	**(20,100)**	-
Other gains		**1,436**	-
(Loss) / Earnings before interest and tax		**(36,187)**	31,629
Interest income		**53**	51
Interest expense		**(4,684)**	(3,628)
(Loss) / Profit before tax		**(40,818)**	28,052
Tax credit / (expense)	A5	**8,768**	(8,012)
(Loss) / Profit for the year attributable to owners of the Company		**(32,050)**	20,040
Items that may subsequently be reclassified to profit or loss			
Other comprehensive income / (loss) - hedging reserve		**2,136**	(762)
Items that may not subsequently be reclassified to profit or loss			
Other comprehensive income - revaluation reserve		**960**	35,713
Other comprehensive income / (loss) - deferred tax on revaluation reserve		**1,922**	(2,908)
Total comprehensive (loss) / income		**(27,032)**	52,083
Basic (loss) / earnings per share (cents)	A2	**(35.8)**	22.4
Diluted (loss) / earnings per share (cents)	A2	**(35.8)**	22.3

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2018

	Notes	Share capital $000	Retained earnings $000	Hedging reserve $000	Revaluation reserve $000	Treasury shares $000	Share-based payments $000	Total equity $000
Group								
Balance at 1 July 2016		77,756	105,657	(431)	-	(3,500)	763	180,245
Comprehensive income								
Profit after tax		-	20,040	-	-	-	-	20,040
Other comprehensive (loss) / income								
Hedging reserve (net of tax)		-	-	(762)	-	-	-	(762)
Asset revaluation (gross)		-	-	-	35,713	-	-	35,713
Deferred tax on above		-	-	-	(2,908)	-	-	(2,908)
Total comprehensive income		-	20,040	(762)	32,805	-	-	52,083
Transactions with owners								
Dividends paid	A2	-	(20,145)	-	-	-	-	(20,145)
Proceeds from partly paid shares	D3	48	-	-	-	-	-	48
Options vested during the year		-	-	-	-	-	(170)	(170)
Issue / (purchase) of own shares - net of transaction costs	D3	-	-	-	-	69	-	69
Balance at 30 June 2017		77,804	105,552	(1,193)	32,805	(3,431)	593	212,130
Comprehensive income								
(Loss) after tax		**-**	**(32,050)**	**-**	**-**	**-**	**-**	**(32,050)**
Other comprehensive (loss) / income								
Hedging reserve (net of tax)		**-**	**-**	**2,136**	**-**	**-**	**-**	**2,136**
Deferred tax on asset sale		**-**	**-**	**-**	**2,191**	**-**	**-**	**2,191**
Asset revaluation (gross)		**-**	**-**	**-**	**960**	**-**	**-**	**960**
Deferred tax on asset revaluation		**-**	**-**	**-**	**(269)**	**-**	**-**	**(269)**
Total comprehensive income		**-**	**(32,050)**	**2,136**	**2,882**	**-**	**-**	**(27,032)**
Transfer on sale of property		**-**	**29,178**	**-**	**(29,178)**	**-**	**-**	**-**
Transactions with owners								
Dividends paid	A2	**-**	**(12,662)**	**-**	**-**	**-**	**-**	**(12,662)**
Proceeds from partly paid shares	D3	**41**	**-**	**-**	**-**	**-**	**-**	**41**
Options vested during the year		**-**	**-**	**-**	**-**	**-**	**(400)**	**(400)**
Issue / (purchase) of own shares - net of transaction costs	D3	**-**	**-**	**-**	**-**	**535**	**-**	**535**
Balance at 30 June 2018		**77,845**	**90,018**	**943**	**6,509**	**(2,896)**	**193**	**172,612**

The accompanying notes form part of these financial statements.

Balance Sheet

AS AT 30 JUNE 2018

		Group	
		2018	2017
	Notes	**$000**	$000
Current assets			
Cash and cash equivalents	E6	**5,584**	6,517
Trade and other receivables	B2	**99,181**	93,489
Inventories	B1	**116,047**	143,064
Income tax refund		**5,165**	218
Derivative financial instruments	E6	**1,271**	2
Assets held for sale	C4	**1,639**	-
		228,887	243,290
Non-current assets			
Deferred tax	A5	**6,488**	-
Property, plant and equipment	C1	**52,739**	102,589
Intangibles	C2	**57,423**	66,848
		116,650	169,437
Total assets		**345,537**	412,727
Current liabilities			
Trade and other payables	B3	**49,867**	54,361
Provisions	E2	**9,215**	3,534
Derivative financial instruments	E6	**17**	1,714
		59,099	59,609
Non-current liabilities			
Trade and other payables	B3	**2,108**	2,212
Borrowings	D1	**109,935**	133,374
Deferred tax	A5	**-**	4,157
Provisions	E2	**1,783**	1,245
		113,826	140,988
Equity			
Share capital	D3	**77,845**	77,804
Retained earnings		**90,018**	105,552
Other reserves		**4,749**	28,774
		172,612	212,130
Total equity and liabilities		**345,537**	412,727

These financial statements and the accompanying notes were authorised by the Board on 28 August 2018.

For the Board

Susan Paterson
Chair

Anne Urlwin
Director

The accompanying notes form part of these financial statements.

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2018

	Notes	Group 2018 $000	Group 2017 $000
Cash flows from operating activities			
Customer receipts		**489,686**	512,979
Interest receipts		**53**	51
Payments to suppliers and employees		**(478,601)**	(480,329)
Income tax payments		**(5,620)**	(8,231)
Interest payments		**(4,195)**	(3,628)
Net cash inflow from operating activities		**1,323**	20,842
Cash flows from / (to) investing activities			
Property, plant and equipment disposal proceeds		**52,768**	221
Payment for new business purchase (net of cash acquired)		**-**	(13,761)
Property, plant and equipment and intangible asset purchases		**(18,964)**	(18,518)
Net cash inflow / (outflow) from investing activities		**33,804**	(32,058)
Cash flows (to) / from financing activities			
Proceeds from partly paid shares	D3	**41**	48
Issue / (purchase) of Treasury shares		**-**	69
Net proceeds from / (repayment of) borrowings	D2	**(23,439)**	35,474
Dividends paid	A2	**(12,662)**	(20,145)
Net cash (outflow) / inflow from financing activities		**(36,060)**	15,446
Net (decrease) / increase in cash and cash equivalents	D2	**(933)**	4,230
Cash and cash equivalents at the beginning of the year		**6,517**	2,287
Cash and cash equivalents at the end of the year		**5,584**	6,517
Represented by:			
Cash and cash equivalents		**5,584**	6,517
		5,584	6,517
Reconciliation of (loss) / profit after tax to cash flows from operating activities			
(Loss) / profit after tax		**(32,050)**	20,040
Non-cash adjustments:			
Depreciation and amortisation		**8,060**	7,681
Deferred tax		**(9,572)**	905
Impairment of property, plant, equipment and intangibles		**20,100**	-
Other		**(400)**	-
Gain on items classified as investing activities:			
(Gain)/Loss on property, plant and equipment disposals		**(1,436)**	-
		(15,298)	28,626
Movements in working capital:			
Income tax		**(4,947)**	(808)
Inventories		**27,017**	(13,194)
Trade and other receivables		**(5,692)**	(111)
Trade and other payables		**243**	6,329
Net cash inflow from operating activities		**1,323**	20,842

The accompanying notes form part of these financial statements.

Section A - Performance

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

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

A1: Business Performance

During 2018, Steel & Tube introduced a comprehensive change programme targeting improved business performance and also carried out an extensive review of business operations. The review resulted in a decision to exit S & T Plastics business, a write-down of inventory values, impairment of intangible assets, rationalisation of Distribution and Reinforcing operations and completion of further organisational restructuring.

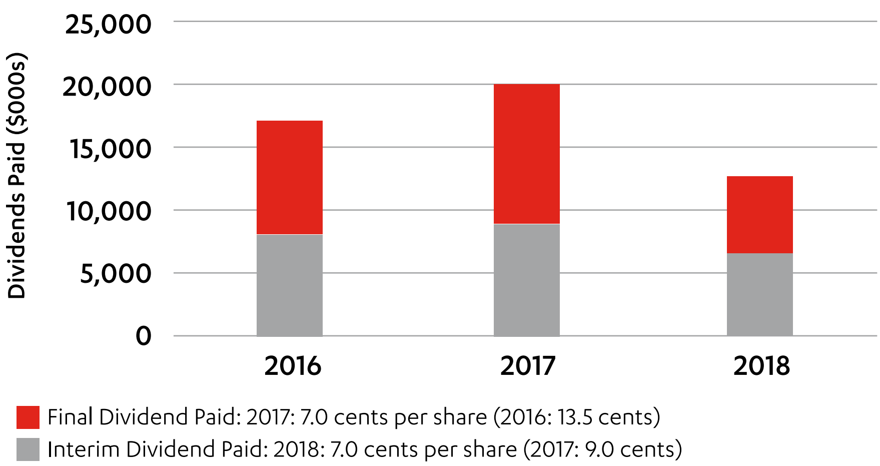
The non-trading costs associated with the review, offset by some upside from the sale of two properties were $53.8m and these have directly impacted EBIT performance in 2018.

The Group was also impacted by issues related to the implementation of the new ERP system that went live on 2nd October. The implementation issues hampered business operations, mainly in the roll-forming and core distribution businesses, and resulted in lost business. The Group worked closely with its IT suppliers to rectify the issues and are confident that this new platform is the right one to take the Company forward.

A2: Dividends and Earnings per Share

On 7 August 2018 the Board announced a capital raising and declared that, as a result, a final, full year dividend would not be declared (2017: 7.0 cents per share or $6.34m).

Dividends Paid and Earnings per Share



Dividends paid are fully imputed. The Group is entitled to a tax credit for supplementary dividends paid to overseas shareholders of $0.25m (2017: $0.34m).

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

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

(Loss) / Earnings per share (EPS)

	2018 $000	2017 $000
(Loss) / profit after tax	**(32,050)**	20,040
Weighted average number of shares for basic EPS	**89,596**	89,427
Weighted average number of shares for diluted EPS	**N/A**	90,028
Basic (loss) / earnings per share (cents)	**(35.8)**	22.4
Diluted (loss) / earnings per share (cents)	**(35.8)**	22.3

The impact of unvested share options on the Group's diluted EPS is anti-dilutive. As a result, basic and diluted EPS are the same for 2018.

A3: Expenses

Included in operating activities:	2018 $000	2017 $000
Inventories expensed in cost of sales	**349,973**	358,665
Inventory written down / impairment	**24,005**	25
Bad and doubtful debts	**2,855**	1,061
Depreciation and amortisation	**8,060**	7,681
Directors' fees	**478**	349
Donations	**8**	29
Employee benefits	**76,646**	67,067
Defined contribution plans	**1,625**	1,495
Information Technology Expenses	**6,058**	3,542
Foreign exchange gains	**(2,105)**	(1,781)
Operating leases	**17,109**	15,190
Onerous leases	**1,999**	-
Other expenses	**27,612**	28,124
Total cost of sales and operating expenses	**514,323**	481,447

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

Depreciation related to equipment used to manufacture products is included in cost of sales. Other depreciation is included in operating expenses.

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

A4: Operating Segments

Following a change to the operating structure of the Group during the reporting period, the reportable operating segments have been revised to align with the new structure. Previously the Group had one reportable segment. The Group has realigned its operating structure whereby there are now two clear Operating Divisions. The Group's internal financial reporting has changed to align with this new structure. The CEO, assessed to be the Group's Chief Operating Decision Maker (CODM), now receives separate financial reports for the two Operating Divisions. As a result it has been determined that the Group has two reportable segments being the Distribution and Infrastructure Divisions. The Group has made the decision that the seven operating segments that form part of the reporting to the CEO can be aggregated into the two reporting segments. 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. Within each segment there are the same customers and similar sales channels.

