Celebrating 70 Years

2023 Annual Report

Steel & Tube Holdings Limited

steel&tube
STRONGER TOGETHER

1953
2023
YEARS

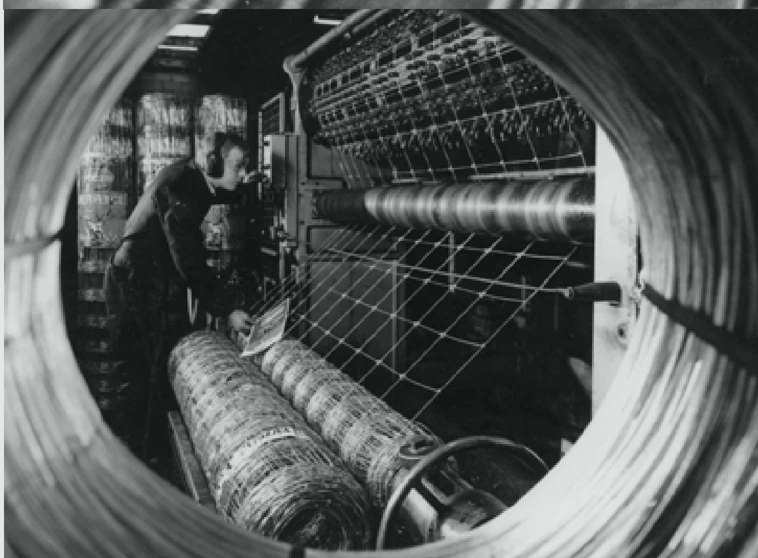
steel&tube

It is with pleasure that we present Steel & Tube's Annual Report for the year ended 30 June 2023.

Susan Paterson
Chair

Mark Malpass
Chief Executive Officer

18 August 2023




NORTHERN ST


IND. SUPPLIES
FITTINGS
FASTENINGS
VALVES
Steel & Tube
PH. 575-600
CARBINE ROAD

Contents

1950s to 1970s

+ Formation of Steel & Tube through merger of three steel merchandising companies
+ Public listing on NZX in 1967

1980s

+ Growth strategy and diversification away from core activities
+ One of NZ's largest industrial businesses

1990s

+ Restructuring and return to core business
+ Acquisition of steel sector businesses

2000s

+ Commenced centralised commercial ERP platform
+ Continued acquisition growth

2010s

+ Consolidation of operations
+ Acquired the NZ business of Tata Steel, Fortress Fasteners, Composite Floor Deck

2020s

+ Digital transformation commenced
+ Launch of webshops
+ Acquired Kiwi Pipe and Fittings, and Fasteners NZ

1953
2023
YEARS

Celebrating 70 Years Together

This year marks a significant milestone for Steel & Tube as we commemorate 70 years of successful business operation. In a world where less than half of businesses make it past the first ten years, our longevity and strong standing is testament to our enduring spirit, our ability to move with the times, the dedication of our team and the loyalty of our customers.

Since our inception in 1953, we have steadily grown from a modest operation to become a trusted name in the steel and building materials sector, serving customers across New Zealand. Our commitment to excellence and continuous improvement has been the cornerstone of our success. Over the past seven decades, we have consistently embraced innovation, adapted to changing market dynamics and invested in new technologies to ensure that we remain at the forefront of our industry. This has allowed us to navigate through various economic cycles, expand our product portfolio, and deliver long term sustainable growth.

In celebrating this significant anniversary, it is important to acknowledge the contribution of our shareholders, who have played a pivotal role in our journey, providing us with the resources and support necessary to pursue our strategic objectives.

As we look ahead, we recognise that the business landscape is constantly evolving, and new challenges and opportunities lie on the horizon. With a rich legacy across 70 years and a strong sense of purpose, we are well-positioned to embrace the future with confidence and determination. We will continue to invest in our people, nurture strong customer relationships and leverage our expertise to drive innovation and create value for all stakeholders.


About Us

Our purpose is to make life easier for our customers needing steel solutions.

Steel & Tube offers New Zealand's most comprehensive range of steel products, services and solutions.

We source, process and distribute steel and metal products – including fastenings, fire reticulation pipes and valves, chain and rigging, stainless, engineering steel and processed plate and sheet. We also make steel products to order on a project basis, including roofing, ComFlor decking and reinforcing.

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

We serve our customers through our nationwide network and our online platform, helping them to build stronger projects and create better outcomes.

Our competitive advantage is our ability to cross sell our extensive offer to customers, leveraging our national footprint and breadth of product offering.

We are a proud New Zealand company in our 70th year of trading. Our people are our greatest strength – the backbone of our company. We're passionate, innovative, capable and proud of what we do.

851
Team members[1]

27
Sites across New Zealand[2]

14,000
Active Customers

1.14
Safety eTRIFR[3]
Well below industry average

7.9/10
Employee Engagement Score

35
Employee NPS[4]
Above industry benchmark

42
Customer NPS[4]
Above industry average

96.6
$kgCO_2e$/Tonne sold
Scope 1, 2 and 3 emissions intensity

[1] Excludes vacancies and contractors | [2] Excluding one transitional site in Hamilton | [3] eTRIFR: Employee Total Recordable Injury Frequency Rate per 1 million work hours
[4] Net Promoter Score. Employee NPS industry average is 18 and Customer NPS industry average is 32

Our Business

Our stable of best-in-class businesses are some of this country's leading steel suppliers

Infrastructure

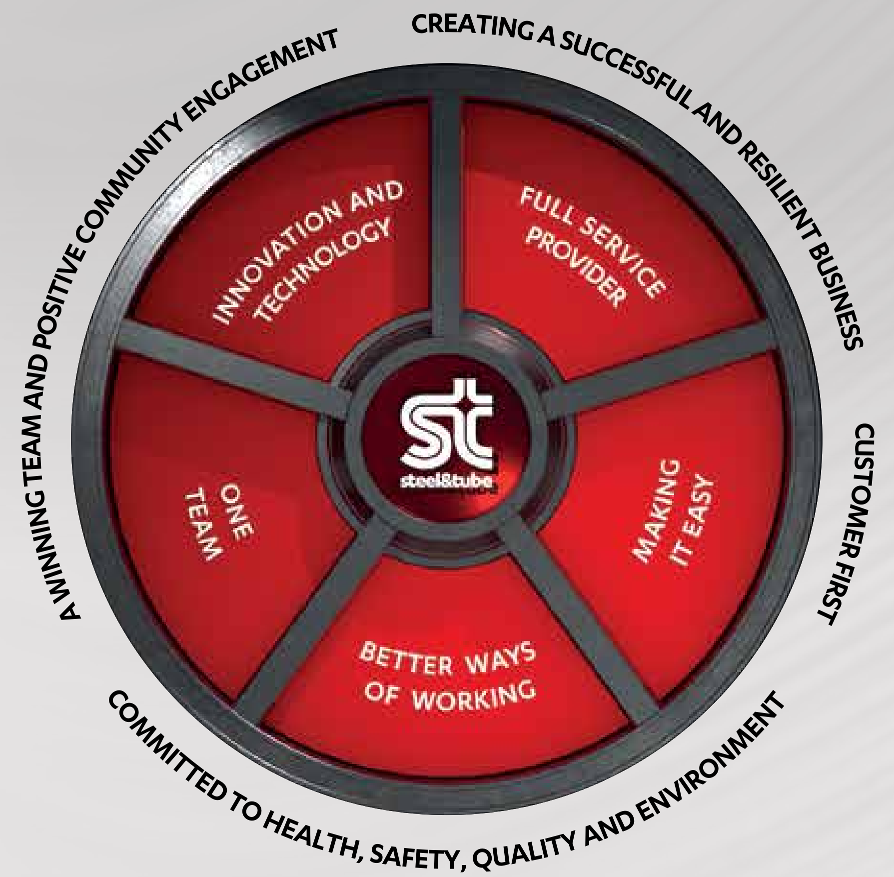
+ Products processed before sale, typically on a contract or project basis, including onsite installation services

Distribution

+ Products sourced from preferred steel mills and distributed through our national network

steel&tube STRONGER TOGETHER | FORTRESS FASTENERS | ComFlor | Hurricane | KIWI PIPE & FITTINGS

Our Strategic Roadmap



Purpose

To Make Life Easier For Our Customers Needing Steel Solutions

Strategic Goals

Customer

+ Preferred supplier for steel solutions and products

Shareholder

+ Deliver increasing value and returns for our shareholders

Growth

+ Increase value through organic growth and M&A

Sustainability

+ Financially rewarding for our shareholders and positive for our people, our customers and our planet

> Our dual pathways underpin our strategy, helping us build a diversified and resilient business and driving our strong performance in the market. By focusing on these pathways, we are strengthening our business foundation while capitalising on new avenues of growth, ensuring long term value for our stakeholders.

Strengthen the Core

Building On Our Strong Foundation

Strengthening the core involves building on the strong business foundation we have established, to deliver best-in-class customer experiences, operational efficiency and a strong financial performance.

The breadth of our product range, scale of our network, our IT and digital platform and our team of talented people are all paramount to achieving our goal of being New Zealand's preferred supplier of steel products and solutions.

Sustainability is also a key consideration in strengthening our core. We are committed to sustainable practices, focusing on environmental stewardship, responsible sourcing, and reducing our carbon footprint.

Growing High Value Products, Services and Sectors

We will grow our business by expanding our offering and investing in new products, services and sectors that provide high value to our customers.

While our primary focus is on organic growth, we remain open to considering opportunities in adjacent sectors that align with our strategic objectives and provide synergistic benefits. We will leverage our expertise, market knowledge, and customer relationships to identify and capitalise on these growth opportunities.

FY23 at a Glance

Steel & Tube's resilience and strength comes to the fore, delivering solid results in a challenging environment.

Strengthening the Core

+ Solid financial performance, at top of guidance
+ Achieved Steel & Tube's second-highest revenue result, just shy of last year's exceptional super cycle result
+ Record net cash inflow from operating activities of ~$100m, almost double that of the previous record cash inflow result
+ No bank debt and a positive cash balance, representing a ~$50m improvement
+ Significant reduction in inventory balance
+ Disciplined management of costs in an inflationary environment; good progress on $5m cost-out programme
+ Maintained dollar margins on softer volumes through effective price management
+ Continued investment in digital technologies delivering business efficiencies, high levels of customer service and competitive advantage
+ Excellent turnaround in Infrastructure business; Distribution business operating leverage constrained in a softer business environment

Grow High Value Products, Services and Sectors

+ New growth initiatives account for 10% of Distribution EBIT and offer opportunities for growth and expansion
+ Launch and expansion of aluminium product range from March 2023, with demand growing month on month
+ First full year of enhanced plate processing service offer, with EBIT increasing by 70% in a short period and plans for further expansion
+ Fasteners NZ (acquired July 2021) continues to outperform, providing a strong complement to the Fortress Fasteners brand
+ Kiwi Pipe and Fittings (acquired August 2022) performing in line with expectations and geographic expansion delivering growth

Revenue
$589.1m, -1.7%

Volume
146,409t, -12.4%

EBITDA
$51.9m, -22.1%

EBIT
$31.0m, -34.9%

NPAT
$17.0m, -43.7%

Normalised EBITDA
$52.9m, -20.9%

Normalised EBIT
$32.1m, -33.0%

Net operating cashflow
$98.3m, +388.3%

Net Cash/(Debt)
$6.5m, 115.1% improvement

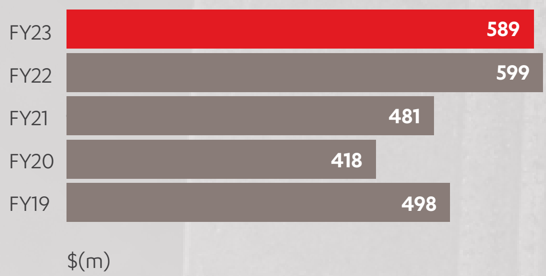
Total FY23 Dividends
8 cents per share
fully imputed

Normalised EBITDA and Normalised EBIT have been adjusted to exclude non-trading adjustments and unusual transactions. See reconciliation and more details on page 36.

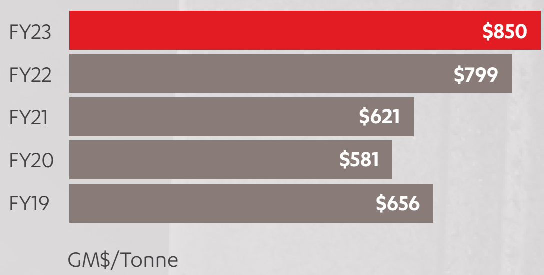
Record operating cashflow and second highest revenue result following FY22 super cycle

Volume

Revenue



Gross Margin $/Tonne



		FY22	FY23
Interim Dividend	cps (net)	5.5	4.0
Final Dividend	cps (net)	7.5	4.0
Total	cps (net)	13.0	8.0
	cps (gross)[1]	14.5	11.1
Dividend Yield (Gross)[2]	%	11.4%	9.9%

[1] Gross dividends include the benefit of imputation credits
[2] Based on share price at 30 June each year – FY23 $1.12, FY22 $1.27

Chair and CEO's Report

Tēnā koutou

On behalf of the board and management, we are pleased to present this year's Annual Report. Despite the economic headwinds seen in the financial year ended 30 June 2023 (FY23), Steel & Tube has once again delivered a strong performance, demonstrating prudent fiscal management and the value in our dual pathway strategy.

Over the past three years we have seen a full gambit of economic conditions, from pandemic lockdowns in FY21 to the construction boom once restrictions lifted in FY22 (which was a record year for our company), followed by a period of contraction in FY23 as interest rates have been increased to quell inflation. The whole team has worked tirelessly over this time to strengthen our business, and the lessons learnt, have made us stronger, more resilient and better able to navigate changing economic cycles.

Solid demand for steel continued in the first half, however, as activity eased in most sectors, we saw volumes soften. Inventory management remained a priority as we unwound the higher inventory levels we had built up in order to ensure customer supply during the prior period of supply chain congestion, while successfully managing pricing and margins. Along with a focus on debt reduction and cashflows, the company finished the year with a very strong balance sheet, a 28% reduction in inventory (35% reduction in tonnes), no bank debt and a positive cash balance of $6.5m.

Our Infrastructure Division (which includes our reinforcing, rollforming, roofing, coil and purlins, and ComFlor products) provided another strong result as the reinforcing business delivered an outstanding turnaround performance. A number of initiatives are coming to fruition which are making the Infrastructure Division stronger and have improved our customer offer.

Distribution, which is more susceptible to the softening construction and manufacturing markets, saw demand weaken during the year, however, effective price management and cost control minimised the impact on margins. New growth initiatives, including plate processing and aluminium, as well as recent acquisitions (Kiwi Pipe and Fittings and Fasteners NZ) now account for 10% of the Distribution Division's EBIT and offer opportunities for growth and expansion.

All of our growth investments are delivering positive returns and we have identified a number of other opportunities to grow our business and offering. We have a robust M&A process in place and any potential acquisition or investment must meet a stringent set of criteria. This is demonstrated by our 'go forward' rate with 17 opportunities identified during the year and 20% of these proceeding to due diligence, resulting in a select number of high value opportunities being taken through to the next stage.

We have focussed on providing ever higher levels of service to our customers while also strengthening the core business and maintaining a disciplined growth focus.

Steel continues to be recognised as one of the most recycled products in New Zealand with an estimated 85% of steel from demolition sites returned to steel mills for recycling. Innovative uses of steel offer resilience to earthquakes and climatic events, and enable less use of other materials (e.g. concrete) due to its strength and flexibility.

Trading Conditions

Steel & Tube has a resilient business platform and a track record of successfully navigating changes through economic cycles.

Over the 12 months, we saw a deterioration in trading conditions. Consumer spending was under pressure, higher interest rates are impacting the housing market, and we have seen a reduction in business and residential investment. Commercial construction remains stable and manufacturing has held up well, although cooled in the second half of the financial year (2H23). Infrastructure investment continues to strengthen after a long period of low investment. Steel & Tube's diversified strategy is of value in this environment, limiting our exposure to any particular sector.

Other macro-economic trends have also impacted on trading. Inflationary cost increases have affected margins, and the tight labour market that developed over the last two years continued, with some easing in 2H23 as more foreign workers have gained entry.

Elevated steel pricing softened in 2H23, although it remains above pre-COVID levels.

Pleasingly, supply chain constraints and international freight rates eased at end of 1H23. However, fuel and compliance costs are on the rise and we expect to see further increases in FY24.

We continue to actively manage these conditions, with carefully considered responses including a comprehensive cost out programme (with benefits to be seen in FY24), tight control over debtors and cashflow, and a continued focus on culture, and our employee value proposition to ensure we attract and retain the best talent. We continue to invest in the right inventory and services as we shift towards higher value products and solutions.

Susan Paterson
Chair

Steel & Tube has proven its resilience and ability to navigate through economic cycles.

Financial Performance

After coming off a super cycle in FY22, Steel & Tube has maintained a strong performance, notwithstanding the recessionary environment.

FY23 revenue of $589.1m was the second highest reported by the company, with sales momentum continuing and elevated pricing from steel mills almost offsetting softer volumes which were down by 12% on the prior year.

Benefits are being realised from the focus on higher value products, improved pricing disciplines and leveraging data analytics and capabilities. Gross margin dollars per tonne were ahead of prior year, however, there was some margin percentage reduction as excess inventory has been reduced. Stock on hand tonnes reduced by 35% during FY23. Input costs have also increased, with operating expenses held in line with inflation.

Normalised earnings before interest and tax were $32.1m, compared to $47.9m in the FY22 super cycle. This was mostly attributable to the volume decline with pricing benefits offset by inflationary pressures. The company reported a net profit after tax of $17.0m for FY23 (FY22: $30.2m).

The business has been successfully repositioned with balance sheet strength enabling continued investment in growth.

Inventory was reduced significantly as supply chain issues eased, which freed up cash to pay down debt. Record strong cash inflows were achieved, reflecting steady revenue. A substantial $100m bank facility is in place to fund growth and this was renewed in August 2023.

Shareholder returns

The board is pleased to have declared a final dividend of 4 cents per share, 100% imputed. This takes full year dividends to 8 cents per share and represents 75% of our Adjusted NPAT.

This is in line with our policy to pay out 60% - 80% of Adjusted NPAT to our shareholders. The full year dividends of 8 cps represent a yield of 10% , which compares well to our peers. Earnings per share are 10.3 cents per share (cps), with Net Tangible Assets per share at $1.17.

Steel & Tube has once again proven its resilience and ability to navigate through economic cycles and looks forward to this being reflected in the share price.

Looking Forward

The value of our dual pathway strategy is now becoming clear, and this remains the framework for our actions as we continue to strengthen our core and build high growth products, services and sectors.

Macro-economic conditions continue to deteriorate, inflation has pushed up the cost of living and high interest rates are expected to remain in the near term. This is having a roll on effect on many sectors, with projects delayed or demand reduced.

In a recessionary environment, the most important thing we can do is ensure a strong balance sheet and tightly manage costs. We have made good progress on the $5m cost out programme which we expect to complete in 1H24. We are confident in our business model and our ability to traverse the softer economic environment.

There are plenty of green lights ahead for us. The diversity of our customer base is a significant advantage, in that we are not heavily exposed to any particular sector. Commercial construction is expected to improve, there is still a strong pipeline in residential construction from consents granted previously, and large infrastructure projects are progressing. There are many opportunities to add value to our business, including some that will present themselves as a direct result of the economic environment, and plans are in place to take advantage of these opportunities.

We are well positioned to support New Zealand's infrastructure rebuild, including Three Waters, and the cyclone and floods rebuild over the next few years. Steel is an essential construction material and we have the capability and expertise to deliver innovative solutions to assist with rebuilding vital assets. The Government has a multi-billion dollar capital expenditure plan across 2023 to 2026, with $6b allocated to 'build back better' following the recent weather events, and a further $71b infrastructure spend over the next five years.

We are cautiously optimistic that 2023 represents the bottom of the cycle and although we don't expect a fast recovery, we anticipate there will be some improvement from early 2024 (the second half of our FY24 financial year). We have proven our ability to deliver strong results in challenging conditions and would expect any uplift in activity and demand to be reflected in our results.

We have continued our strategic investment in technology and the environment, with various initiatives as outlined in our sustainability report. We were proud to have paid the living wage during FY23 and have continued multiple investments in growing our people and their wellbeing.

We remain committed to delivering value to our shareholders and remain confident in the prospects for our company. Thank you for your continued support.

Susan Paterson
Chair

Mark Malpass
Chief Executive Officer

Mark Malpass
Chief Executive Officer

"We continue to focus on providing high levels of service to our customers while also strengthening the core business and maintaining a disciplined growth focus."