The Group derives its revenue from the distribution and processing of steel, plastics and allied products. Within the Distribution business the majority of product is traded and sales staff are tasked to know the full range of products. Within the infrastructure business product is predominantly 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 CODM for the year ended 30 June 2018 is as follows:

	Distribution $000	Infrastructure* $000	Other/ Elimination $000	Reconciled to Group $000
2018				
Revenue from external customers	288,299	207,507	-	**495,806**
Amortisation and depreciation	1,943	3,776	2,341	**8,060**
Impairment of property, plant, equipment and intangibles	(4,391)	(13,682)	(2,027)	**(20,100)**
Segment EBIT	(12,752)	(6,112)	(17,323)	**(36,187)**
Interest (net)				**(4,631)**
Reconciled to Group Loss Before Tax				**(40,818)**
Total assets	195,101	111,942	38,494	**345,537**
Total liabilities	30,150	38,926	103,849	**172,925**
2017				
Revenue from external customers	305,675	205,725	-	511,400
Amortisation and depreciation	1,998	3,335	2,348	7,681
Segment EBIT	17,041	18,767	(4,179)	31,629
Interest (net)				(3,577)
Reconciled to Group Profit Before Tax				28,052
Total assets	190,969	125,274	96,484	412,727
Total liabilities	22,702	33,340	144,555	200,597

* Included in Infrastructure division is S & T Plastics. Following the Board approved decision in May 2018 to exit the Plastics business the sale process is underway. Management has undertaken an evaluation of the expected realisable value and costs associated with closing down the business as disclosed in note C4.

Interest income and expense are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group.

Sales between segments are eliminated on consolidation. The amounts provided to the CODM with respect to segment revenue and segment assets are measured in a manner consistent with that of the financial statements. Segment assets are allocated based on the operations of the segment and the physical location of the asset.

Following the change in operating structure it is the intent of Management to record certain supplier transactions in applicable operating segments and in the information presented to the CEO. This change has been implemented from 1 July 2018. The Group's internal reporting provided to the CODM is aligned with this change.

A5: Income and Deferred Tax

Income tax comprises both current and deferred tax.

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

KEY POLICY

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

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

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

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

Income and deferred tax

	2018 $000	2017 $000
(Loss) / profit before tax	**(40,818)**	28,052
Non-assessable income	**(2,076)**	(425)
Non-deductible expenditure	**11,581**	988
	(31,313)	28,615
Tax (credit) / expense at 28%	**(8,768)**	8,012
Represented by:		
Current tax	**804**	7,107
Deferred tax	**(9,572)**	905
	(8,768)	8,012

Tax Losses

Steel & Tube has recognised tax losses available to carry forward of $4.9m (2017: Nil). A deferred tax asset has been recognised for these losses as they are expected to be realised within the foreseeable future.

Deferred tax assets and liabilities

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

	Opening balance $000	Acquired in business combination $000	Recognised in income $000	Recognised in equity $000	Closing balance $000
Group 2018					
Property, plant and equipment	**(7,852)**	**-**	**4,185**	**1,922**	**(1,745)**
Employee benefits	**1,872**	**-**	**(679)**	**-**	**1,193**
Provisions	**1,740**	**-**	**4,269**	**-**	**6,009**
Cash flow hedging reserve	**499**	**-**	**-**	**(849)**	**(350)**
Customer relationship	**(113)**	**-**	**113**	**-**	**-**
Customer contracts	**(225)**	**-**	**225**	**-**	**-**
Licenses	**(78)**	**-**	**78**	**-**	**-**
Net tax loss to carry forward	**-**	**-**	**1,381**	**-**	**1,381**
	(4,157)	**-**	**9,572**	**1,073**	**6,488**
Group 2017					
Property, plant and equipment	(3,485)	-	(1,459)	(2,908)	(7,852)
Employee benefits	1,670	-	202	-	1,872
Provisions	1,612	-	128	-	1,740
Cash flow hedging reserve	183	-	-	316	499
Customer relationship	(140)	-	27	-	(113)
Customer contracts	-	(414)	189	-	(225)
Licenses	-	(86)	8	-	(78)
	(160)	**(500)**	**(905)**	**(2,592)**	**(4,157)**

	2018 $000	2017 $000
The analysis of deferred tax assets and deferred tax liabilities is as follows:		
Deferred tax liabilities	**(2,095)**	(9,339)
Deferred tax assets	**8,583**	5,182
Deferred tax asset / (liabilities) (net)	**6,488**	(4,157)

Imputation credits available at year end were $2.6m (2017: $9.6m).

Section B - Working Capital

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

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

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

KEY POLICY

Key judgement

Inventory impairment

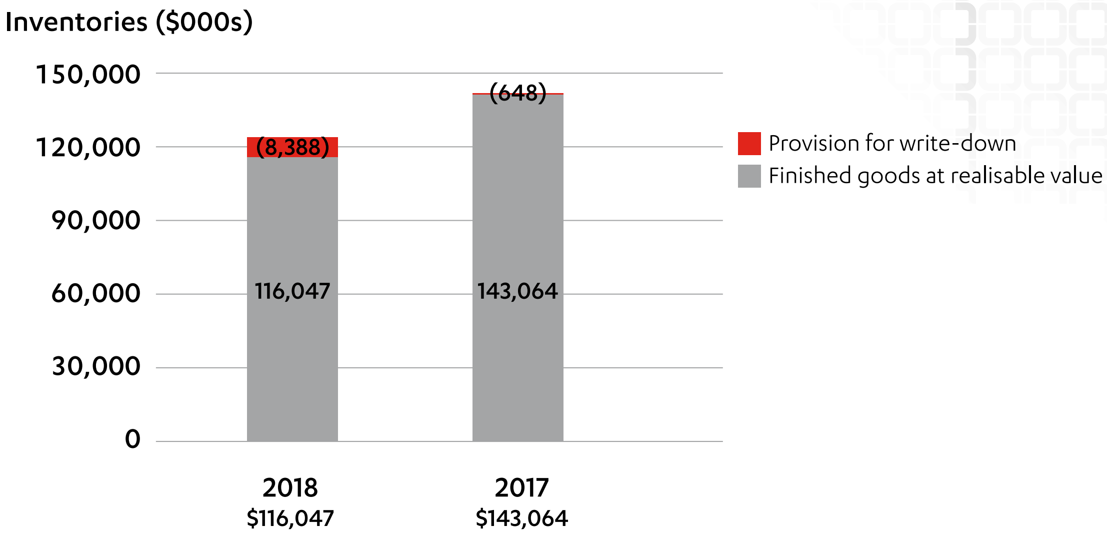
The Group undertook an assessment of its inventory holdings to identify slow moving and aged inventory. Inventory was considered aged if it had not had a sale for more than 12 months. Inventory was considered slow moving if the Group held greater than 12 months' worth of sales of the stock. Upon identification of this inventory the Group conducted an assessment to determine whether the net realisable value (NRV) of the inventory was greater than the inventory cost. NRV is mostly based on scrap value and a reasonable change in NRV of impaired inventory wouldn't have a material impact on the provision. At 30 June 2018, for $8.8m (at cost value) of inventory, the Group determined that NRV was lower than cost. An impairment provision of $8.4m was recognised in cost of sales to reduce the carrying value of this inventory. This is in addition to the impairment expense of $6.9m recognised earlier in the year. Judgement was required in the determination if the aged inventory can sell and hence whether inventory should be impaired.

Inventory Existence

The Group implemented a new ERP system during the year. While the system is now operational, issues with its implementation across the Group were greater than anticipated. Following implementation, and to gain greater confidence in the financial position of the Group, Management decided that a full wall-to-wall inventory count should be conducted for the parts of the Group impacted by the ERP implementation. This was a departure from the Group's inventory count policy which requires inventory be counted on a cycle count basis. The counts were conducted prior to balance date. Due to the number of locations and volume of inventory Stock Keeping Units (SKUs) to be counted, the inventory counts were not all conducted at the same date. The count programme was conducted in May and June 2018. While significant judgement was not involved in conducting the inventory counts it did require significant levels of effort. The counts also identified that $8.7 million of inventory did not exist. The Group recognised an inventory write off within costs of sales for this inventory.

KEY JUDGEMENT

The Group holds inventories valued at $116.0 million (2017: $143.1 million).



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

As at balance date foreign exchange contracts recorded as assets were $1.27m (2017: $0.002m) and as liabilities were $0.017m (2017: $1.7m). The notional value of foreign exchange contracts in place as at 30 June 2018 totalled $37.7m (2017: $40.6m). The fair value of the foreign currency forward exchange contracts is as shown on the Balance Sheet. Refer to section E6 for fair value hierarchy determination.

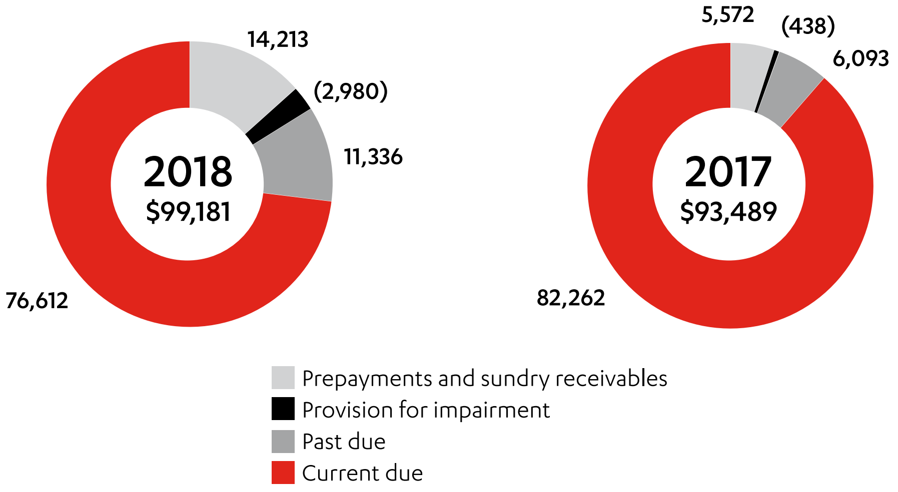
If the NZ dollar had weakened/strengthened by 5% against foreign currencies (primarily US dollar) at balance date, there would be no impact on profit or loss, as the Group qualifies for hedge accounting and all hedges are 100% effective at balance date. The effect would be to equity + $1.9m if NZ dollar strengthened by 5% and - $2.1m if the NZ dollar weakened by 5% (2017: + $1.8m /- $2.1m respectively).

B2: Trade and Other Receivables

Trade receivables at 30 June 2018 are $87.9m (2017: $88.4m) 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 receivables past due were revised to include aged debts greater than 60 days to align with the Group's payment terms. Comparative balances have been restated on the same basis.

Trade and Other Receivables ($000s)

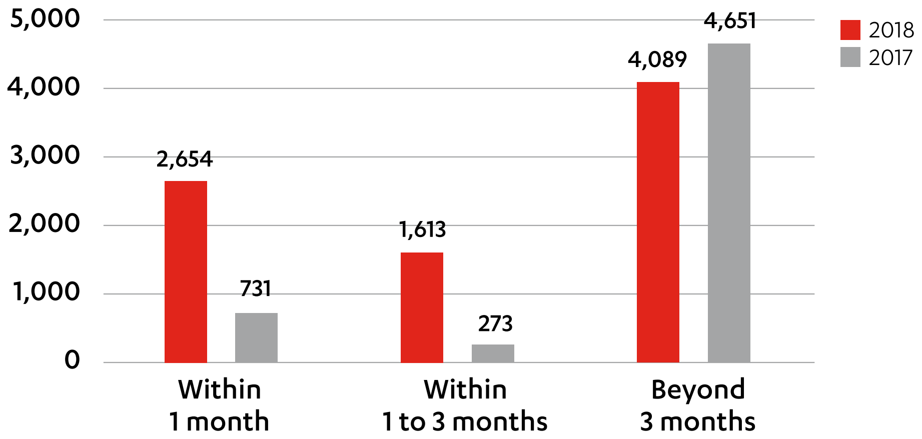


No one customer accounts for more than 2% of trade receivables at 30 June 2018 and 30 June 2017.

At 30 June 2018 trade receivables of $11.3m (2017: $6.1m) were over 60 days due. These relate to a number of independent customers for whom there is no recent history of default.

The aging profile of these customers is shown below.