Our Businesses

Distribution

Carbon steel, stainless steel, fasteners. Products sourced from preferred steel mills and distributed through our national network

Revenue
$356.3m, -7.1%

EBIT
$21.2m, -47.3%

Normalised EBIT
$21.1m, -47.3%

Normalised EBITDA
$31.9m, -36.1%

Infrastructure

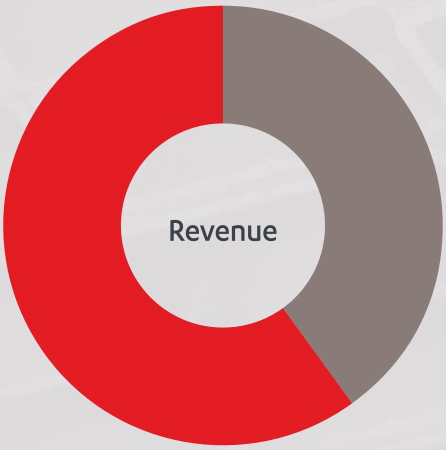
Rollforming, ComFlor/CFDL, Reinforcing & Wire Products processed before sale, typically on a contract or project basis, including onsite installation services

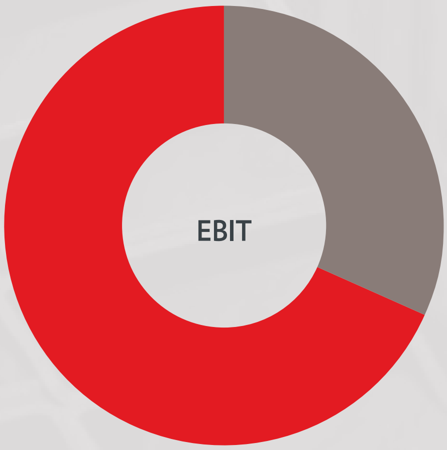
Revenue
$232.8m, +7.9%

EBIT
$9.9m, +31.5%

Normalised EBIT
$9.8m, +39.7%

Normalised EBITDA
$17.1m, +23.6%





● Distribution ● Infrastructure

Normalised EBITDA and Normalised EBIT have been adjusted to exclude non-trading adjustments and unusual transactions. See reconciliation and more details on page 36.

Distribution

Marc Hainen | *GM Distribution*

Momentum into the first half of the year was strong, easing off in the second half as the weakening economy began to impact on customer projects and demand.

Compared to the extraordinary demand in the previous year, volumes were down 13% year on year.

Of particular note has been the significant reduction in inventory, which increased to historically high levels in FY22 to ensure our customers had access to products during a time of supply chain disruption. Data analytics, supply chain initiatives, pricing disciplines and the new warehouse management system ensure that we are efficiently sourcing and holding inventory, in a cost effective manner, to meet customer demand. We are also continually reviewing the products we sell, to ensure that we are offering – and generating – value for our customers and our business.

Growth investments have performed well, and have been successfully integrated into our business, often optimising spare capacity and improving utilisation. We continue to consider M&A prospects, particularly small to medium sized bolt-on acquisitions.

+ Fasteners NZ, which we acquired in 2021, is a very good business. It is known for its high quality products and continues to perform despite the slowdown in residential construction.
+ Kiwi Pipe and Fittings is a specialist business which we acquired in August last year. Revenue is predominantly generated through the distribution of fire pipe, valves, fittings and associated products to a variety of customers. The customer base is predominantly in Auckland and Waikato and we are leveraging our existing network to expand this product offer into other regions.
+ We have also grown organically with new products and services. Our new high value aluminium range was launched in March 2023 with a limited range of products targeted at existing customers. This has been very well received and we are now expanding the products we offer.
+ We expanded our plate processing capabilities in FY22, with EBIT increasing by 70% in a short space of time. We currently process plate in Auckland but are investing in further equipment in Christchurch to better serve our South Island customers. There are a number of growth opportunities in plate processing and we are actively pursuing these.

> Growth investments have performed well, and have been successfully integrated into our business, often optimising spare capacity and improving utilisation.

Our Strategy in Action

Growing Our Aluminium Offer In Response To Strong Demand

Our strategy to invest in higher value products, services and sectors is focussed on extending what we can offer to our customers. This includes adjacent materials and value-added services.

Our most recent initiative has been our entry into the aluminium market with an initial range of products launched in March 2023. This is targeted towards a select range of high demand, high value products, largely servicing existing customers. This product diversification provides scale, customer share of wallet growth and was immediately earnings accretive. Although this is a new product range, we have been able to leverage our existing sales and operating model to minimise costs.

We have seen steady month on month growth, reaching a new daily sales record in June this year. Margin dollars per tonne has been ahead of expectations and consistent with our strategy of growing in high value product and customer segments.

The addition of Steel & Tube as a distributor has been welcomed by consumers and opened the market to more opportunities for sourcing aluminium. Customer feedback has been very positive and we are continuing to expand the range of products we offer to meet demand. We expect this new aluminium offer to make a material contribution to Distribution's earnings in FY24.

Infrastructure

Reinforcing

Peter Ensor | *GM Reinforcing/Wire and CFDL*

The reinforcing business supplies reinforcing steel, mesh and ComFlor (a composite steel decking product). CFDL is the home of ComFlor composite steel decking, providing sales, technical advice and specialised installation services.

The last two years has seen a significant improvement in the performance of this business as a result of new leadership, customer engagement, data insights and innovative thinking as well as a strong focus on operational efficiencies.

Reinforcing is moving away from solely being a commodity provider, by offering innovative, higher value solutions and service offerings. Pre-fabrication is one example, where products are pre-fabricated in our high quality, safe manufacturing plants rather than being pieced together on-site, often in more complex environments.

The introduction of digital modelling has also been a valuable tool, allowing Steel & Tube to participate early in customer projects and optimise outcomes. It provides cost savings and time efficiencies for our customers and opens up other opportunities for our business.

The main revenue generators for steel reinforcing, mesh and CFDL are large infrastructure and commercial developments such as the Christchurch Stadium, where more than 1,800 tonnes of reinforcing steel was delivered over a seven month period, and Kāinga Ora's multi-level apartment developments where we have supplied reinforcing, mesh and ComFlor steel decking.

We continue to invest in new products, including our recently launched ComFlor SR profile.

Weather events have had an impact on larger infrastructure projects this year and we have worked closely with our customers to reschedule jobs and accelerated work to help them make up for lost time. High interest rates have created some uncertainty around the timing of future projects, however demand remains strong and our businesses are in good heart to continue their positive performance.

In FY24, we are investing in new mesh straightening machinery in Auckland. This has more capacity, better technology, is safer and more efficient. It will enable us to manufacture both existing standard products, as well as new, innovative products that make installing mesh easier and more effective.

Rollforming

Mohammed Afroz | *GM Rollforming*

The rollforming business comprises roofing, coil and purlins, and the manufacture of ComFlor steel decking which is sold through Steel & Tube's CFDL business.

While commercial roofing demand has remained strong, roofing demand in the residential sector slowed. The summer period was softer than usual for residential, with many sub-contractors taking longer holidays and bad weather impacting on activity levels. However, while consents have declined, there is still significant work expected from builds which are already in progress or about to start.

Meanwhile, commercial roofing saw a big uplift in activity and enquiries, with a number of substantial roofing projects completed. Kāinga Ora volumes for re-roofing and new builds increased significantly as we continued our four year contract.

Coil and sheet sales and fabrication work have moved back towards more normal levels following the super cycle effect on the manufacturing sector in the prior year, and we are seeing good growth in customer numbers.

A refreshed leadership team and a focus on standardising processes across all branches has led to an increase in efficiency and productivity across the Rollforming business.

As well as our new ComFlor SR profile, we are also investing in a new purlins machine and an automated stacker which will be commissioned later in FY24.

The outlook for FY24 remains positive due to the large number of consents issued last year, suggesting there is a sizeable pipeline of works ahead. Longer term macro-economic trends are also positive, with forecasted strong immigration fuelling housing demand and further confidence from the commercial construction sector.

(Artist's impression)

Strength From The Ground Up

Te Kaha is Canterbury's new state-of-the-art multi-use arena. The $683m Christchurch City Council project will have a seating capacity of 30,000 for major international sports events and will hold at least 36,000 spectators for large music events. Construction commenced in mid 2022 and the project is due to be completed in 2026.

The initial focus has been on preparing foundations of the building. Working for lead contractor, BESIX Watpac, Steel & Tube delivered 1,800 tonnes of reinforcing in the space of seven months, ensuring a strong foundation for the superstructure as it rises from the ground.

Enabling Our Business

Our priority is to make it easier for our customers to do business with us. We do this through our omni-channel and digital platform, the breadth and quality of our product range and the expertise of our people and the solutions we offer. We continue to invest in areas that enable the growth and success of our business.

Innovation and Technology

Technology remains a key enabler for our business, providing data, insights and management tools to help us run our business more effectively, as well as improving our customer experience. Our ecommerce platform allows our customers to order anywhere and at any time, and we are seeing an increasing number of our large customers utilising our EDI (electronic data integration) platform.

Digital is also a key enabler for our supply chain and distribution team, providing them with the data and ability to make our operations more efficient. In particular, in the last year, we have continued to roll out the Warehouse Management System and introduced a new platform to standardise operating procedures for inventory management across the group.

Our digital platform also supports our team, with our online training modules and wellbeing programme continuing to be popular. Health, safety, quality and sustainability performance is also enhanced by our ability to capture data and use the insights to drive improvements across our business.

Supply Chain and Operational Platform

The challenges seen in the last two years have highlighted the importance of having a robust and resilient supply chain. We have taken on the learnings and have continued to look at ways we can source, transport, store and deliver steel goods more effectively.

Shipping steel from international steel mills is an important part of our supply chain. After a rigorous tender process, we have changed to a new international freight forwarder from 1 July 2023, which has enabled better stock control, cost efficiencies and traceability.

Project Strong has been initiated and is a substantial investment to double our palletised capacity, allowing a greater range, and improving efficiencies and service for customers.

Our Last Mile focus has seen further optimisation of routes between our hubs and our customers to reduce our freight costs and also lessen carbon emissions from trucks on the road.

We are further optimising the supply chain for our sheeted products, across carbon, stainless and aluminium standard and cut-to-length sheets. This is delivering improved service and products for our customers while enabling better use of our resources and cost efficiencies.

High quality products and services

Quality is key in everything we do, from the sourcing and production of products, through to customer service and delivery.

We source our steel from independently audited and verified steel mills, have further enhanced our ability to track and trace products and, in the last year, received IANZ accreditation for our purpose-built reinforcing steel testing laboratory. Our lab operates to international standards and certifies that our products comply with the New Zealand reinforcing steel standard. The IANZ certification demonstrates our competence and ability to generate valid results, instilling confidence in our work.

We were also particularly pleased to achieve Triple ISO Certification comprising recertification for ISO 9001 Quality Standard and certifications for ISO 45001 International Standard for Occupational Safety and Health, as well as ISO 14001 Environmental Standard. These achievements demonstrate our unwavering dedication to these principles and the seamless integration into our daily activities.

Our People

Despite the hurdles of the past year, our people have consistently delivered excellent service to our customers and provided unwavering support to our business. The higher cost of living has been challenging for many and we have ensured that all our staff are on at least the living wage.

We have seen labour constraints ease and our retention rate has noticeably improved, along with our ability to fill roles. We believe this is, in part, due to the efforts we put into fostering a workplace that is rewarding, inclusive and recognises achievements.

We strongly believe in actively engaging with our employees to understand how we can continuously improve. Over the course of the past 12 months, we have seen our employee engagement remain at high levels, well above the industry average. This reflects the positive sentiment and satisfaction within our workforce.

A big focus this year has been on workforce development, through career coaching, leadership training, literacy and safety programmes, sponsorship of Girls in Infrastructure in Northland and cultural awareness programmes. This is in addition to the wellbeing workshops we run online which are also open to family members and revolve around topics such as better sleep and building positive relationships.

We would like to acknowledge the efforts of our great team of people and thank them for all they do to support our customers, their teams and our company.

Health and Safety

We prioritise employee health and safety and empower every employee to contribute to a safe workplace and uphold high safety standards. Our safety score, measured by total recordable injury frequency rate, has significantly improved over the past seven years. This year's result of 1.14 was in line with last year's historic low.

To achieve this, we have established comprehensive safety programmes, fostered a culture of safety through open communication and adhere to stringent equipment and machinery safety standards.

Our Customers

The combination of our expert team, high quality goods and services and our digital platform all work together to help us achieve our goal of being the preferred provider of steel products and solutions in New Zealand.

We are well on the road towards creating an organisation that is data driven, ensuring robust, analytical decision making and efficient operations. An important part of this is around our customers and we are using data insights to gain a clear and in-depth understanding of our customers. This allows us to provide the best commercial offer and tools to customers, depending on their differing size and needs.

5 Minutes with Brendan Smith

National Product and Procurement Manager

What drives steel pricing internationally?

The price of steel is influenced by a variety of factors such as the price trends for the raw materials used in steel making (including iron ore, metallurgic coking coal and scrap steel), changes in general manufacturing costs, specific demand fluctuations for finished and semi-finished steel products, carbon footprint, currency fluctuations, time of year, unforeseen events and the general economic conditions for the foreseeable future.

More specifically, steel product price refers to the cost of a specific steel product, such as a steel coil, plate or beam of a particular grade and size.

Steel product prices internationally can be different between regions and suppliers, and may depend on the countries' import protection policies, volumes ordered, type and timing of orders. Holidays, weather, and seasonal highs and lows can raise or lower demand for shipping routes and transit times, impacting availability levels of product, and fluctuating prices. Often these prices are summarised into regional price indexes published by various market analysts.

It's essential to remember that while a correlation does exist between global index prices and downstream steel product prices, the two will never be the same. Just like the price of flour may influence the price of bread, it does not determine the final cost - the same goes for hot rolled steel coil. The farther down the manufacturing value-added stream you go, the more factors (e.g. time on the manufacturing line, labour, energy, and transport costs) will influence the final price.

What are the main drivers of steel pricing you expect to see in the next 12 months?

Over the coming months, most steel product and transportation cost curves will likely be at the bottom of their price cycle and potentially begin to trend upwards, albeit with some fluctuation.

With many of the world's biggest economies defying warnings of a slowdown despite still-high inflation and painful interest rate hikes, mills are likely to translate this as robust demand – especially with likely Chinese government stimulus packages to boost China's beleaguered property sector, the world's largest steel consumer.

As distributors conservatively re-stock at incrementally increased prices over the coming months, steel product prices have the potential to increase in 2024. If demand bounces back post the New Zealand election, there may be product availability issues in the market as suppliers struggle to predict demand in what remains a volatile market.

How does Steel & Tube manage supplier pricing?

The price of steel products in our local market is mainly determined by key supplier and competitor pricing, how specialised the product is and what value-added elements are applied to the product.

Key market suppliers consider published global index prices for raw materials and finished products like steel coil and bar, as well as additional factors such as their mill capacity utilisation levels, cost of production (energy and labour) and volumes to finalise their price.

We assess our preferred supplier offers, factoring in where appropriate New Zealand dollar foreign exchange rate fluctuations, transportation costs, product lead times, our inventory levels, carbon footprint to determine the timing of the price changes on our operations and customers.
It can take several months for international material cost trends to flow through into our market pricing, as we seek every advantage of our operational scale to maintain a stable price offer for our loyal customer base.

Wellness Workshops

We want to support our team to live healthy and productive lives.

As part of our focus on wellbeing, Steel & Tube has been running a series of wellness workshops.

Each month, we invite an expert to cover off a different topic, with subjects traversed to date including healthy sleep, nutrition, mental health, financial management, parenting and positive relationships.

These have proven to be very popular and can be watched by our team and their families either live or on-demand at a time that suits them.

Building a Sustainable Business

At Steel & Tube, we recognise that our achievements extend beyond financial performance alone. Whether it is through supporting local initiatives, promoting sustainable practices, or fostering a culture of diversity and inclusion within our organisation, we remain committed to being a responsible corporate citizen.

Our primary objective is to meet the needs of our customers, in a profitable manner, while having a beneficial influence on our people, communities and the planet. Environmental sustainability is a critical part of our decision making and is embedded in our strategy. We believe this will enhance the value of our business for our shareholders.

We are continually looking for ways we can 'do business better and smarter'. Our results this year demonstrate the resilience of our business and prove that we are on the right path with our dual strategy. Best practice governance and robust financial oversight are fundamental to our business. You can read our Governance Report on pages 78 to 88.

Responding to climate change

Steel & Tube is well positioned to respond to a low emission future and we are supportive of New Zealand's net-zero ambitions by 2050. Our goal is clear: to maximise steel's contribution to a sustainable and low emissions society, whilst continuing to grow our business and deliver value to our shareholders.

Sustainability is integrated into our strategy and is a key part of our decision making across the group. This can be seen in our recent shipping tender, where a key criteria in the decision making was around reducing carbon emissions. It is also demonstrated in the support that we provide for our people and our aim to deliver value to our shareholders.

We are focussed on those things that we can control. One of the most useful things we can do is to reduce re-work by ensuring the right products, with the right specifications are delivered to our customers first time. This then reduces waste, as well as the time and transport emissions from collecting and replacing the faulty item. Pleasingly, our DIFOTIS measure (delivered in full, on time, in spec) rates highly at above 97%. This is reflected in our customer satisfaction rating of 42, compared to an industry average of 32.

We continuously assess what we can do better to achieve our goals while meeting regulatory requirements. By taking proactive measures and focusing on what we can control, we can contribute to a more sustainable future for all.

We are mindful that a transition to a low emissions economy brings both risks and opportunities to Steel & Tube. As one of New Zealand's largest steel distributors and manufacturers, climate change has the potential to have a transformative impact on the way we do business. This is why we have committed to engaging with policymakers on climate change legislation over the last two years and will continue to do so in the future. With the help of Deloitte, our work in the current year to identify key climate risks and opportunities has set the foundation for a robust climate change strategy which we will continue to develop over the coming years.

We are well progressed towards the mandatory climate related reporting regime that comes into effect in FY24. This year we have made voluntary disclosure against those areas that we have already put in place. You can read Steel & Tube's response to climate change on pages 89 to 98 of this report.

During FY23, we completed our first climate risk assessment, conducted a full materiality assessment and deployed our emissions tracking software to ensure we can accurately report on our emissions profile. In late 2022, Steel & Tube became a member of the Sustainable Business Council, strengthening our commitment to reducing our environmental impact through proactive collaboration with our peers.

Maximising steel's contribution to a sustainable and low emission society

Steel is one of the world's most essential and sustainable building products – permanent, forever reusable and the most recycled substance on the planet. On a cradle to cradle basis, steel's environmental performance compares favourably to other materials such as timber.

In New Zealand, it is estimated that 85% of steel from demolition sites is returned to steel mills for recycling. Extending the life of a structure enables more value to be extracted from the resources invested to build, operate and maintain it. Steel's thermal mass properties keep buildings cooler in summer and warmer in winter, reducing the reliance on air conditioning and heating.

For many construction applications, steel is the only choice. However, we are mindful of the greenhouse gas emitted during steel's production. We are closely monitoring new technologies to decarbonise steel but are conscious these are still in the very early stages. In the meantime, we are focusing on initiatives to control our operational emissions, optimise energy consumption and minimise waste.

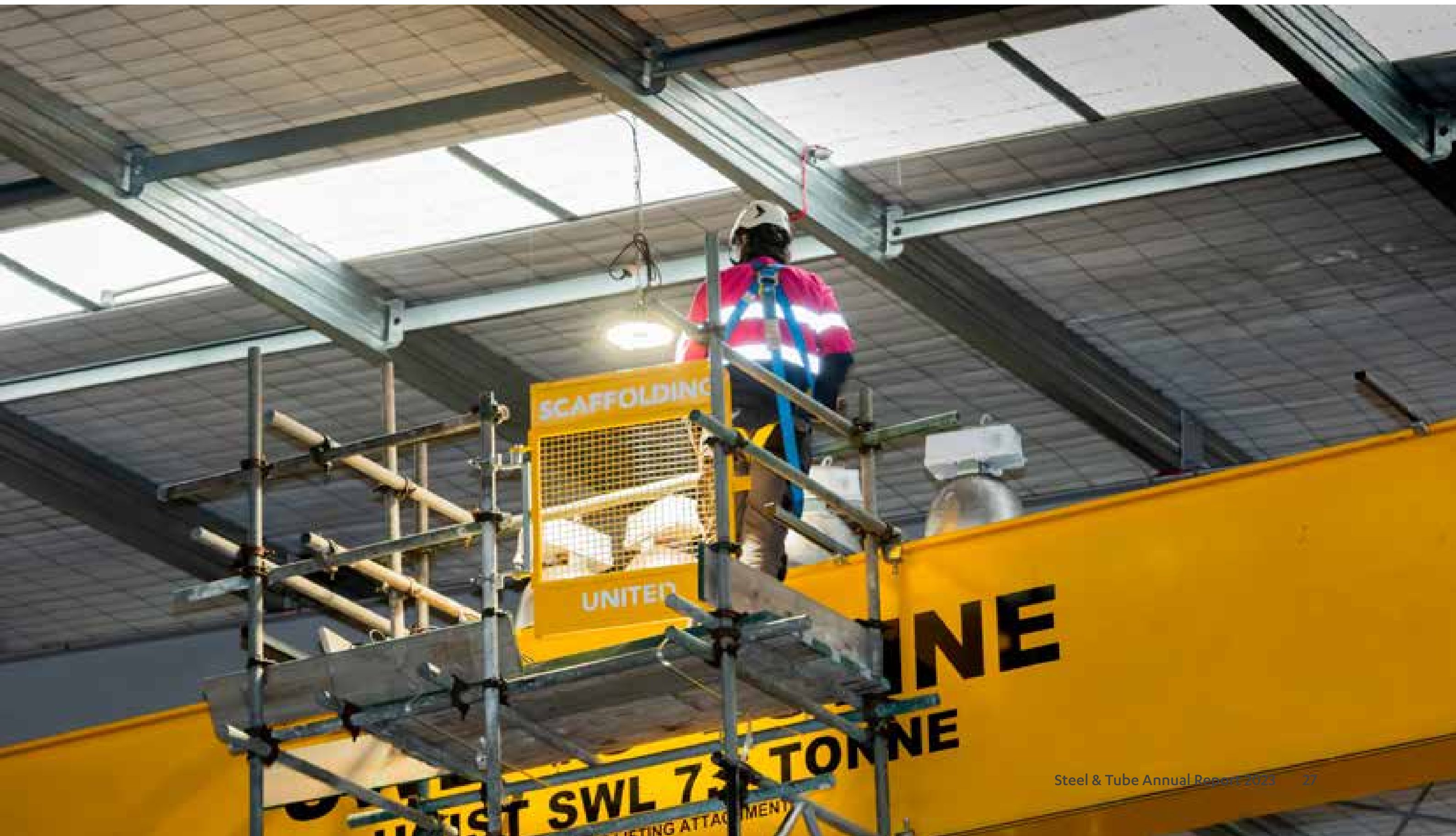
Reducing Our Emissions

Focusing On The Controllables

An important part of our emissions management is controlling the controllables in our business. Steel & Tube's fleet of around 250 cars and light commercial vehicles is our largest source of controllable Scope 1 emissions. In line with this, earlier this year we were pleased to welcome our first electric vehicle to our fleet in Christchurch. This pool vehicle is available to all our people needing to move around Christchurch and will also help reduce the current reliance on rental vehicles for out of town staff.