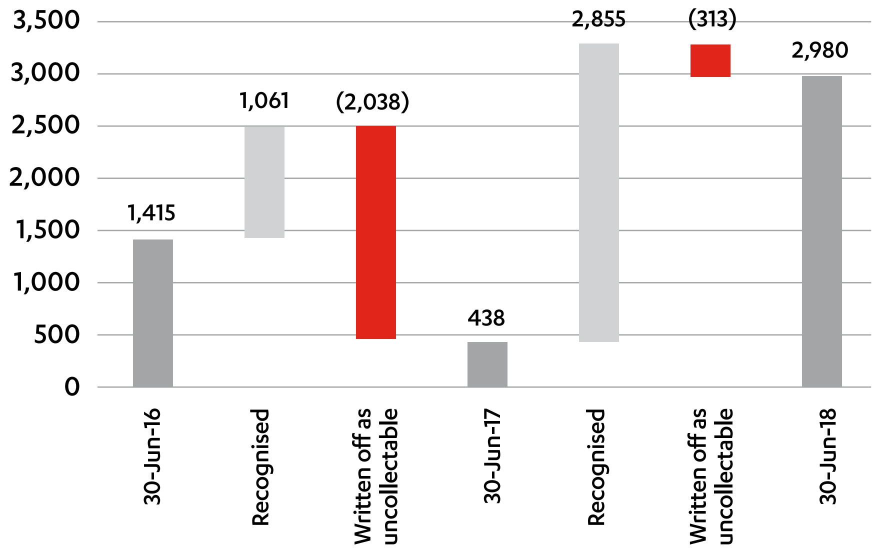
Past due but not impaired ($000s)



Provision for impairment

At 30 June 2018 an impairment provision of $3.0m (2017: $0.4m) was held. The impairment provision comprised assessment of recovery across a number of customers. The provision is based on objective evidence that indicates that the customers will not be able to pay their debts when due, these include significant financial difficulties of customers and the probability of entering receivership or bankruptcy.

Provision for impairment ($000s)



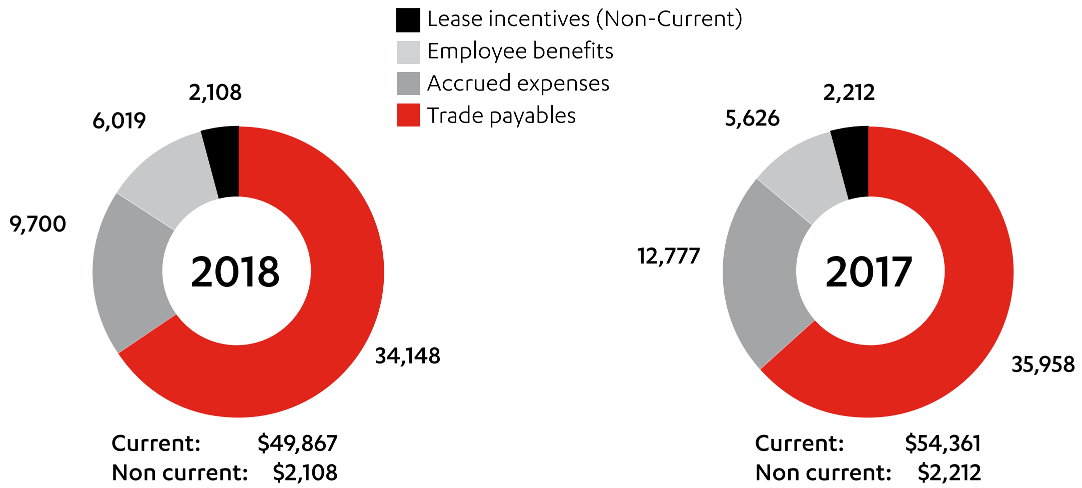
The Group is exposed to the risk of customers being unable to pay their debts as they fall due. The maximum exposure is the total value of these balances. Customers who trade on credit terms are subject to credit verification procedures and credit limits are set for each customer. The Group's credit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

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

B3: Trade and Other Payables

Trade and other payables comprise $49.9m (2017: $54.4m) payable within a year and $2.1m (2017: $2.2m) payable beyond 12 months.

Trade and other payables ($000s)



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

Included in the prior year's balance was a contingent consideration liability recognised on acquisition of CFDL. The contingent consideration was payable if financial milestones were met in the 2018 and 2019 financial years. A full and final settlement agreement was reached with the previous owners of CFDL in 2018, resulting in $0.7m of the remaining provision being released to the profit or loss.

Section C - Fixed Capital

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

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

During the year the Group sold its properties at Stonedon Drive, Auckland and Blenheim Road, Christchurch. The properties were sold for $32.6m and $21.1m respectively. The Group recognised a gain on sale of $1.5m within Other Income in the Statement of Profit or Loss and Other Comprehensive Income. The gain on sale is after the recognition of a make good aggregate provision of $1.5m and associated costs to sell. $29.2m was transferred from the Asset Revaluation Reserve to Retained Earnings associated with the sold buildings.

C1: Property, Plant and Equipment

KEY POLICY

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

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

The estimated useful lives are as follows:

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

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

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

	Land & buildings at fair value $000	Plant, machinery & vehicles at cost $000	Furniture, fittings & equipment at cost $000	Total $000
2018				
Opening cost	**57,519**	**102,853**	**24,440**	**184,812**
Opening accumulated depreciation	**-**	**(61,776)**	**(20,447)**	**(82,223)**
Opening net book value	**57,519**	**41,077**	**3,993**	**102,589**
Additions	**7,170**	**6,361**	**1,731**	**15,262**
Land and building revaluations:				
Increase to revaluation reserve	**960**	**-**	**-**	**960**
Disposals	**(49,915)**	**(471)**	**(22)**	**(50,408)**
Impairments*	**-**	**(7,802)**	**(171)**	**(7,973)**
Transfer to assets held for sale *	**-**	**(1,300)**	**(339)**	**(1,639)**
Depreciation	**(359)**	**(3,818)**	**(1,875)**	**(6,052)**
Closing net book value	**15,375**	**34,047**	**3,317**	**52,739**
Comprised of:				
Cost or fair value	**15,375**	**85,885**	**18,301**	**119,561**
Accumulated depreciation	**-**	**(51,838)**	**(14,984)**	**(66,822)**
Property, plant and equipment	**15,375**	**34,047**	**3,317**	**52,739**
2017				
Opening cost	28,897	94,554	23,427	146,878
Opening accumulated depreciation	(8,454)	(58,361)	(18,506)	(85,321)
Opening net book value	20,443	36,193	4,921	61,557
Net additions through business combinations	-	661	47	708
Additions	1,762	7,807	1,025	10,594
Disposals	-	(169)	(59)	(228)
Land and building revaluations:				
Increase to revaluation reserve	35,713	-	-	35,713
Decrease to income statement	-	-	-	-
Depreciation	(399)	(3,415)	(1,941)	(5,755)
Closing net book value	57,519	41,077	3,993	102,589
Comprised of:				
Cost or fair value	57,519	102,853	24,440	184,812
Accumulated depreciation	-	(61,776)	(20,447)	(82,223)
	57,519	41,077	3,993	102,589

Included within the plant, property and equipment categories is capital work in progress totalling $5.2m (2017: $3.3m). Capital work in progress was tested for indicators of impairment. No impairment indicators were identified.

At 30 June 2018 had land and buildings been carried at historical cost less accumulated depreciation their carrying amount would have been approximately $8.7m (2017: $21.8m).

*Refer note C4

Valuation of land and buildings:

The Group undertook a fair value assessment of land and buildings owned by the Group at 30 June 2018. The fair value of these land and buildings was determined based on the market comparable approach that reflects transaction prices for similar properties adjusted for identifiable differences including land use, economic conditions, zoning and location, quality and condition. They are categorised as Level 3 of the fair value hierarchy as unobservable inputs (as described in NZ IFRS 13). The valuations were prepared by independent and qualified registered valuers and are based on:

– Land and buildings - relevant general and economic factors such as recent sales, leasing transactions of comparable properties, and seismic strengthening costs.

The significant unobservable inputs are described in section E8.

The previous independent valuation of these land and buildings was performed in June 2017.

C2: Intangibles

	Goodwill $000	Software & Licences $000	Other $000	Total $000
2018				
Opening cost	**47,171**	**24,464**	**2,522**	**74,157**
Opening accumulated amortisation	**-**	**(6,406)**	**(903)**	**(7,309)**
Opening net book value	**47,171**	**18,058**	**1,619**	**66,848**
Additions	**-**	**4,710**	**-**	**4,710**
Amortisation charge	**-**	**(1,198)**	**(810)**	**(2,008)**
Impairment	**(10,100)**	**(2,027)**	**-**	**(12,127)**
Closing net book value	**37,071**	**19,543**	**809**	**57,423**
Comprised of:				
Cost	**47,171**	**24,832**	**2,522**	**74,525**
Accumulated amortisation	**-**	**(3,262)**	**(1,713)**	**(4,975)**
Impairment	**(10,100)**	**(2,027)**	**-**	**(12,127)**
Closing net book value	**37,071**	**19,543**	**809**	**57,423**
2017				
Opening cost	35,458	16,533	736	52,727
Opening accumulated amortisation	-	(5,251)	(132)	(5,383)
Opening net book value	35,458	11,282	604	47,344
Net additions through business combinations	11,713	-	1,786	13,499
Additions	-	7,931	-	7,931
Amortisation charge	-	(1,155)	(771)	(1,926)
Closing net book value	47,171	18,058	1,619	66,848
Comprised of:				
Cost	47,171	24,464	2,522	74,157
Accumulated amortisation	-	(6,406)	(903)	(7,309)
	47,171	18,058	1,619	66,848

Included within the intangibles categories is work in progress totalling $2.7m (2017: $15.1m). Other intangibles comprises customer relationships and customer contracts arising from business combinations.

Included within the software and licence category is the Group's ERP system, Microsoft Dynamics AX. This asset accounts for $18.3m (2017: $11.8m) of the intangible asset balance and includes internally generated costs of $4.4m. Following initial go-live on 2 October 2017, the Group experienced significant issues that severely impacted on business performance. Substantial additional work was required to deliver a functional system that was fit for purpose and met business needs. The Group considered these additional costs, together with the delays in project delivery and associated budget overspend, and concluded that the carrying value required impairment. The Group reviewed all capitalised project spend and assessed that costs totalling $2.0m no longer provided ongoing economic benefit to the Group and should be impaired. An impairment expense of $2.0m was recognised in the Statement of Profit or Loss and Other Comprehensive Income within impairment of fixed and intangible assets.

Due to the issues that had to be rectified, the commencement date for amortisation of the ERP intangible was delayed to 1 June 2018. The software will be amortised over the next 10 years to 2028.

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

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

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

Key judgement - Impairment test on CGUs:

The Group has undertaken value-in-use calculations for each cash generating unit (CGU) that recognises goodwill. A value-in-use (VIU) calculation is a valuation based on forecast cash flows. These cash flows are discounted back to present value to estimate a value for the CGU. If the VIU exceeds the carrying value of the assets within the CGU no impairment is recognised.

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

ASSUMPTION	2018	2017	
Discount Rate (post tax)	8.5% - 10.4%	7.1% - 10.3%	The Group engaged an independent expert to assess the Group's post-tax weighted average cost of capital. A premium was applied to smaller CGU's. These post-tax discount rates were applied to post-tax cash flows. Through back solving the pre-tax WACC was calculated.
Discount Rate (pre tax)	11.3% - 13.9%	9.9% - 14.3%	
Terminal Growth Rate	1.50%	1.50%	
Forecast Period	5 Years	5 Years	Board approved budget used for 2019
Forecast Period Cash Flow Growth Rate	3.4% - 4.0%	2.50%	

In addition to the above growth rate the Group included cash flows expected from performance improvement projects. Cash flows expected from these projects have been included as part of the Board approved FY19 budget, upon which the VIU calculations were based. However, for the Distribution and Wire CGU's, expected performance improvement has also been estimated for the remaining forecast period. The Group is committed to these performance projects and has already commenced implementation as supported by the recognition of restructuring initiatives. See note E2.

A summary of the impairment recognised is included below:

CGU	IMPAIRMENT RECOGNISED	RECOVERABLE AMOUNT	RELATED SEGMENT
Hurricane Wire Products	$5.7m	$13.1m	Infrastructure
Distribution	$4.4m	$102.4m	Distribution

The table below illustrates the sensitivity of the impairment assessment to adverse changes in key assumptions:

		ADDITIONAL GOODWILL IMPAIRMENT				
ASSUMPTION	CHANGE	HURRICANE WIRE PRODUCTS	DISTRIBUTION (1)	MSL	CFDL	ROOFING
Discount Rate	1%	$1.4m	Nil	Nil	Nil	Nil
Terminal Growth Rate	(1%)	$1.0m	Nil	Nil	Nil	Nil
Decrease in forecast cash flows	(10%)	$0.7m	Nil	Nil	Nil	Nil

(1) The Group is of the opinion should adverse changes in key assumptions occur, the Distribution CGU carrying value would be supported by its fair value less cost to dispose.

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

The Board exercises judgement in confirming the carrying value of Goodwill, considering a wide range of inputs including the state of the steel sector and market movements.