Although Steel & Tube leases all of our warehouse facilities, we understand the importance of investing in energy efficient technology where feasible. Over the last 18 months, we have switched over 1,400 lights in our operating sites from conventional to LED bulbs. All replaced bulbs were recycled. These are brighter, improving visibility for our team, and have an extended lifespan meaning less frequent replacements and reduced waste generation. This has lead to a 13.1% reduction in power consumption across participating sites.

More recently, we have completed feasibility for our first electric light truck, with phase two to commence in 1H24. If successful, we will run the pilot programme over the following 12 months to gauge the viability of expanding to other suitable locations.



Committed to Health, Safety, Quality and Environment

Operating at the highest levels to de-risk our business

Material Topics

+ Health & Safety
+ Climate change, emissions and environment
+ Product life cycle and circularity

+ Historically low employee TRIFR, maintained for second year in a row[5]
+ Achieved ISO 45001 International Standard for Occupational Safety and Health
+ Achieved ISO 14001 International Standard for Environmental Management Systems
+ 8.8 out of 10 employee rating on Steel & Tube's commitment to providing a safe work environment
+ Continued training in best practice crane and forklift operation
+ Well progressed towards mandatory climate related disclosures reporting regime with voluntary disclosure in FY23
+ Trialling electric vehicles as part of Steel & Tube's fleet
+ Improvements in recycling and waste reduction

+ Recycled 124 tonnes of material destined for landfill and 2,723 tonnes of scrap steel
+ Completed replacement of all lightbulbs at operating sites with LEDS, delivering a 13.1% reduction in power consumption across participating sites
+ We have partnered with Meridian who generate 100% of their electricity from renewable sources
+ Conscious integration of social, ethical and environmental performance factors into the process of selecting suppliers
+ Helping customers understand the carbon embodied in their steel purchases
+ Including sustainability as a key factor in supply chain decisions
+ B+ score in Forsyth Barr's Inaugural Carbon & ESG Ratings

1.14
Safety eTRIFR[1]

4,945,180kWh
Electricity consumed

14,175t CO_2e
Greenhouse gas emissions[2]

124t
Recycled waste diverted from landfill
(plus 2,723t scrap steel)

Certifications/Memberships

Telarc. Registered
Environment ISO 14001

Eco Choice Aotearoa
Licence #: 5717145

Sustainable Business Council
wbcsd Global Network Partner

GOLD CERTIFICATION
SUSTAINABLE STEEL COUNCIL

[1] eTRIFR: Employee Total Recordable Injury Frequency Rate per 1 million work hours | [2] The group has made an assessment around the relevance and materiality of its emissions sources, with a full breakdown on page 97 of our climate-related disclosure

Creating a Successful and Resilient Business

Always looking for ways to work smarter, and using technology and great thinking to pull it all together and enable a better business

Material Topics

- Resilient Supply Chain
- Digital Innovation
- Financial Performance
- Corporate Governance

- New warehouse and palletisation project underway
- Continued adoption of technology to enhance operational efficiency
- Centralisation of planning and procurement through implementation of new Standard Operating Procedure platform
- Commenced discussions with other parties to identify opportunities to better utilise logistics capacity (shipping, ports, domestic freight)
- Re-tendered international shipping contract with new supplier appointed
- Strong financial performance against economic headwinds
- Appointed inaugural Future Director participant, Cherie Kerrison
- Continued focus on best practice governance and oversight by the board

Customer First

Providing a one-stop shop for the most essential steel products, and making it easier for our customers to do business with us

Material Topics

- Customer satisfaction and service

- Net promoter score of 42 (FY22: 40)
- Use of data analytics to provide enhanced understanding of customers' needs and segments
- Increasing uptake by customers of EDI integration, enabling easy ordering and reducing administrative costs and improving DIFOTIS
- Increased digital adoption of webshop channels
- Resources aligned to key customer segments

A Winning Team and Positive Community Impact

Building one great team across Steel & Tube

Material Topics

- Human Capital Management
- Culture and Wellbeing
- Diversity, Equity and Inclusion
- Community Engagement

- All employees on at least the Living Wage
- Māori cadetship with Te Puni Kōkiri wellbeing education programme
- Sponsorship of Girls in Infrastructure in Northland
- Refresh of values and purpose underway in FY24
- Executive Cultural Awareness Training
- Workforce development programme

35
Employee NPS[1]

26%
Proportion of females in the workforce

30
Different ethnicities across our workforce

[1] Net Promoter Score. Employee NPS industry average is 18 and Customer NPS industry average is 32

Developing Talent in Our Team

Steel & Tube's Auckland Manufacturing and Operations Manager, Carolyn McGivern, was always destined to work in the engineering sector. Growing up, her holiday job was helping her dad in a manufacturing plant making metal components for the electronics industry. This grew into an interest in mechanical manufacturing and she went on to University after school, completing a Bachelor of Mechanical Engineering. After building up her experience over two decades, Carolyn joined the Steel & Tube team in 2021. Already, she has been identified as a leader within the group, and Steel & Tube will be supporting her to pursue an MBA. This is part of Steel & Tube's focus on developing and retaining internal talent - several other future leaders have completed MBAs over the last few years, as well as other internal and external leadership programmes.

"Continuous improvement and learning has been the constant in my career. Making the boat go better and faster is what I love doing."

The Board

Steel & Tube's board comprises six independent directors, all of whom have significant market and sector experience.

This year, the board was pleased to appoint its inaugural Future Director, Cherie Kerrison. Future Directors is an initiative of the New Zealand Institute of of Directors aimed at giving talented executives exposure to a company board for a 12 to 18-month period in order to develop governance experience. Future Directors attend board meetings to observe and participate in discussions, but they do not have voting rights. We liked Cherie's enthusiasm, connection to Te Ao Māori and her leadership experience in the retail sector. She's a great fit for our company and will be a valued contributor over the next 12 months.

Chris Ellis

Independent Director

BE, MS, CMINSTD

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

Cherie Kerrison

Future Director

CFINSTD, DIPLOMA TE REO

Cherie was appointed as a Future Director on 31 March 2023. Cherie has a background in executive leadership. Prior to her appointment as Future Director she was Managing Director of JBHIFI and General Manager/Executive Director of the Appliance Shed. She is currently on the board of Ōtorohanga Kiwi House Trust. She brings expertise in sales, marketing, pricing, Te Ao Māori, and network management.

John Beveridge

Independent Director

BA, POST GRAD BUSINESS DIPLOMA, CMINSTD

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

Corporate governance at Steel & Tube is predicated on high standards of ethics and performance and is achieved through robust governance policies, practices and processes to ensure a culture that is open, transparent and focussed on adding value for our stakeholders. The board regularly reviews Steel & Tube's governance structures and processes to identify opportunities for enhancement, ensure they are consistent with best practice and reflect Steel & Tube's operations. Our governance framework takes into consideration the NZX Listing Rules as well as the NZX Corporate Governance Code.

A detailed report against the Code can be read on pages 78 to 88.

Susan Paterson

Chair and Independent Director

ONZM, CFINSTD, MBA (LDN), BPHARM

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

Steve Reindler

Independent Director

BE MECH (HONS), AMP, FIPENZ, CFINSTD

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

Karen Jordan

Independent Director

BSOCSC, FCMA, CFINSTD

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

Andrew Flavell

Independent Director

NZCE, BE (HONS), ME, DR. ENG

Dr. Flavell was appointed in October 2021. He has extensive international experience in the information technology space. This includes leading large teams, driving digital transformations, delivering compelling consumer experiences, Personalization and Loyalty, Privacy and Security, and AI and machine learning. In the roles he has held over the past 30 years he has also contributed significantly to risk management and governance in the application of digital technologies. Dr. Flavell is a director of SNGLRTY Limited and Ports of Auckland Limited and the chair of the ASB Technical Advisory Group.

Leadership team

Marc Hainen

GM Distribution

BBUS, PGDIPBUS

Marc joined the company in 2017. He brings significant experience in the steel and construction industry in New Zealand. Marc 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.

Damian Miller

GM Quality, Health, Safety and Environment

BN

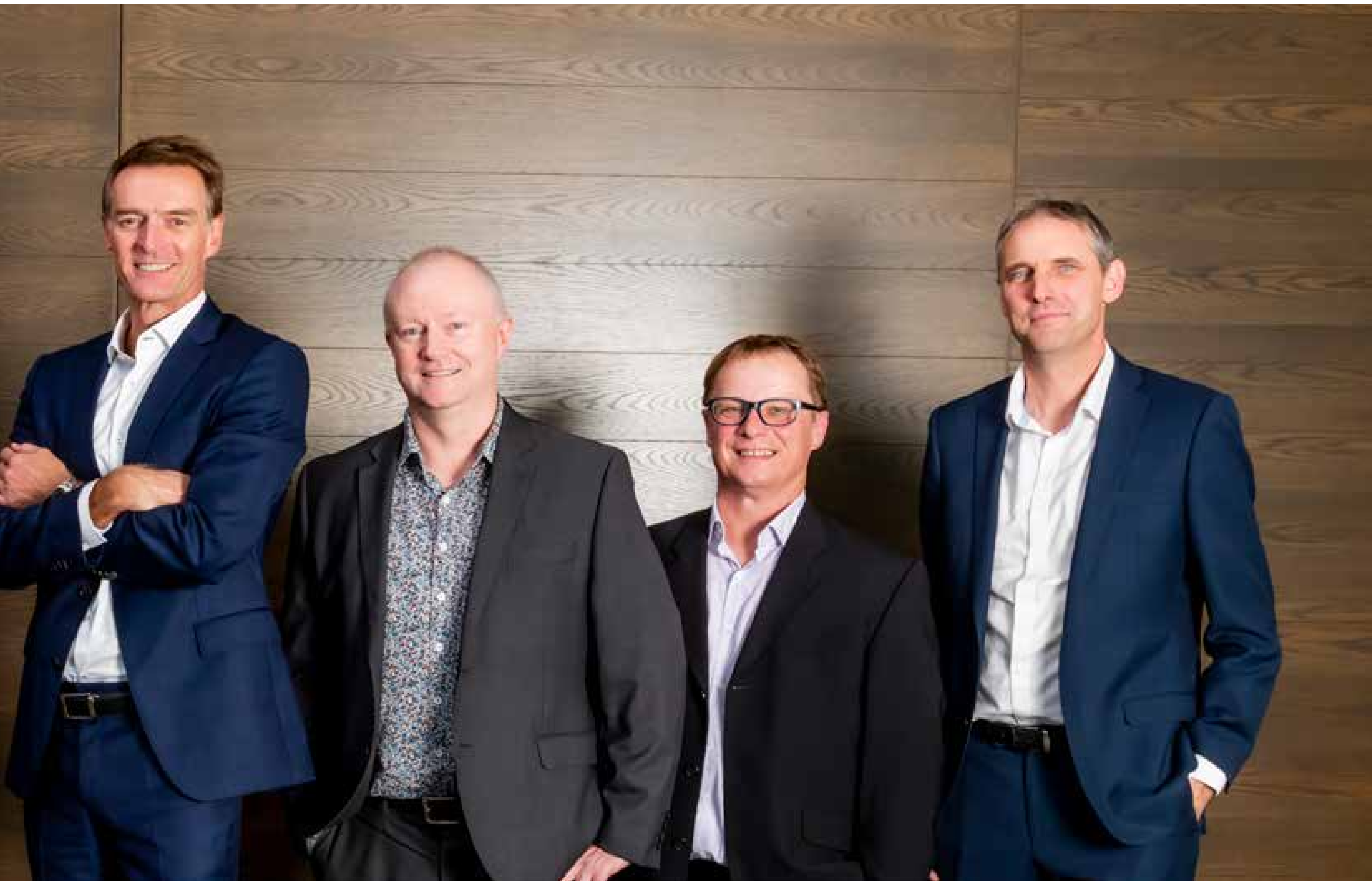
Damian has over 20 years' international experience in Operations Management, Quality, Health, Safety & Environment, QA/QC, Oil & Gas and most recently the steel industry. He has held various Operations & Executive Management positions in the US, Asia, Africa, Latin America.

Anna Morris

GM People and Culture

LLB, BA

Anna joined Steel & Tube in 2019. She is an experienced executive with a background in human resources, law and corporate services. Anna has worked extensively in the construction and building industry, with her previous role being Head of People & Performance at Fletcher Construction Company Ltd.



Mark Malpass

Chief Executive Officer

MBA, BE (HONS), NZCE

Mark has had significant executive and governance experience both in NZ and overseas. He worked with ExxonMobil Corporation for over 19 years, previously Managing Director of Mobil Oil NZ, and was Chief Executive of Fletcher Building's largest division, Infrastructure Products. Mark was appointed Chief Executive in February 2018, after initially being appointed an Independent Director in March 2017 and then stepping down to take on the interim CEO role in September 2017.

Richard Smyth

Chief Financial Officer

BCOM, FCA

Richard joined the company in 2021. A Fellow Chartered Accountant, Richard has financial and senior level leadership experience across the entertainment and energy sectors. He commenced his career within PwC's audit team, working both in New Zealand and overseas. His most recent role was Deputy Chief Financial Officer at SkyCity. Richard is a board member of the New Zealand Accounting Standards Board.

Mark Baker

GM Supply Chain & Distribution Centres

BSC (HONS), MBA, HMM

Mark joined Steel & Tube in 2020 and brings executive experience in areas such as operations management, manufacturing, technology, supply chain, logistics and customer engagement. He has worked in the information technology, manufacturing, logistics and retail sectors, having held senior roles in leading NZ companies, such as Foodstuffs Auckland, PlaceMakers, NZ Post and Kiwi Dairies.

Peter Ensor

GM Reinforcing/Wire and CFDL

BE CIVIL (HONS)

Peter joined Steel & Tube in 2021. He brings extensive construction experience with over 20 years' in the industry. Peter brings to Steel & Tube a successful track record of leading and building teams with a focus of health & safety, quality, financial management and customer engagement. Peter is the current chair of Civil Contractors NZ, Auckland branch.

Financial Measures

Non-GAAP Financial Information

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

Non-Trading Adjustments/Unusual Transactions

The financial results for FY23 include transactions considered to be non-trading in either their nature or size. Unusual transactions can be as a result of specific events or circumstances or major acquisitions, disposals or divestments that are not expected to occur frequently. Excluding these transactions form normalised earnings and can assist users in forming a view of the underlying performance of the group.

EBITDA/EBIT

EBITDA is Earnings/(Loss) before the deduction of interest, tax, depreciation and amortisation. EBIT is Earnings/(Loss) before the deduction of interest and tax. These are both non-GAAP financial measures. FY23 EBITDA and EBIT were impacted by non-trading adjustments totalling $1.1m.

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

Normalised EBITDA/EBIT

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

Working Capital

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

	EBITDA		EBIT	
Reconciliation of Reported to Normalised Earnings **Year Ended 30 June**	FY23 $000	FY22 $000	FY23 $000	FY22 $000
Reported	**51,876**	**66,598**	**31,009**	**47,636**
Loss on de-recognition of finance lease receivable	128	-	128	-
Holiday Pay provision release	-	(854)	-	(854)
NZ IFRS 16 reversal of impairment	(177)	(527)	(177)	(527)
Software as a Service (SaaS) expenditure	1,109	1,645	1,109	1,645
Normalised	**52,936**	**66,862**	**32,069**	**47,900**

5 Year Financial Performance

	2023 $000	2022 $000	2021 $000	2020 $000	2019 $000
Financial Performance					
Sales	**589,078**	599,148	481,043	417,923	498,110
EBITDA	**51,876**	66,598	38,614	(37,236)	24,085
Depreciation and amortisation	**(20,867)**	(18,962)	(17,907)	(20,458)	(7,290)
EBIT	**31,009**	47,636	20,707	(57,694)	16,795
Net interest expense	**(7,239)**	(5,701)	(5,754)	(6,661)	(2,828)
Profit / (loss) before tax	**23,770**	41,935	14,953	(64,355)	13,967
Tax (expense) / benefit	**(6,773)**	(11,742)	418	4,342	(3,552)
Profit / (loss) after tax	**16,997**	30,193	15,371	(60,013)	10,415
Operating cash inflow / (outflow)	**98,280**	(34,117)	29,332	39,606	21,304
Funds Employed					
Equity	**208,154**	210,101	193,753	181,290	253,901
Non-current liabilities	**86,509**	83,788	92,023	106,084	26,699
	294,663	293,889	285,776	287,374	280,600
Comprises					
Current assets	**224,940**	303,790	222,510	193,761	213,827
Current liabilities	**(69,426)**	(139,971)	(80,024)	(58,871)	(45,563)
Working Capital	**155,514**	163,819	142,486	134,890	168,264
Non-current assets	**139,149**	130,070	143,290	152,484	112,336
	294,663	293,889	285,776	287,374	280,600
Statistics					
Dividends per share (cents) [1]	**8.0**	13.0	4.5	-	5.0
Basic earnings per share (cents)	**10.3**	18.3	9.3	(36.4)	6.8
Return on Sales	**2.9%**	5.0%	3.2%	(14.4%)	2.1%
Return on Equity	**8.2%**	14.4%	7.9%	(33.1%)	4.1%
Working Capital (current ratio) [2]	**3.2**	2.2	2.8	3.3	4.7
Net tangible assets per share	**$1.17**	$1.22	$1.11	$1.03	$1.19
Equity to total assets	**57.2%**	48.4%	53.0%	52.4%	77.8%
Gearing (debt to debt plus equity)	**-**	19.5%	-	5.2%	5.6%
Net interest cover (times) [3]	**4.3**	8.4	3.6	(4.9)	5.9
Ordinary shareholders	**7,279**	7,385	7,528	8,036	8,310
Employees	**851**	829	799	884	1,003
-Female	**221**	224	201	192	214
-Male	**630**	605	598	692	789
Directors & Officers					
-Female	**3**	3	3	4	6
-Male	**11**	12	11	10	9

[1] Dividends per share are calculated based on dividends issued in respect of the financial year | [2] Calculated using current assets/current liabilities | [3] Calculated as EBIT over net interest expense

Financial Report

Financial Statements 2023

The Financial Report for Steel & Tube includes these sections:

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

Key Policy

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

Critical Accounting Estimates and Judgements

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

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

Key Judgement

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

General Information

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

The group's principal activities relate to the distribution and processing of steel products.