KEY JUDGEMENT

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

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

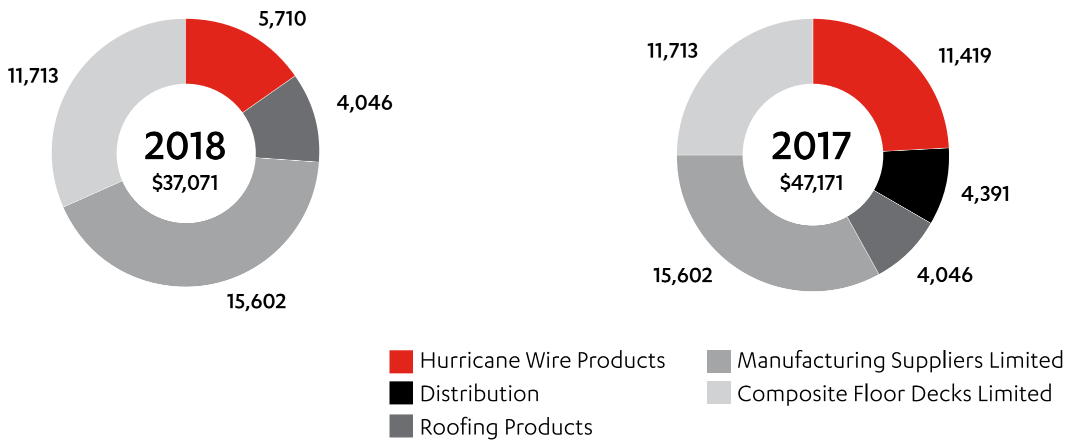
An impairment loss is recognised for the excess of the carrying value of an asset or cash-generating unit over its recoverable amount and is charged to profit or loss.

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

KEY POLICY

Based on the calculations completed, the impacts of impairment as at 30 June 2018 are as follows:

Carrying Value of Goodwill ($000s)



Following recent under-performance in certain parts of the Group, the Board has determined that the carrying value of goodwill associated with the Distribution and Wire CGU's is impaired.

Hurricane Wire Products

The Hurricane Wire brand is a long standing brand in the New Zealand wire market. The financial performance of this CGU has however declined in recent years. Management considers this to be attributable to a lack of focus on brand management and marketing. Management has commenced a business transformation project and consider that the financial performance of this CGU can be improved and that the Hurricane wire brand can continue to be a leading market provider of wire products. In assessing the value in use of this CGU, Management has taken a prudent assessment of expected future financial performance. Applying a pre-tax discount rate of 13.9%, the value in use is lower than the carrying value of the CGU's assets, including goodwill by $5.7 million. Accordingly Management has written down the carrying value of goodwill for this CGU by $5.7 million.

Distribution

The financial performance of the Distribution CGU has declined in recent years and in 2018 was impacted by the poor implementation of the Company's new ERP system, which has contributed to the financial loss this year. During the 2018 financial year Management has implemented a business transformation programme, which is expected to result in improved financial performance. However, as a number of these initiatives are in their early stages of implementation the Group has not yet realised the full financial improvement benefits from them. As a result, Management has taken a prudent approach to forecast cash flows for this CGU. Applying a pre tax discount rate of 13.0%, the value in use is lower than the carrying amount of assets in this CGU (including goodwill) by approximately $4.4m. Management has therefore written down the carrying value of the CGU assets by impairing the goodwill of $4.4m associated with this CGU.

The goodwill in Distribution previously reported as $4.9m is made up of acquisition of various businesses over time including DJ Agencies ($0.5m) which has now been reclassified to Roofing products to align with the new reporting segment structure.

Roofing Products, Manufacturing Suppliers Limited, and Composite Floor Decks Limited

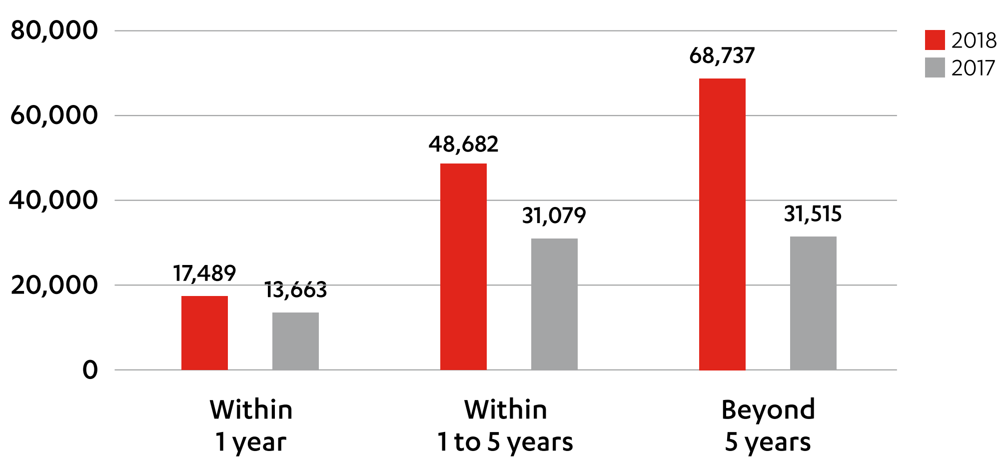
Based on the calculation and pre-tax discount rate sensitivity analysis, there is no indication of impairment for the CGUs as at 30 June 2018.

Assessment of CGUs without goodwill

In assessing the CGUs without goodwill indicators of impairment such as the CGU's current and future performance, asset make up of the CGU and market condiditons were taken into consideration. Through the assessment, it was determined there is no impairment of the CGUs without Goodwill as at 30 June 2018.

C3: Commitments

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



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

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

Capital commitments

The Group has contractual commitments of $2.6m (2017: $7.4m) for property fitout and purchase of plant and equipment.

C4: Assets Held for Sale

During the year, the Group carried out an extensive review of S & T Plastics business resulting in a decision by the Board to exit the business. The business and/or its assets are currently being marketed for sale. Management consider the likely outcome to be a sale of individual assets, therefore has been classified as assets held for sale and not a discontinued operation. The property, plant and equipment related to S & T Plastics have been impaired to their fair value less costs to sell (FVLCTS) and presented as held for sale.

	Carrying value at 30 June 2018 $000	Impairment 30 June 2018 $000	FVLCTS 30 June 2018 $000
Property, plant and equipment held for sale	9,612	(7,973)	1,639
Total	**9,612**	**(7,973)**	**1,639**

In addition to the impairment of assets, the Group has recognised the following provisions within the Infrastructure operating segment to exit S & T Plastics.

Provision for Business Rationalisation	30 June 2018 $000
Onerous Lease	814
Closedown and Site Remediation	2,062
Total	**2,876**
Current	2,248
Non-Current	628

Key judgements:

In accordance with IFRS 5: Non-current Assets Held for Sale and Discontinued Operations, the assets and liabilities held for sale were written down to their fair value less costs to sell.

The FVLCTS is based on Management's judgement of expected realisable values from disposing and/or selling the assets. Considering the circumstances associated with the sale process management has assumed a forced sale scenario in determining the FVLCTS. This judgement is supported by an assessment from an independent plant and machinery valuer who undertook a site visit and review of the assets. He concluded that the assets could be sold for between $1.5m and $1.7m, consistent with Management's estimate. Management has also taken into consideration offers to purchase certain assets received post balance date. Judgements in determining the FVLCTS have been made based on unobservable inputs (as described by IFRS 13) and are therefore classified as level 3 in the fair value hierarchy.

The Provision for Onerous Leases for the remaining lease term on the main factory site and the laboratory was partially offset by Management's assessment that a future sub-lease may be possible. The provision was discounted back to net present value.

The Closedown and Remediation provision includes Management's assessment of the cost of disposing of inventory, removing equipment and general close-down activities. It also includes an estimate of the cost for site remediation of the main factory site which is based on an independent estimate of the likely cost to return the site to paddock conditions.

KEY JUDGEMENT

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

KEY POLICY

Section D – Funding

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

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

D1: Borrowings

	2018 $000	2017 $000
Term loans - non current	**109,935**	133,374

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 settlement is within 12 months.

Waiver for Expected Breach of Bank Facility Covenant

The Group is required to comply with a number of covenants and undertakings under the General Security Arrangement for the credit facilities. The Group expected it would breach one of these requirements, being the earnings before interest and tax ("EBIT") to interest cover ratio as at 30 June 2018. The Group is required to maintain EBIT of at least 2.25x its interest costs on an annual basis, measured as at 31 December and 30 June. Due to the non-trading costs impacting on the reported financial results for 2018, the Group expected it would not be in compliance with this covenant at 30 June 2018. The Group obtained a waiver from the facility providers for this expected breach as at 30 June 2018 through to 30 June 2019. Other than the expected breach of the EBIT to interest cover ratio as at 30 June 2018, for which a waiver was provided, the Group has fully complied with credit facility covenants and undertakings during the year (2017: fully complied).

The Group is required to comply with certain financial covenants that relate to asset cover, gearing, earnings before interest and tax and tangible net worth. Management has completed a detailed assessment of compliance with these covenants and expects to comply fully. In addition and subsequent to Balance Date, the Group has recently announced a capital raise, which will result in significantly lower gearing and substantial additional covenant headroom.

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

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

At balance date, if bank interest rates had been 100 basis points higher/lower with all other variables held constant, it would change post-tax profit/equity for the year by $0.8m lower/higher (2017: $0.9m).

The Group has committed bank borrowing facilities at balance date of $147m (2017: $157m). The total available facilities were reduced by $10m following the settlement from the sale of the Group's Blenheim Road property for $21.1m in June 2018. These credit facilities were refinanced in June 2018 and all facilities have an expiry date of 31 October 2019 (30 June 2017: $78.5m, 31 October 2019 and $78.5m, 31 October 2021). The refinanced agreements were treated as a modification of the liability.

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

The 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
Group 2018						
Borrowings	**3.77%**	**2,114**	**2,031**	**110,992**	**115,137**	**109,935**
Trade payables & accruals		**48,922**	**-**	**-**	**48,922**	**48,922**
Cash flow hedging of derivatives:						
Outflow		**36,027**	**1,676**	**-**	**37,703**	
Inflow		**(37,262)**	**(1,695)**	**-**	**(38,957)**	
Group 2017						
Borrowings	2.86%	2,001	1,923	133,264	137,188	133,374
Trade payables & accruals		50,616	-	-	50,616	50,616
Cash flow hedging of derivatives:						
Outflow		40,608	29	-	40,637	
Inflow		(38,898)	(27)	-	(38,925)	

D2: Net debt reconciliation

	Cash and cash equivalents $000	Borrowings repayable after one year $000	Total $000
Net debt as at 1 July 2017	**6,517**	**(133,374)**	**(126,857)**
Cash flows	**(933)**	**23,439**	**22,506**
Net debt as at 30 June 2018	**5,584**	**(109,935)**	**(104,351)**
Net debt as at 1 July 2016	2,287	(97,900)	(95,613)
Cash flows	4,230	(35,474)	(31,244)
Net debt as at 30 June 2017	6,517	(133,374)	(126,857)

The Group's current bank loans are based on variable rates.

D3: Share Capital

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

During the year ended 30 June 2018, the Group adopted formal capital structure targets as follows:

1. **Net Debt:EBITDA less than 2.75x**

   The Group is targeting net debt to be less than 2.75x EBITDA. The Group has set this target to be achieved but as at 30 June 2018 has not met the target. Net Debt:EBITDA excluding non-trading items as at 30 June 2018 is 4.3x. This ratio is higher than target as the Group has increased borrowings to fund acquisitive growth since 2014. However EBITDA has not grown, resulting in a higher than target ratio. The Board considers the current ratio to be higher than it should be. Post balance date the Group announced a fully underwritten placement and pro-rata rights offer to raise $80.9 million. Following the successful execution of this capital raise the Board will revise that target Net Debt : EBITDA ratio down to 2.0x and expects full compliance with the revised ratio.

2. **Gearing ratio less than 30 – 35%**

   The target ratio is to be at or less than 30% and never more than 35%. The Group's gearing ratio is calculated as net debt divided by the sum of total equity and net debt, where net debt is total borrowings less cash and cash equivalent assets. The policies in respect of capital management and allocation are reviewed regularly by the Board. The gearing ratio for this year is 38% (2017: 43%) and is below the benchmark of 55% in the Group's General Security Agreement. Whilst the Group is operating well within the General Security Arrangement requirements, the Board consider this level of gearing to be higher than it should be. The Group expects to be in line with the target ratio following completion of the post balance date capital raise.

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.

	2018 $000	2017 $000	**2018 Shares**	2017 Shares
Fully paid:				
Balance at the beginning of the year	**77,803**	77,755	**90,588,026**	90,578,026
Proceeds from partly paid shares	**41**	48	**20,000**	10,000
Balance at the end of the year	**77,844**	77,803	**90,608,026**	90,588,026
Partly paid:				
Balance at the beginning of the year	**1**	1	**45,000**	55,000
Transfer to fully paid shares	**-**	-	**(20,000)**	(10,000)
Balance at the end of the year	**1**	1	**25,000**	45,000
Total balance at the end of the year	**77,845**	77,804	**90,633,026**	90,633,026

The holders of ordinary shares are entitled to receive dividends declared from time to time and to one vote per share at meetings of the Company. Ordinary shares issued and partly paid to one cent shares in the Senior Executives' Share Scheme 1993 do not have 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

	2018 $000	2017 $000	**2018 Shares**	2017 Shares
Balance at the beginning of the year	**3,431**	3,500	**1,150,787**	1,109,721
Purchases	**-**	592	**-**	270,000
Used in share schemes	**(535)**	(661)	**(177,938)**	(228,934)
Balance at the end of the year	**2,896**	3,431	**972,849**	1,150,787

Treasury shares are unallocated Company shares held by the Trustees of share-based schemes and are recognised as a reduction in shareholders' funds of the Group. There were no Treasury shares purchased during the year (2017: Weighted Average price of shares purchased $2.19).

Section E – Other

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2018

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

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

E1: Financial Risk Management

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

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

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

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

E2: Provisions

	Restructure provision $000	Onerous Contract and Contract Dispute Provision $000	Onerous Lease and Make Good Provision $000	Commerce Commission Provision $000	Total $000
Opening balance	-	2,634	1,245	900	4,779
Additions	4,740	844	3,371	300	9,255
Used	-	(2,344)	(692)	-	(3,036)
Closing balance	**4,740**	**1,134**	**3,924**	**1,200**	**10,998**
Current	4,112	1,134	2,769	1,200	9,215
Non Current	628	-	1,155	-	1,783

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.

Key judgements:

- **The Provision for Onerous Leases is for the remaining lease term on the properties that have been vacated as part of the Group's change programme. The provision is partially offset by Management's assessment that a future sub-lease may be possible on some of the properties with longer than 12 month lease terms remaining. If the Group's assumptions on time required to sub-let the properties increased by three months and the expected sub-lease rentals were 10% less, the provisions would increase by $0.1m.**

KEY JUDGEMENT

- Make-good obligations on existing tenanted properties, including Stonedon Drive remediation work agreed as part of the sale and purchase agreement, estimated at $1.5m. Actual payment dates and costs will be known once each lease reaches its expiry date.
- Onerous Contract and Contract Dispute Provision is an estimate of the costs of customer claims for faulty or defective products supplied and an assessment of the shortfall between costs and future revenue on certain projects where the Group is committed to providing a service within the next 12 months for which the costs will exceed the revenue.
- Restructure and Rationalisation Provision. The Group has undertaken a review of the business and commenced a restructure in a number of areas. A provision has been recognised where staff have been notified of redundancy or where a valid expectation of redundancy has been created. Included within this provision are costs associated with the closure of S & T Plastics including onerous lease provision. Refer note C4 for details.
- Provision for Commerce Commission Fine

  In December 2016 the Commence Commission announced that it had completed its investigation in relation to several companies, and that it intended to prosecute three companies under the Fair Trading Act, including Steel & Tube. The 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. Following a Group wide review, quality resources have been strengthened and quality management processes have been and continue to be enhanced.

  In August 2017 Steel & Tube pleaded guilty to those charges. On 25th May 2018, the sentencing hearing occurred in the Auckland District Court. The judge has reserved his decision and therefore a sentence was not given.

  A provision for estimated fines, penalties and costs in relation to this prosecution and their expected recovery under the Group's insurance policies has been provided for in the Group's financial statements. It is expected that the sentencing will occur within the next 12 months.

E3: Contingent Liabilities

Indemnities given to the Company's trading banks in respect of performance bonds were $2.7m (2017: $2.5m) at balance date and were transacted in the ordinary course of business.

E4: Auditor Remuneration

	2018 $000	2017 $000
Fees paid to PwC		
– annual audit & half year review	**337**	304
– direct expenses associated with performance of the audit (eg. reimbursement of travel and accommodation costs)	**18**	5
– tax compliance: annual tax return	**25**	24
– other assurance services related to the Company's ERP system	**10**	106
– other	**3**	2
– tax advisory services in relation to the Company's Executive Share Scheme	**41**	-
– facilitation of an IFRS 15 workshop	**7**	-
	441	441

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	2018 Holding	2017 Holding
Steel & Tube New Zealand Limited	Non-trading	**100%**	100%
Composite Floor Decks Holdings Limited	Non-trading	**100%**	100%
Studwelders Limited	Non-trading	**100%**	100%
S&T Stainless Limited	Stainless Distributor	**100%**	100%
Manufacturing Suppliers Limited	Fastenings Distributor	**100%**	100%
S & T Plastics Limited	Pipe Manufacturer	**100%**	100%
Composite Floor Decks Limited	Floor Decking Installer	**100%**	100%

Transactions with Key Management Personnel

	2018 $000	2018 for Comparison $000	2017 $000
Short-term benefits	**2,591**	**3,544**	3,717
Termination Benefits	**972**	**1,087**	-
Share-based benefits	**270**	**312**	688
	3,833	**4,943**	4,405

Following a change to the operating structure of the Group during the reporting period, there are now two clear Operating Divisions. As a result the executive leadership structure has also changed. The 2018 Key Management Personnel numbers have been prepared based on the new executive structure with a comparison provided based on the previous executive structure.

The Key Management Personnel are the Non Executive Directors and Executive Management. Included in short-term benefits are Directors' fees of $477,500 (2017: $349,125).

Executive Share Plan 2003

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

Whilst no further Rights will be issued relative to the Executive Share Plan 2003, it will continue to operate until such time as the prior years' Rights that have been granted are either vested and exercised, forfeited or lapse, in accordance with that plans rules.

Executive Share Plan 2017

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

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

b) The Absolute Comparator (AC) ranks the Company's TSR relative to the Company's Cost of Equity (CoE) plus a premium of 2% annualised and compounding.
   - Where the Company TSR is less than or equal CoE no (AC) Performance Rights will be vested
   - Where the Company TSR is greater than CoE but less than (CoE) + 2%, 50% of (AC) Performance Rights will vest
   - Where the Company TSR is equal to or greater than CoE + 2%, 100% of (AC) Performance Rights will vest

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

At July 2017 1,102,558 rights to shares were outstanding. Rights outstanding, granted or forfeited carry no exercise price. During the year the following movements of rights to shares occurred in accordance with the rules of the share plan:

	No. of Rights Available 2018	No. of Rights Available 2017
Opening Balance	**1,102,558**	1,074,218
New Shares Granted	**371,366**	483,624
Rights Forfeited	**(728,765)**	(226,347)
Rights Exercised	**(177,938)**	(228,937)
Total	**567,221**	1,102,558

Rights Performance Conditions Start Dates	**Expiry date**	**Issue date fair value**	**Total Rights Issued**	**Rights available 30 June 2018**	Rights available 30 June 2017
1 July 2013 - Tranche 11	30/06/2018	$3.10	**303,740**	**5,355**	118,946
1 July 2014 - Tranche 12	30/06/2019	$2.85	**288,711**	**10,623**	236,926
1 July 2015 - Tranche 13	30/06/2020	$2.66	**343,441**	**40,200**	287,303
1 July 2016 - Tranche 14	30/06/2021	$2.21	**475,596**	**139,677**	459,383
1 September 2017 - Tranche 1	1/09/2020	$2.09	**371,366**	**371,366**	-
Total			**1,782,854**	**567,221**	1,102,558

The fair value of rights is determined using a Monte Carlo share price simulation model. The significant inputs into the model for shares granted during the period were the market share price at grant date, an exercise price of zero (as shares are issued to the employees at nil consideration on vesting), volatility of 26.3%, expected option life of between 1 and 3 years and an annual risk free interest rate of 1.95%. Volatility has been calculated based on the annualised volatility for the three years prior to the rights issue.

The Board appoints a Trustee to administer the 2003 plan. Any rights not vested after the expiry of five years are cancelled. The cost associated with this plan is measured at fair value at grant date and is recognised as an expense in profit or loss over the vesting period, with a corresponding entry to the reserve in equity. Shares purchased in this plan are recognised as treasury shares until they are distributed.

KEY POLICY

E6: Financial Instruments

	Loans and receivables	Derivatives for hedging	Liabilities at amortised cost
Group 2018			
Cash and cash equivalents	**5,584**	**-**	**-**
Trade and other receivables excluding prepayments	**88,235**	**-**	**-**
Derivative financial instruments (1)	**-**	**1,271**	**-**
Total financial assets	**93,819**	**1,271**	**-**
Borrowings	**-**	**-**	**109,935**
Trade and other payables	**-**	**-**	**44,615**
Derivative financial instruments (1)	**-**	**17**	**-**
Total financial liabilities	**-**	**17**	**154,550**
Group 2017			
Cash and cash equivalents	6,517	-	-
Trade and other receivables excluding prepayments	87,917	-	-
Derivative financial instruments (1)	-	2	-
Total financial assets	94,434	2	-
Borrowings	-	-	133,374
Trade and other payables	-	-	52,580
Derivative financial instruments (1)	-	1,714	-
Total financial liabilities	-	1,714	185,954

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

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period, these are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents. They are recognised initially at fair value and subsequently at amortised cost less any impairment.

E8: Land and Buildings

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

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

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

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

Description	Unobservable inputs	Range of inputs [from valuation reports] 2018	Range of inputs [from valuation reports] 2017
Owned land & buildings	Discount rate	**7.25% – 9.84%**	7.13% - 9.69%
	Terminal yield	**7.50% – 9.0%**	6.25% - 9.25%
	Capitalisation rate	**7.0% – 8.50%**	6.0% - 8.75%

E9: Subsequent events

On 7 August 2018 the Board announced a fully underwritten capital raise of $80.9m by way of an upfront placement of $20.8m to eligible institutional investors and a pro-rata Rights Offer to eligible shareholders for $60.1m. This will allow the Group to execute its business transformation initiatives and achieve its longer term strategic objectives. On 10 August 2018, the upfront placement was successfully transacted.

E10: Other Accounting Policies

Basis of consolidation

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

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

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

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

Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate at the date of the transaction. Gains and losses resulting from the settlement of such transactions and from translation of monetary assets and liabilities at balance date are recognised in profit or loss except when deferred in equity as qualifying cash flow hedges.

Revenue recognition

Revenue comprises the fair value of sales of goods net of Goods and Services Tax, and discounts and after elimination of sales within the Group. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer or when the services have been performed.

Accounts payable policy

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

Derivatives - Cash flow hedge

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

The Group designates certain derivatives as hedges of a highly probable forecast transaction (cash flow hedge). The effective portion of changes in the fair value of derivatives designated as cash flow hedges is recognised in equity. The gain or loss on the ineffective portion is recognised in profit or loss in other gains/(losses).

When the hedged item is a non-financial asset (for example, inventory or property, plant and equipment) the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to profit or loss in the same period the hedged item is recognised in the Statement of Profit or Loss and Other Comprehensive Income. If the hedging instrument no longer meets the criteria for hedge accounting, expires, is sold, terminated or is exercised, any cumulative gain or loss previously recognised in equity remains in equity until the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss reported in equity is immediately transferred to profit or loss within other gains/(losses).

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

Impairment of non-financial assets:

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

Adoption status of relevant new financial reporting standards and interpretations

There are no new standards or amendments to standards applicable to the Group for the year ended 30 June 2018 other than the adoption of the amendments to IAS 7, see note D2.

Certain new accounting standards, amendments and interpretations of existing standards have been published that are not mandatory for the year ended 30 June 2018 and have not been early adopted by the Group. These will be applied by the Group in the mandatory periods listed below. The key items applicable to the Group are:

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

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

This standard takes effect from 1 July 2018 and the expected impact relates largely to financial assets and the expected credit loss associated with those assets. The main impact for Steel and Tube will be on the impairment calculation for trade receivables. The Group is currently using a provision matrix where trade receivables are grouped based on past-due basis.