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

These financial statements have been prepared:

- In accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP), for which Steel & Tube is a for-profit entity
- To comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and with International Financial Reporting Standards (IFRS)
- In accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013 and the NZX Main board Listing Rules (issued 1 April 2023)
- In New Zealand dollars (which is the company's and subsidiaries' functional currency and the group's presentation currency) and rounded to the nearest thousand dollars
- Under the historical cost convention, as modified by the revaluation of certain assets as identified in specific accounting policies

Non-GAAP Financial Information

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

Non-GAAP financial information used in these financial statements are:

- Earnings before interest, tax, other gains and losses and impairment;
- Earnings before interest, tax and impairment; and
- Earnings before interest and tax (EBIT)

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2023

	Notes	2023 $000	2022 $000
Sales revenue	A3	**589,078**	599,148
Other operating income	A6	**654**	1,463
Cost of sales	A2	**(464,676)**	(465,514)
Operating expenses	A2	**(93,173)**	(86,305)
Software as a Service (SaaS) upfront expenditure		**(1,109)**	(1,645)
Earnings before interest, tax, other gains and losses and impairment		**30,774**	47,147
Other gains / (losses)		**58**	(38)
Earnings before interest, tax and impairment		**30,832**	47,109
Reversal of impairment of Right-of-use assets	C4	**177**	527
Earnings before interest and tax		**31,009**	47,636
Interest income		**405**	106
Interest expense		**(7,644)**	(5,807)
Profit before tax		**23,770**	41,935
Tax expense	A5	**(6,773)**	(11,742)
Profit for the year attributable to owners of the company		**16,997**	30,193
Items that may subsequently be reclassified to profit or loss			
Other comprehensive income - hedging reserve		**(551)**	157
Total comprehensive income		**16,446**	30,350
Basic earnings per share (cents)	A1	**10.3**	18.3
Diluted earnings per share (cents)	A1	**10.2**	18.1

Statement of Changes in Equity

For the year ended 30 June 2023

	Notes	Share capital $000	Retained earnings $000	Hedging reserve $000	Treasury shares $000	Share-based payments $000	Total equity $000
Balance at 1 July 2022		**156,669**	**54,770**	**560**	**(2,896)**	**998**	**210,101**
Comprehensive income							
Profit after tax		**-**	**16,997**	**-**	**-**	**-**	**16,997**
Other comprehensive income							
Hedging reserve (net of tax)		**-**	**-**	**(551)**	**-**	**-**	**(551)**
Total comprehensive income		**-**	**16,997**	**(551)**	**-**	**-**	**16,446**
Transactions with owners							
Dividends paid	A1	**-**	**(19,026)**	**-**	**-**	**-**	**(19,026)**
Employee share schemes		**499**	**-**	**-**	**-**	**134**	**633**
Balance at 30 June 2023		**157,168**	**52,741**	**9**	**(2,896)**	**1,132**	**208,154**
Balance as at 1 July 2021		**156,669**	**38,914**	**403**	**(2,896)**	**663**	**193,753**
Comprehensive income							
Profit after tax		-	30,193	-	-	-	30,193
Other comprehensive income							
Hedging reserve (net of tax)		-	-	157	-	-	157
Total comprehensive income		**-**	**30,193**	**157**	**-**	**-**	**30,350**
Transactions with owners							
Dividends paid	A1	-	(14,589)	-	-	-	(14,589)
Employee share schemes		-	252	-	-	335	587
Balance at 30 June 2022		156,669	54,770	560	(2,896)	998	210,101

Balance Sheet

As at 30 June 2023

	Notes	2023 $000	2022 $000
Current assets			
Cash and cash equivalents	E6	**6,481**	8,046
Trade and other receivables	B2	**69,798**	90,971
Contract assets	A4	**9,225**	10,822
Inventories	B1	**139,158**	192,460
Derivative assets	E6	**278**	1,491
		224,940	303,790
Non-current assets			
Deferred tax	A5	**7,074**	7,582
Property, plant and equipment	C1	**35,647**	35,925
Intangibles	C2	**13,523**	7,875
Right-of-use assets	C4	**82,905**	78,688
		139,149	130,070
Total assets		**364,089**	433,860
Current liabilities			
Trade and other payables	B3	**49,025**	69,627
Borrowings	D1	**-**	51,000
Income tax payable		**5,603**	5,014
Provisions	E2	**494**	767
Derivative liabilities	E6	**69**	8
Short term lease liabilities	C4	**14,235**	13,555
		69,426	139,971
Non-current liabilities			
Provisions	E2	**1,318**	1,271
Long term lease liabilities	C4	**85,191**	82,517
		86,509	83,788
Equity			
Share capital	D3	**157,168**	156,669
Retained earnings		**52,741**	54,770
Other reserves		**(1,755)**	(1,338)
		208,154	210,101
Total equity and liabilities		**364,089**	433,860

These financial statements and the accompanying notes were authorised by the board on 18 August 2023.

For the board

Susan Paterson | *Chair*　　Karen Jordan | *Director*

Statement of Cash Flows

For the year ended 30 June 2023

	Notes	2023 $000	2022 $000
Cash flows from operating activities			
Customer receipts		**612,196**	580,911
Interest receipts		**405**	106
Payments to suppliers and employees		**(501,625)**	(610,430)
Payments for interest on leases		**(4,499)**	(4,634)
Income tax payments		**(5,238)**	-
Interest payments		**(3,039)**	(1,176)
Wage subsidy received	A6	**80**	1,106
Net cash inflow / (outflow) from operating activities		**98,280**	(34,117)
Cash flows from investing activities			
Property, plant and equipment disposal proceeds		**112**	74
Property, plant and equipment and intangible asset purchases		**(6,249)**	(6,179)
Payment for new business purchase	C5	**(8,909)**	-
Net cash outflow from investing activities		**(15,046)**	(6,105)
Cash flows from financing activities			
(Repayment of) / proceeds from bank borrowings		**(51,000)**	51,000
Dividends paid		**(19,026)**	(14,589)
Payment for leases		**(14,773)**	(13,176)
Net cash (outflow) / inflow from investing activities		**(84,799)**	23,235
Net decrease in cash and cash equivalents		**(1,565)**	(16,987)
Cash and cash equivalents at the beginning of the year		**8,046**	25,033
Cash and cash equivalents at the end of the year		**6,481**	8,046
Represented by:			
Cash and cash equivalents		**6,481**	8,046
		6,481	8,046
Reconciliation of profit after tax to cash flows from operating activities			
Profit after tax		**16,997**	30,193
Non-cash adjustments:			
Depreciation and amortisation		**20,868**	18,962
Deferred tax		**508**	11,742
Reversal of impairment of right-of-use assets		**(177)**	(527)
Loss on derecognition of finance lease receivable		**128**	-
Share scheme expense		**409**	443
Foreign exchange gains		**(585)**	(123)
Other		**421**	(243)
Gain on items classified as investing activities:			
(Gain) / loss on property, plant and equipment disposals		**(22)**	38
		38,547	60,485
Movements in working capital:			
Income tax payable		**589**	-
Inventories		**56,482**	(78,991)
Trade and other receivables		**22,593**	(18,393)
Trade and other payables and provisions		**(19,931)**	2,782
Net cash inflow / (outflow) from operating activities		**98,280**	(34,117)

Performance

Notes to the Financial Statements

For the year ended 30 June 2023

This section focuses on the group's financial performance and returns provided to shareholders.

A1: Dividends and Earnings per Share

On 14 February 2023, the board declared an interim dividend of 4 cents per share (2022: 5.5 cents) totalling $6.6m (2022: $9.1m). The dividends were fully imputed (2022: unimputed) and paid to shareholders on 6 April 2023. On 18 August 2023, the board declared a final dividend (fully imputed) of 4.00 cents per share (2022: 7.50) totalling $6.7m (2022: $12.4m). The dividends will be paid to shareholders on 22 September 2023.

	2023 $000	2022 $000
Dividends paid	**19,026**	14,589

Dividends paid includes the current year interim dividend and prior year final dividend.

Dividends were paid / payable in respect of the following years:	FY23 $000	FY22 $000
Interim Dividend Paid	**6,578**	9,128
Final Dividend Payable	**6,673**	12,448
Total	**13,251**	21,576

Cents per share	FY23	FY22
Interim Dividend (FY23: imputed, FY22: unimputed)	**4.00**	5.50
Final Dividend (FY23: imputed, FY22: partially imputed)	**4.00**	7.50

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

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

Earnings per share (EPS)	2023 000	2022 000
Profit after tax	**16,997**	30,193
Weighted average number of shares for basic EPS	**165,658**	165,000
Weighted average number of shares for diluted EPS	**169,338**	167,653
Basic earnings per share (cents)	**10.3**	18.3
Diluted earnings per share (cents)	**10.2**	18.1

A2: Expenses

Cost of sales and operating expenses:	Notes	2023 $000	2022 $000
Inventories expensed in cost of sales		**430,950**	431,096
Impairment of trade and other receivables		**54**	293
Depreciation and amortisation	C1/C2/C4	**20,867**	18,962
Directors' fees		**665**	526
Employee benefits		**74,528**	73,744
Defined contribution plans		**1,997**	1,700
Information technology expenses		**7,300**	7,008
Foreign exchange gains		**(585)**	(123)
Short term and low value lease costs		**118**	313
Other expenses		**21,955**	18,300
Total cost of sales and operating expenses		**557,849**	551,819

Inventory sold during the year is expensed as cost of sales. Inventory write-downs of $0.3m (2022: $0.6m) was incurred in the ordinary course of business and is included within Inventories expensed in cost of sales.

Depreciation of $1.6m (2022: $1.6m) related to equipment used to manufacture products is included in cost of sales. Depreciation of right-of-use assets and other depreciation is included in operating expenses.

A3: Operating Segments

The group has identified two reporting segments as at 30 June 2023 having regard for the criteria outlined in NZ IFRS 8 Operating Segments (NZ IFRS 8). The group's Chief Operating Decision Maker (being the CEO) receives financial reports which aggregate the activities of the group's various operating segments into two distinct divisions, being Distribution and Infrastructure.

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

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

The CEO uses EBIT as a measure to assess the performance of segments. The segment information provided to the CEO for the year ended 30 June 2023 is as follows:

2023	Distribution $000	Infrastructure $000	Other $000	Reconciled to group $000
Timing of revenue recognition				
At a point in time	356,285	136,500	23	**492,808**
Over time	-	96,270	-	**96,270**
Revenue from external customers	**356,285**	**232,770**	**23**	589,078
Depreciation and amortisation	(10,834)	(7,229)	(2,804)	**(20,867)**
Expenses	(324,293)	(215,690)	2,781	**(537,202)**
Segment EBIT	**21,158**	**9,851**	**-**	31,009
Interest on leases	(2,681)	(1,806)	(12)	**(4,499)**
Interest - others (net)				**(2,740)**
Reconciled to group profit before tax				**23,770**

2022	Distribution $000	Infrastructure $000	Other $000	Reconciled to group $000
Timing of revenue recognition				
At a point in time	383,449	126,370	14	**509,833**
Over time	-	89,315	-	**89,315**
Revenue from external customers	**383,449**	**215,685**	**14**	599,148
Depreciation and amortisation	(9,886)	(6,783)	(2,293)	**(18,962)**
Expenses	(333,418)	(201,411)	2,279	**(532,550)**
Segment EBIT	**40,145**	**7,491**	**-**	47,636
Interest on leases	(2,722)	(1,899)	(13)	**(4,634)**
Interest - others (net)				**(1,067)**
Reconciled to group profit before tax				**41,935**

Depreciation and amortisation recognised as at 30 June 2023 is inclusive of depreciation recognised under NZ IFRS 16 Leases, which is in line with the financial reports received by the CEO.

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

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

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

A4: Revenue recognised on construction contracts

Key Policy

Refer to Note E9 for the group's accounting policy on revenue recognised on construction contracts. A contract asset is recognised when the group has completed its performance obligation in advance of the cash consideration (or the group's entitlement to invoice the customer). A contract liability is recognised when the group receives cash consideration (or it is due) in advance of the obligation being performed.

Key Judgement - Construction Contracts

Estimates and judgements are made by the group when assessing construction contracts. These vary between each project based on specific contractual terms. The estimates and judgements inherent in accounting for the group's construction contracts relate to the assessment of the forecast costs to complete the project, which includes an estimation of expected material and labour costs and the quantum and likelihood of any revenue variations that the group is contractually entitled to. If forecast costs are expected to exceed forecast revenues, a provision for onerous contract loss is recognised.