The new impairment model per the standard requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under NZ IAS 39. This requires receivables to be grouped based on different customer attributes and different historical loss patterns. The model is then updated with current and forward looking estimates. The Group is still in the process of analysing historical credit loss information and forward-looking information in order to assess the impact, if any, on the impairment provisions in the year of adoption.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have such liabilities. The derecognition rules have been transferred from NZ IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new hedging accounting rules will align the accounting for hedging instruments more closely with the Group's practices. The Group's hedging is restricted to cash flow hedges for purchases of inventory. The Group's current practice is to recognise the accumulated gains or losses on the hedged transaction against the carrying value of the inventory which is the prescribed practice under NZ IFRS 9.

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

This standard addresses recognition of revenue. It replaces the current revenue recognition guidance in NZ IAS 18 Revenue and NZ IAS 11 Construction Contracts. The new standard is based on the principal that revenue is recognised when control of a good and service transfers to a customer. The standards permits either a full retrospective or a modified retrospective approach for the adoption.

During the current financial period, the Group began the assessment of the potential impact of NZ IFRS 15. Work focused on segregating the different revenue streams that exist within the business. The majority of revenue is made up of product sales with some contract revenue (approximately 16% of total revenue) through the Reinforcing and CFDL divisions.

The following matters are relevant to the Group under NZ IFRS 15:

- Treatment of contract modifications for CFDL and Reinforcing division in determining whether to combine the contract.
- For contracts which involve the supply and installation of materials in the CFDL and Reinforcing divisions, whether the supply is a separate performance obligation as it may impact the timing, measurement and classification of revenue recognised.
- A customers' right of return in determining revenue to be recognised and how this should be accounted for.
- The treatment of volume rebates provided to customers.

Further work is required to assess the impact of contract modifications on revenue recognition.

The Group will take the modified retrospective approach for the transition.

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

NZ IFRS 16: Leases replaces the current guidance in NZ IAS 17. Under NZ IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under NZ IAS 17, a lessee was required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). NZ IFRS 16 now requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The income statement will also be impacted by the recognition of an interest expense and a depreciation expense and the removal of the current rental expense.

This standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of $134.9m (refer to note C3). On adoption, NZ IFRS 16 will have a significant impact on the Group's balance sheet and on specific line items on the income statement.

Management's process to date highlights that the potential impact based on current lease arrangements is expected to be material, with impacts on the following line items:

Balance sheet:

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

Income statement:

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

The impact on each of these line items is expected to be significant. The accounting standard change will not impact the cash flow of the Group.

The Group is currently undertaking a restructure of the business, including the rationalisation of the Group's lease portfolio. Until the outcome of this rationalisation is clear, it is not possible to provide a reliable indicative impact of the new standard on the Group's financial statements.

The standard is effective for the Group for the year ending 30 June 2020. Early adoption is permitted however the Group intends to adopt NZ IFRS 16 on its effective date. The Group intends to adopt the simplified transition approach under NZ IFRS 16 in the year ending 30 June 2020 and will not restate comparative amounts for the period prior to first adoption.

Independent Auditors' Report

to the shareholders of Steel & Tube Holdings Limited

The financial statements comprise:

- the balance sheet as at 30 June 2018;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies.

Our opinion

In our opinion, the 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 2018, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Basis for opinion

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

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

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

Our firm carries out other services for the Group in the areas of tax compliance services, other assurance services related to the Company's ERP replacement project, tax advisory services in relation to the Company's Executive Share Scheme and the facilitation of an IFRS 15 workshop. The provision of these other services has not impaired our independence as auditor of the Group.

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Our audit approach

Overview

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

Overall Group materiality: $1.1 million, which represents 5% of average profit before tax in the current year and previous two years (adjusted for non-ordinary items including, asset impairments, gain on asset sales and restructuring costs).

We chose average profit before tax (adjusted for non-ordinary items) as the benchmark because, in our view, it is a more representative benchmark of the performance of the Group for the period.

The following have been determined as key audit matters:

- Impairment testing of the Group's assets
- Closure of S&T Plastics
- Existence of inventory at business units affected by the new Enterprise Resource Planning (ERP) system implementation
- Assessment of the net realisable value (NRV) of inventory
- Forecast compliance with banking covenants.

Materiality

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

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

Audit scope

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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.

pwc

Key audit matter	How our audit addressed the key audit matter

Impairment testing of the Group's assets

The risk that the Group's assets may be materially impaired is considered a Key Audit Matter, due to:

- the existence of indicators of impairment
- the high level of management judgment required to:
  - determine the Cash Generating Units (CGUs) to test for impairment, and
  - estimate the future results of the business and the discount rate used to determine the value-in-use (VIU) of the CGUs.

To assess whether an impairment of the Group's assets exists, the Group has:

- determined the lowest grouping of assets that generate independent cash flows, known as a CGU
- allocated the Group's assets to the CGUs, and
- considered for each CGU whether indicators of impairment exist.

Where an indicator of impairment exists, or where the CGU contained goodwill, the Group has prepared discounted cash flow valuations on a VIU basis. A Group wide VIU impairment test was also performed.

The Group included forecast cash flow improvements from implemented performance improvement projects in both the S&T Distribution and S&T Wire CGU VIU calculations.

The Group concluded that:

- goodwill associated with the S&T Distribution and Wire CGUs was impaired by $10.1 million in total, and
- the calculations performed supported the carrying value of all other assets.

Disclosure of the Group's impairment assessment is contained in note C2.

Determination of CGUs and allocation of assets to CGUs

We performed procedures to evaluate and challenge the Group's determination of CGUs. This included:

- reviewing internal management reporting to assess the level at which the Group monitors performance
- comparing CGUs to our knowledge and understanding of the Group's operations
- ensuring that CGUs were no larger than operating segments, and
- reconciling assets allocated to CGUs to those totals within the general ledger.

Assessment of indicators of impairment

For CGUs not containing goodwill, we considered and challenged the Group's assessment of whether indicators of impairment existed. This included assessing internal and external information, including factors such as the performance of the CGU against budget and prior year.

Calculating the recoverable amount

For each CGU that contained goodwill, or had an indicator of impairment we assessed the appropriateness of the VIU calculation. We:

- tested the mathematical accuracy of the valuation model
- assessed forecast cash flows by comparing them to historical information, available industry information, and agreeing cash flows to Board approved budgets
- considered the reasonableness of the Group's discount rate by comparison to a discount rate developed by our internal valuation expert, and
- assessed the Group's forecasting accuracy by comparing historical forecasts to actual results.

For two CGUs, the Group included cash flows attributable to performance improvement initiatives. We confirmed that management were committed to the implementation of these plans through:

- obtaining external consultants' reports identifying improvement opportunities
- reviewing project management and reporting tools to track the status and benefits realised from the initiatives, and
- testing transactions associated with the improvement initiatives, including restructuring provisions.

Because of the subjectivity involved in valuing CGUs, there is a range of values, which can be considered reasonable when evaluating the carrying value of a CGU. Based on the above procedures there were no matters to report.

Key audit matter	How our audit addressed the key audit matter
Closure of S&T Plastics Significant management judgment was involved in the estimation of the fair value less cost to sell (FVLCTS or net realisable value) of S&T Plastics' assets. For this reason, and considering the significance of the impairment, we determined the valuation of S&T Plastics' assets to be a Key Audit Matter. The Group decided to close the S&T Plastics CGU. The Group recognised an impairment expense of $8.0 million to bring the assets of the CGU to their net realisable value. In determining the extent of impairment, the Group has made judgments in respect of: • the likely method of asset disposal, for instance through a managed sales process or scrapping, and • estimating the net realisable value of the assets. The Group has engaged a broker to pursue a sale of S&T Plastics' assets. The Group used its knowledge of the plastics market, and offers received to purchase certain assets, to assess the estimated net realisable value of the assets. In addition, the Group obtained an independent appraisal of the valuation of S&T Plastics' assets to compare with their assessment. Refer to note C4 for further disclosure.	To assess the appropriateness of the Group's judgment as to the method of disposal we have: • inquired of management, inside and outside of the finance function, to understand and corroborate management's assumptions, and • reviewed management's assessment of the likely sale method. In considering the reasonableness of management's estimate of net realisable value we have: • obtained the independent appraiser's report and compared it to management's estimated net realisable value • compared asset values to purchase offers received post balance date, and • discussed indicative offers received for S&T Plastics' assets with the Group appointed sales broker. Because of the subjectivity involved in determining the likely method of disposal and estimating the net realisable value, there is a range of values that can be considered reasonable. Based on the above procedures there were no matters to report.
Existence of inventory at business units affected by the new Enterprise Resource Planning (ERP) system implementation As explained in note B1, in October 2017 the Group implemented an ERP solution across the core Distribution and Roll-forming business units (the 'Business Units') and encountered a number of implementation issues. These issues have affected business operations. In response, the Group sought increased confidence over the existence of its inventory holdings by conducting wall-to-wall inventory counts at the Business Units. The counts occurred at all sites at different times in May and June 2018. This represented a change from the Group's policy of conducting cycle counts across the year.	We performed a number of procedures to address the heightened risk that inventory did not exist. These procedures included attending inventory counts at an increased number of locations to assess the appropriateness of the Group's count procedures, the accuracy of counting, and the accuracy of recording of adjustments. We determined which count locations to attend based on our assessment of risk, including: • the volume and value of inventory held at locations, 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.

Key audit matter	How our audit addressed the key audit matter
Existence of inventory at business units affected by the new Enterprise Resource Planning (ERP) system implementation (continued) We assessed there is an increased risk over existence of inventory and identified this as a Key Audit Matter. The factors which lead us to this assessment included: • the implementation of a new ERP system across the Business Units • the high volume and value of inventory held by the Business Units, and • the large number of inventory locations.	To assess whether materially all inventory had been counted during the year, we compared reports detailing inventory counted to the inventory listing at 30 June 2018. We tested a sample of inventory movements between the inventory counts dates in May and June 2018 and the 30 June 2018 balance date to supporting documentation. Based on the above procedures there were no matters to report.
Assessment of the net realisable value (NRV) of inventory The Group has inventory of $116 million as at 30 June 2018, with $8.8 million held at NRV. The Group is required to hold inventory at the lower of cost and NRV. This is a Key Audit Matter as significant management judgment is required to determine the NRV of aged and slow moving inventory, given its limited sales history. The Group identified the following inventory categories for which an adjustment to the carrying value was required, comprising inventory: • with no or limited sales transactions within the previous 12 months (slow moving) • where current holdings exceed 12 months sales (excessive), and • for which there is no longer demand due to changes in customer requirements (obsolete). The Group's estimate of NRV considered: • the most recent achieved sales price for each Stock Keeping Unit (SKU) • current scrap metal recovery rates. These were based on quotes obtained from scrap merchants which indicated the scrap value was not material, and • internal sales manager's judgment of the current realisable value for each SKU. As described in section B1 of the financial statements, the Group's consideration of inventory valuation resulted in an $8.4 million inventory impairment provision.	We assessed the completeness and accuracy of the inventory categories that management had identified for impairment consideration. This included undertaking procedures to assess the accuracy of reports used by management, including recalculating the aging of inventory on a sample basis. We assessed the reasonableness of the Group's estimate of NRV by performing the following procedures: • inspected the scrap value quotations obtained by management • inquired of supply chain personnel to understand and corroborate the assumptions applied in estimating inventory provisions, and • assessed the accuracy of previous NRV estimates by comparing the Group's estimate of NRV to the actual realised sales price. Where the Group assessed that a provision was not required for the inventory included in the slow moving, obsolete and excessive categories, we obtained, on a sample basis, evidence to support or challenge this assessment. Evidence obtained included: • invoices detailing recent sales transaction prices, and / or • inquiry of supply chain and sales personnel to understand the demand for the inventory SKU. Based on the above procedures there were no matters to report.

Key audit matter	How our audit addressed the key audit matter
Forecast compliance with banking covenants	
As detailed in note D1, the Group expected to breach one of its financial banking covenants in the year. The Group received a waiver from the banks and the parties also agreed to amend their banking arrangements. We have therefore deemed forecast compliance with amended banking covenants to be a key audit matter. The Group has assessed forecast compliance with these covenants by: • preparing a phased budget for Fy19. This budget has been approved by the Board • using the budget to calculate covenant compliance at each forecast compliance date, and • assessing forecasting risk by considering the headroom available for each covenant at each compliance date. The Group has determined that it expects to comply with all covenants. In addition, the Group has recently announced a capital raise, which will result in significantly lower gearing and substantial additional covenant headroom available.	We obtained an understanding of the relevant covenants and any conditions included in the amended banking facility agreements. We obtained the Group's forecast compliance assessment and: • agreed the FY19 phased budget to that approved by the Board • recalculated compliance with financial covenants at each compliance date, and • performed sensitivity analysis to assess the level of forecasting risk. Separately, we considered the status of the capital raise and its positive impact on available headroom. We have no matters to report.

Information other than the financial statements and auditor's report

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

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

Responsibilities of the Directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

This description forms part of our auditor's report.

Who we report to

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

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

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
28 August 2018

Wellington

Governance

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

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 2017. Further work is being undertaken in some areas to ensure full compliance with the Code and our progress is explained below. A summary of Steel & Tube's governance actions and performance against each of the Principles in the Code is detailed on the following pages.

Governance Policies and Charters can be viewed on the Steel & Tube website at https://steelandtube.co.nz/corporate/governance.

CODE OF ETHICAL BEHAVIOUR

Steel & Tube expects its Directors and staff to act with integrity and professionalism, and undertake their duties in the best interests of the company. The Board has adopted a Code of Ethics, which is available on the company website and staff intranet.

The company Policy Manual also includes an Employee Code of Conduct. This forms part of the new employee induction programme.

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

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

BOARD COMPOSITION AND PERFORMANCE

The Steel & Tube Board comprises five independent Directors, who have significant relevant industry and market experience, skills and expertise that are of value to the company. Profiles of Directors are available on the company website and included in the Annual Report. Directors' interests are disclosed on page 78 of the Annual Report.

Steve Reindler and Chris Ellis were appointed to the Board in October 2017 and elected by shareholders at the Annual Meeting in November 2017. Susan Paterson was also elected by shareholders at the Annual Meeting and Rosemary Warnock was re-elected to the Board. Long serving Director, Dean Pritchard, retired from the Board at the Annual Meeting.

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

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

The number of elected Directors and the procedure for their retirement and re-election at the Annual Meetings is set out in the company Constitution. The Nomination Committee has delegated responsibility from the Board to make recommendations on Board composition and nominations, subject to the company Constitution. The Committee has developed a skills matrix and takes into account a number of factors including qualifications, experience and skills. Shareholders may also nominate candidates for election to the Board.

Steel & Tube's Chair is required to be an independent Director. The Board supports the separation of the roles of Chair and CEO and the appointment of an Independent Chair.

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

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

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

The Board monitors its own performance and from time to time receives external reviews to assess the performance of individual Directors and the Board's effectiveness. Following a detailed review and the subsequent refresh completed in November 2017, the Board undertook a self-review during 2018.

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

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

DIVERSITY

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

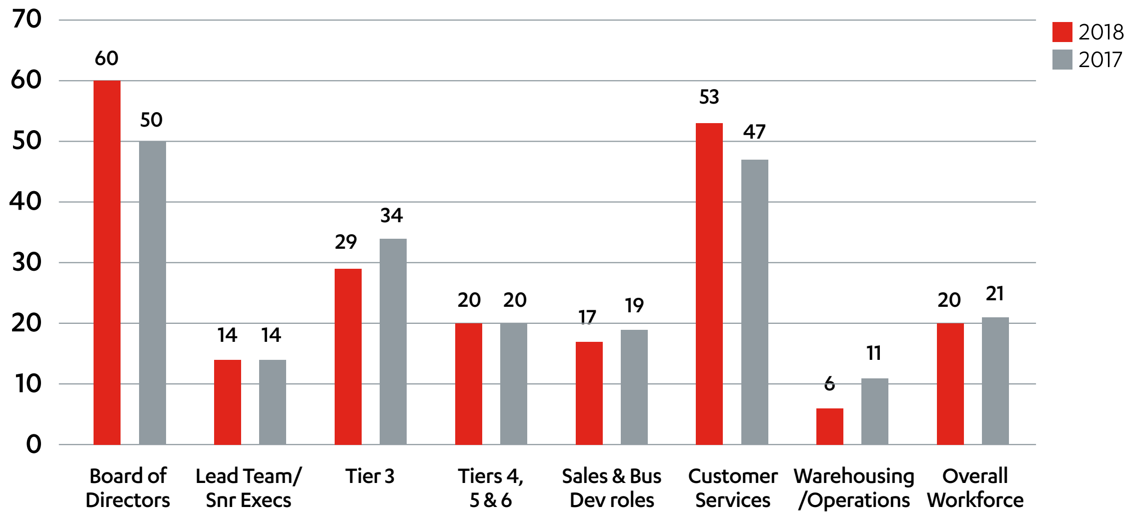
Diversity provides us with a broad range of perspectives and experience that enhance the quality and depth of our decision-making, and helps create a united team approach across all levels of our organisation.

Our approach to diversity is outlined in the Diversity Policy, which is available on the company website. Key areas of focus are:

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

A number of initiatives are in place to support diversity and the Board believes progress has been made in FY18.

Gender Diversity at Steel & Tube (% of females)



The Board of Directors comprises three females and there is one female on the leadership team.

GENERAL INFORMATION

BOARD COMMITTEES

The Board has established several standing committees, each of which has a Board approved 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 comply with recommendations in the NZX Corporate Governance Code.

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 engage expert legal and financial advisors to provide advice on procedure.

Reporting and Disclosure

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

For the financial year ended 30 June 2018, the Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the company and facilitate compliance of the financial statements with the Financial Markets Conduct Act 2013. The Chief Executive and Chief Financial Officer have confirmed in writing that Steel & Tube's external financial reports present a true and fair view in all material aspects

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.

While Steel & Tube already has policies that support environmental, social and governance concerns, a more detailed framework is in development and will be progressed for the FY19 annual report.

Remuneration

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

Details of Director and Executive Remuneration in FY18 are provided on pages 74 to 77.

The Board committees as at 30 June 2018 were:

Committee	Role	Members
Quality, Health, Safety and Environment	Assist the Board to meet its responsibilities in relation to the company's Quality, Health and Safety (H&S) and Environment policies and procedures, and legislative compliance	Rosemary Warnock (Chair) Susan Paterson Chris Ellis
Audit and Risk	Assist the Board in its oversight of the integrity of financial reporting, financial management and controls, external audit quality and independence, and the risk management framework	Anne Urlwin (Chair) 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) Susan Paterson Anne Urlwin
Nominations	Assist the Board in ensuring appropriate Board performance and composition and in appointing directors	Susan Paterson (Chair) Anne Urlwin Rosemary Warnock Steve Reindler Chris Ellis

Meeting attendance

	Board	Quality, Health, Safety & Environment Committee	Audit & Risk Committee	Governance & Remuneration Committee	Nominations Committee (6)
Total number of Meetings	14	4	5	3	1
Susan Paterson	14	4	5	3	1
Anne Urlwin	13	4	5	3	1
Chris Ellis (1)	11	3	1	-	-
Dave Taylor (2)	3	1	2	-	-
Dean Pritchard (3)	4	1	3	1	1
Mark Malpass (4)	3	1	2	1	1
Rosemary Warnock	10	4	4	2	1
Steve Reindler (5)	9	-	3	2	-

1. Appointed 1 October 2017
2. Resigned from the Board and as CEO on 22 September 2017
3. Retired from the Board 16 November 2017
4. Stepped down from the Board to take up Interim CEO role 25 September 2017
5. Appointed 1 October 2017
6. Met as part of full Board meeting

Risk Management

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

The company is exposed to risks from a number of sources, including operational, strategic, economic and financial risks. Steel & Tube's Risk Management Policy provides for a risk management framework that incorporates policies, procedures and appropriate internal controls to identify, assess and manage areas of significant business and financial risks.

Quality, Health, Safety and Environment

The Board is committed to ensuring a high quality, safe and healthy environment for all Steel & Tube people and anyone in the company's workplaces.

The Board's Quality, Health, Safety and Environment Committee regularly visits the company's sites to review health and safety in the workplace and engage directly with staff on health and safety matters. The committee receives regular reports on quality processes and compliance with standards. Quality, Health, Safety and Environment are discussed at all Board meetings.

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

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

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

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

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

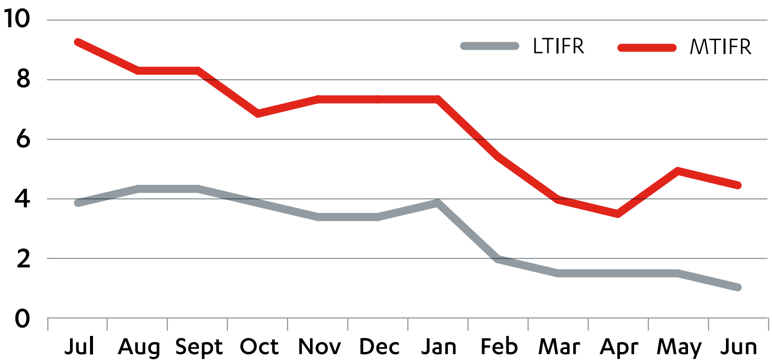
The table below shows strong lag indicator improvement due to two strategic intervention strategies resulting in a 43% reduction in medical treatment incidents and an 82% reduction in lost time incidents. The strategies implemented were:

(1) a WorkSafe based programme on the power of speaking up; and

(2) a robust return to work programme after the Christmas holiday break.

S&T Employee Lag Indicator

12 Month Moving Average Frequency Rates



AUDITORS

External audit

For the year ended 30 June 2018, PWC was the external auditor for Steel & Tube. PWC was re-appointed under the Companies Act 1993 at the 2017 Annual Meeting. The last audit partner rotation was in FY14. On completion of the FY18 audit, PWC has advised that a partner rotation will occur for the FY19 audit.

The Audit and Risk Committee monitors the ongoing independence, quality and performance of the external auditors PWC, and monitors audit partner rotation. The committee pre-approves any non-audit work undertaken by PWC. The non-audit services in the year ended 30 June 2018 are set out in the Annual Report. Those services were provided in accordance with the company's External Auditor Independence Policy and were assessed by the Audit and Risk Committee as not affecting PWC's independence. The fees paid for audit and non-audit services in FY18 is identified on page 53 of the Annual Report. The external auditors attend the Annual Shareholders Meeting each year.

Internal Audit

Steel & Tube operates an out-sourced internal audit function, which reports to and is monitored by the Audit and Risk Committee. KPMG were appointed internal auditors during the FY17 year and have continued to provide this service in FY18. The Committee approves the annual internal audit plan, receives internal audit review reports on the adequacy and effectiveness of Steel & Tube's internal controls and monitors the implementation of KPMG's recommendations arising from its review findings.

SHAREHOLDER RIGHTS AND RELATIONS

The Board is committed to open and regular dialogue and engagement with shareholders and the New Zealand Shareholders Association. Steel & Tube's investor relations programme includes semi-annual post-results briefings with investors, analysts and investor meetings, and earnings announcements. The programme is designed to provide shareholders and other market participants the opportunity to obtain information, express views and ask questions.

The company endeavours to make it easy for shareholders to participate in annual meetings, which are held in main centres. Shareholders are able to ask questions of and express their views to the Board, Management and the external auditors at annual meetings. The Board adopts the one share, one vote principle, conducting voting at shareholder meetings by poll. Shareholders are also able to vote by proxy ahead of meetings without having to physically attend those meetings.

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

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

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.

Remuneration

DIRECTOR REMUNERATION

Total remuneration available to non-executive directors in the year ended 30 June 2018 was $575,000 as approved by shareholders. This annual fee pool limit was increased following resolutions approved at the 2017 Annual Shareholders Meeting.

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

As at 30 June 2018 the standard annual 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.

The total amount of remuneration and other benefits received by the independent directors during the year ended 30 June 2018 was $477,500 as shown in the table below:

Director	Directors Fees	Committee Chair Fees	Other	FY18 Total	Responsibility
Susan Paterson	**$145,000**	-	-	$145,000	Board Chair
Anne Urlwin	**$75,000**	**$10,000**	-	$85,000	Audit and Risk Committee Chair
Rosemary Warnock	**$75,000**	**$10,000**	-	$85,000	HS&E Committee Chair
Steve Reindler [1]	**$56,250**	**$4,375**	-	$60,625	Governance & Remuneration Committee Chair
Chris Ellis [1]	**$56,250**	-	-	$56,250	
Dean Pritchard [2]	**$28,125**	-	-	$28,125	
Mark Malpass [3]	**$17,500**	-	-	$17,500	
Dave Taylor [4]	-	-	$1,722,025	$1,722,025	Former CEO and Managing Director

1. Steve Reindler and Chris Ellis were appointed as Directors in October 2017
2. Dean Pritchard retired as a Director in November 2017
3. Mark Malpass stepped down as a Director in September 2017 to take the role as Interim CEO
4. Dave Taylor received fixed remuneration and other benefits as CEO up to the date of his resignation on 22 September 2017. Included in the amounts paid to Mr Taylor was $494,282 for short term incentive and long term incentive entitlements, including dividends due (relating to previous financial periods). Also included was his fixed annual remuneration up to the date of resignation and amounts paid in accordance with his contractual entitlements upon cessation of employment.

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 during the year ended 30 June 2018 reflected a mixture of financial, safety and personal 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 YE results are 80% or less of the company's financial target. Additionally, in the event of a fatality or serious injury, where the company is considered culpable by the Board, no STI payment is payable to the Chief Executive, Executives and their direct reports and no payment is payable for the Health, Safety and Environment component to all other STI participants.

For the 30 June 2019 financial year the STI performance targets are being adjusted to include financial, quality & safety, employee engagement, customer services and strategy delivery related objectives appropriate for the position held by the individual STI participant.

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

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

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

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

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

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

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

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

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

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

The company's previous LTI scheme, in place since 2003, will continue to operate until such time as the prior years' Rights that have been granted are either vested and exercised or forfeited, in accordance with that plans 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

Mark Malpass joined the company in an acting capacity on 25 September 2017 and was appointed to the CEO position on 22 February 2018.

The CEO's overall remuneration as at 30 June 2018 consists of a FAR, an STI at 60% of FAR and an LTI of 30% of FAR. This will be reviewed annually by the Boards' Governance and Remuneration Committee and approved by the Board each year.

Given the challenging year for shareholders in FY18, the CEO has agreed with the Board that his fixed remuneration for 2019 remains flat at $700,000, STI remains at 60% and the LTI component has increased from 30% to 40% to better align remuneration with shareholder interests.

The STI performance targets for the CEO for the year ending 30 June 2018 were as follows:

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

The table immediately below sets out CEO FAR and the pay for performance components of the CEO's remuneration package on an annualised basis. This table sets out the pay for performance outcomes for STI and LTI assuming 100% is paid out. This is not what was paid to the CEO for the prorated period of his employment during the reported financial year.

		Fixed Remuneration			Pay for Performance			Total target remuneration
	MD/CEO	FAR[1]	Non-taxable benefits[2]	Sub total	Target STI[3]	Target LTI[4]	Sub total	
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**
2016	Dave Taylor	$824,000	$4,635	$828,635	$195,700	$563,317	$759,017	**$1,587,652**

In regard to the pay for performance component of the CEO's remuneration package for the reported financial year, the CEO had a specific financial performance target for the half year period to 31 December 2017 and financial, safety and individual performance targets for the FY to 30 June 2018, which in each case were prorated for the respective periods.

The CEO's financial performance target for the period to 31 December 2017 was achieved and resulted in an STI payable equivalent to 103.8% of the total available prorated STI. The financial performance target for the full year to 30 June 2018 fell below the 80% hurdle requirement and accordingly no STI is payable to the CEO in relation to this. The total STI payable to the CEO relating to the full year ended 30 June 2018 equates to 38.6% of the total available prorated STI.

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

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

The total remuneration and benefits received or due and receivable for the MD/CEO in 2015 was $1.339m and in 2014 was $1.190m.

1. FAR includes any KiwiSaver employer contributions
2. There were no costs associated with any other benefits during the year ended 30 June 2018
3. STI target for the full year which is subject to achievement of performance targets as agreed with the Board in each year
4. LTI value of actual Rights granted in each year (which may be exercised after the completion of the three year performance period, providing and only to the extent that the performance conditions have been satisfied)
5. STI payable for the FY following the achievement of performance targets as agreed with the Board. For FY18 the STI earned was for financial performance targets for the period to 31 December 2017, as agreed with the Board
6. LTI value of Rights as at the date vested (including the gross value of the associated dividends paid) in the FY related to Rights granted in the three to five years prior
7. FAR and total remuneration are for the prorated FY from 25 September 2017 to 30 June 2018

Pay Gap

The Pay Gap represents the number of times greater the Chief Executive Officer's remuneration is to the remuneration of an employee paid at the median of all Steel and Tube employees. For the purposes of determining the median paid to all Steel and 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 2018, the Chief Executive Officer's fixed remuneration of $700,000 was 12.6 times (2017: 15.7 times) that of the median employee at $55,509 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 2018 are specified in the table.

The remuneration noted includes all monetary payments actually paid during the course of the year ended 30 June 2018, any restructuring and redundancy related compensation and the gross dividends paid to (previous) LTI scheme participants for share performance rights that vested and were exercised in the year ended 30 June 2018.

The remuneration paid to, and other benefits received by Mark Malpass in his capacity as CEO for the year ended 30 June 2018 are detailed on page 76, and are excluded from the table.

There has been an increase from 2017 largely due to restructuring and redundancy payments made during the year.

Remuneration Range $000	No. of Employees
100 - 110	28
110 - 120	19
120 - 130	18
130 - 140	18
140 - 150	9
150 - 160	6
160 - 170	7
170 - 180	6
180 - 190	8
190 - 200	3
200 - 210	3
210 - 220	2
220 - 230	3
230 - 240	2
240 - 250	0
250 - 260	2
260 - 270	1
270 - 280	2
280 - 290	3
290 - 300	1
300 - 310	0
310 - 320	1
320 - 330	0
330 - 340	1
340 - 350	1
350 - 360	0
360 - 370	0
370 - 380	1

Disclosures

Directors

Mark Malpass stepped down from the Board on 25 September 2017 to take up the role of interim CEO and was subsequently appointed permanent CEO on 22 February 2018.

Steve Reindler and Chris Ellis were appointed to the Board on 1 October 2017.

Dean Pritchard retired from the Board on 16 November 2017.

Changes in directors' interests

Directors made the following entries in the Directors Interests Register pursuant to section 140 of the Companies Act 1993 during the year ended 30 June 2018:

Director	Interests
Susan Paterson	Appointed as External Monetary Policy Advisor to RBNZ Governor
Anne Urlwin	Appointed as a Director of City Rail Link Limited and Tilt Renewables Limited. Ceased to be a Director of the Naylor Love Group of Companies.
Steve Reindler	Appointed as a Director on 1 October 2017. Director of Meridian Energy, Broome Intl Airport, Z Energy, Worksafe, Waste Disposal Services, Yachting NZ, Lincoln University/Ag Research Joint Facility Board, Trustee Whitford Community Charitable Trust
Chris Ellis	Appointed as a Director on 1 October 2017 Director of HiWay Group (Chair), Worksafe, Horizon Energy, NZ Transport Agency, Steelpipe Limited

Information used by directors

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

Directors' shareholdings

Steel & Tube securities in which each director has a relevant interest as at 30 June 2018 are:

Director	Shares held
Susan Paterson	115,000 beneficially owned
Anne Urlwin	15,000
Rosemary Warnock	2,500
Steve Reindler	2,400*

* Disclosed on 29 August 2017 per Section 297 (1) and 298 (1), Financial Markets Conduct Act 2013

Directors' security dealings

During the year ended 30 June 2018 directors disclosed the following securities transactions in respect of section 148(2) of the Companies Act 1993. These transactions took place in accordance with Steel & Tube's Securities Trading Policy:

Director	Date of Transaction	Number of shares acquired / (disposed)	Nature of transaction	Consideration
Susan Paterson	18 September 2017	50,000	On-market acquisition	$105,009
Susan Paterson	30 November 2017	25,000	On-market acquisition	$50,750
Mark Malpass	18 September 2017	15,000	On-market acquisition	$32,403

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 2018 were:

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

Top 20 shareholders

AS AT 20 AUGUST 2018

Twenty largest security holders as at 20 August 2018	Ordinary Shares	% Holding
NATIONAL NOMINEES NEW ZEALAND LIMITED*	8,383,404	7.71
HSBC NOMINEES (NEW ZEALAND) LIMITED*	6,960,460	6.40
ACCIDENT COMPENSATION CORPORATION*	4,649,009	4.28
FNZ CUSTODIANS LIMITED	3,336,159	3.07
JPMORGAN CHASE BANK NA NZ BRANCH-SEGREGATED CLIENTS ACCT*	2,321,216	2.13
FORSYTH BARR CUSTODIANS LIMITED	2,197,086	2.02
HPI AVONDALE LIMITED	2,103,786	1.93
CITIBANK NOMINEES (NEW ZEALAND) LIMITED*	1,827,086	1.68
TEA CUSTODIANS LIMITED CLIENT PROPERTY TRUST ACCOUNT*	1,400,597	1.29
PUBLIC TRUST CLASS 10 NOMINEES LIMITED*	1,071,942	0.99
HSBC NOMINEES (NEW ZEALAND) LIMITED A/C STATE STREET*	1,026,124	0.94
CUSTODIAL SERVICES LIMITED <A/C 3>	932,134	0.86
CUSTODIAL SERVICES LIMITED <A/C 4>	928,508	0.85
CHESTER PERRY NOMINEES LIMITED	871,718	0.80
BNP PARIBAS NOMINEES (NZ) LIMITED*	723,378	0.67
ASB NOMINEES LIMITED <208747 ML - A/C>	626,381	0.58
DAVID WILLIAM TAYLOR + MYUNG KYU KIM + NORMAN JOHN COMERFORD <CHEVIOT INTERNATIONAL A/C>	587,471	0.54
CUSTODIAL SERVICES LIMITED <A/C 2>	553,460	0.51
PT (BOOSTER INVESTMENTS) NOMINEES LIMITED	537,095	0.49
NEIL DOUGLAS WAITES	530,620	0.49

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

Spread of shareholders

AS AT 31 JULY 2018

Size of holdings	Number of holders	Number of shares	% of issued shares
1 – 999	1,654	683,931	**0.76**
1,000 – 4,999	3,405	8,104,393	**8.94**
5,000 – 9,999	1,379	8,882,106	**9.80**
10,000 – 49,999	1,529	27,295,817	**30.13**
50,000 +	231	45,641,779	**50.37**
	8,198	90,608,026	**100.00**

Substantial security holder

The company did not received any Substantial Security Holder notices during the year ending 30 June 2018. Subsequent to Balance date, Milford Funds Limited advised on 13 August 2018 that it was now a substantial security holder.

Issued shares in the company at 30 June 2018 comprise:	
Ordinary shares fully paid	**90,608,026**
Ordinary shares partly paid (no voting rights)^	**25,000**
	90,633,026

^ Shares issued in the Senior Executives Share Scheme 1993

Subsequent to Balance date the company announced a Placement and Pro-rata rights offer for $80.9 million. The Placement was successfully transacted on 10 August 2018, increasing the total issued shares to 108,734,631. The 1 for 1.9 rights offer is expected to be settled on 7 September 2018.

DISTRIBUTION

STEEL

Comprehensive range of structural steel, bar and plate products, and hollow steel sections to meet the requirements of demanding new building designs

PIPING SYSTEMS

Pipes, valves and fittings for New Zealand's petrochemical, power generation, mining, irrigation, fire protection, building services, water and wastewater industries

CHAIN & RIGGING

High-quality lifting, loading and lashing equipment, services and solutions. Also offers design, testing and certification services to ensure safety and compliance

RURAL PRODUCTS

Manufacturing and distributor of reinforcing, fencing, wire, gate and nail products for use in primary industries and rural construction sector

FASTENINGS

Diverse range of metal fastening solutions for construction, manufacturing, general engineering and fabrication sectors

STAINLESS STEEL

Stainless steel products, including coil, sheet, plate, pipe, hygienic tube and associated fittings as well as a variety of structural bar, handrail and architectural products

INFRASTRUCTURE

ROLL-FORMING

ROOFING

Manufacturer and supplier of profile metal roofing, cladding and rainwater products to provide a range of roofing thicknesses, materials and finishes

COIL PROCESSING

Galvanised, aluminised, enamelled and Colorsteel sheet/coil solutions for the manufacturing, construction, steel framing and sheetmetal sectors

PURLINS

HST Steel Purlins, Grits and Tophats are high strength lipped profile sections which are supplied punched and cut to a specified length as required

COMFLOR®

ComFlor® is the new generation in composite steel floor decking systems

ComFlor™

REO/CFDL

REINFORCING

Fabricated reinforcing steel meshes, bar, ties, piles, beams and columns for the building and construction industry, as well as engineered reinforcing solutions

CFDL

Market leading technical expertise in installation of floor decking systems and sole distributor of ComFlor® in NZ

Studwelders

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