	2023 $000	2022 $000
Contract assets	**9,225**	10,822

The contract assets relate to the group's rights to consideration for work completed but not billed at the reporting date. The group's contract liabilities are not material either in the current or comparative year.

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

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

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

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

Income and deferred tax

Income tax expense The income tax expense is determined as follows:	**2023** **$000**	**2022** **$000**
Profit or loss		
Current income tax		
Current year income tax expense	**6,136**	6,378
Adjustments in respect of prior periods	**(1)**	-
Deferred income tax		
Depreciation, provisions, accruals, tax losses and other	**657**	5,437
Adjustments in respect of prior periods	**(19)**	(73)
Income tax expense in profit or loss	**6,773**	11,742

Reconciliation of income tax expense	**2023** **$000**	**2022** **$000**
Profit before tax	**23,770**	41,935
Non-deductible expenditure	**487**	256
	24,257	42,191
Tax at current rate of 28%	**6,792**	11,815
Prior period adjustment	**(19)**	(73)
Total income tax expense	**6,773**	11,742
Represented by:		
Current tax	**6,135**	6,378
Deferred tax	**638**	5,364
	6,773	11,742

Deferred tax assets and liabilities

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

	Opening balance $000	Prior period adjustments $000	Recognised in income $000	Recognised in equity $000	Closing balance $000
Group 2023					
Property, plant and equipment & Intangibles	**(1,912)**	**-**	**(154)**	**-**	**(2,066)**
Net lease liability	**4,348**	**-**	**(122)**	**-**	**4,226**
Employee benefits	**3,218**	**5**	**(378)**	**(84)**	**2,761**
Provisions	**2,147**	**14**	**(3)**	**-**	**2,158**
Cash flow hedging reserve	**(219)**	**-**	**-**	**214**	**(5)**
	7,582	**19**	**(657)**	**130**	**7,074**

	Opening balance $000	Prior period adjustments $000	Recognised in income $000	Recognised in equity $000	Closing balance $000
Group 2022					
Property, plant and equipment & Intangibles	(1,376)	(112)	(424)	-	(1,912)
Net lease liability	4,656	(168)	(140)	-	4,348
Employee benefits	2,248	-	828	142	3,218
Provisions	2,161	154	(168)	-	2,147
Cash flow hedging reserve	(158)	-	-	(61)	(219)
Net taxable loss	5,334	199	(5,533)	-	-
	12,865	73	(5,437)	81	7,582

	2023 $000	2022 $000
The analysis of deferred tax assets and deferred tax liabilities is as follows:		
Deferred tax liabilities	**(2,071)**	(2,131)
Deferred tax assets	**9,145**	9,713
	7,074	7,582

Imputation credits available at 30 June 2023 were $0.28m (2022 $0.011m).

A6: Other Operating Income

Other operating income for the financial year ended 30 June 2023 included the Covid-19 leave support scheme subsidy of $80k (2022: $1.1m) which the group applied for and received from the New Zealand Government during the financial year. The funds received have been accounted for in line with NZ IAS 20 Government Grants and Disclosure of Government Assistance. The group elected to recognise the funds received under the leave support scheme as other income in the Statement of Profit or Loss and Other Comprehensive Income.

Working Capital

Notes to the Financial Statements

For the year ended 30 June 2023

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

B1: Inventories

Key policy

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

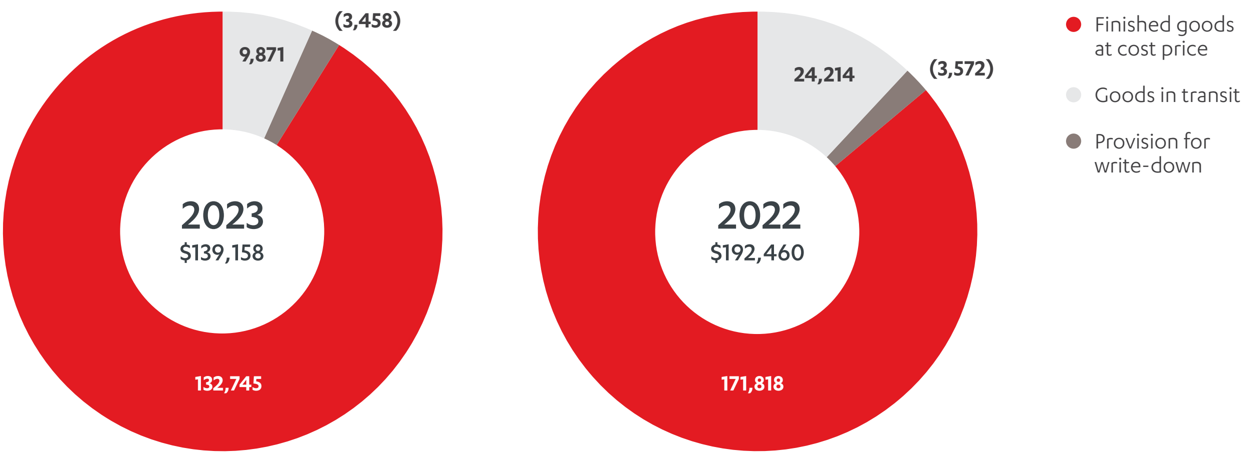
Key judgement - Inventory Valuation

The majority of the group's inventory comprises steel products and fastenings, which have long lives and generally are not at risk of obsolescence. The group undertook an assessment of its inventory holdings at 30 June 2023 to determine whether the net realisable value (NRV) of inventory was greater than or equal to the current carrying value of inventory. The group has undertaken a full review of all aged inventory to identify any inventory at higher risk, particularly slow moving inventory. Following this review, an impairment provision of $3.5m (2022: $3.6m) continues to be recognised as at 30 June 2023 to record the carrying value of inventory at its NRV where that is considered to be lower than its cost. Judgement was required in determining if the slow moving inventory can be sold and its expected sales price, and therefore whether inventory should be impaired. This includes consideration of current market conditions and prices.

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

The group holds inventories valued at $139.2m (2022: $192.5m).

Inventories ($000s)



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

As at balance date foreign exchange contracts recorded as assets were $0.28m (2022: $1.49m) and as liabilities were $0.07m (2022: $0.01m). The notional value of foreign exchange contracts in place as at 30 June 2023 totalled $29.20m (2022: $37.30m). The fair value of the foreign currency forward exchange contracts is as shown on the Balance Sheet. Refer to section E6 for the fair value hierarchy determination.

If the NZ dollar had weakened/strengthened by 5% against foreign currencies (primarily US dollar) at balance date, there would be no impact on profit or loss, as the group qualifies for hedge accounting and all hedges are 100% effective at balance date. The effect would be to equity +$1.53m if the NZ dollar strengthened by 5% and -$1.41m if the NZ dollar weakened by 5% (2022: + $2.06m /-$1.83m respectively).

B2: Trade and Other Receivables

Key Judgement - Provision for impairment

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

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

The group considers the lifetime expected credit losses associated with its receivables upon initial recognition, and on an ongoing basis at the end of each reporting period. To assess whether there is a specific increase in credit risk, the group compares the risk of default occurring on these receivables at the reporting date with the risk of default at the date of initial recognition. The group considers its trade receivables to be in default when:

- The debtor is unlikely to pay its credit obligations to the group in full; or
- The receivable is more than 60 days past due (i.e. overdue)

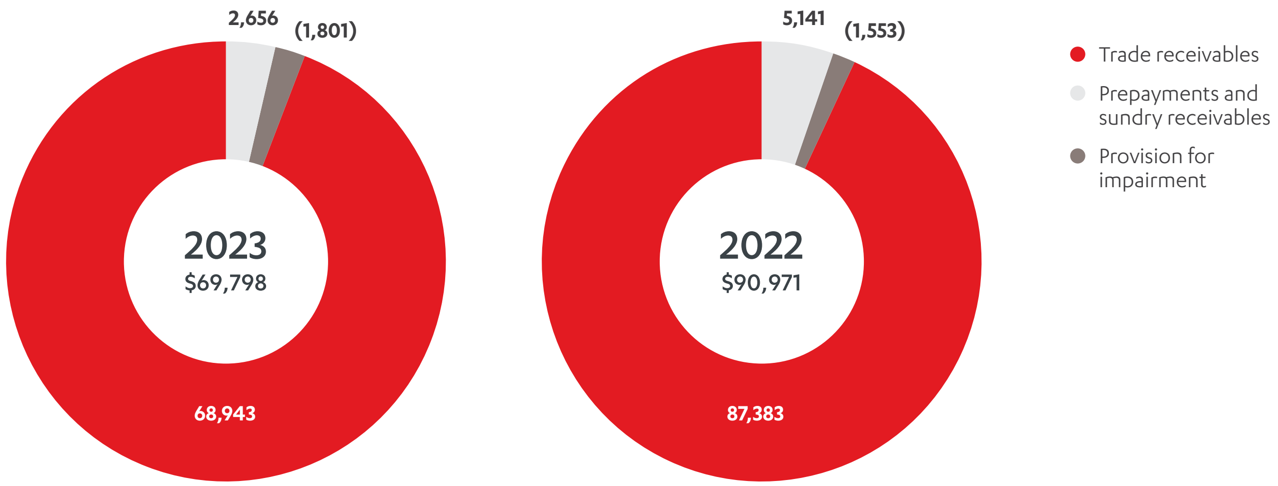
Available forward looking information is considered, including actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer or counterparty's ability to meet their obligations. This also incorporates any objective evidence that indicates that the customers will not be able to pay their debts when due, these include significant financial difficulties of customers and the probability of entering receivership or bankruptcy.

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

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

Trade receivables at 30 June 2023 are $68.9m (2022: $87.4m) 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.

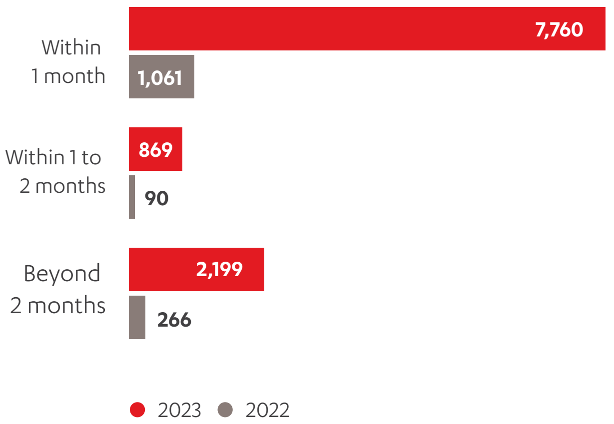
Trade and Other Receivables ($000s)



No one customer accounts for more than 6% of trade receivables at 30 June 2023 (2022: 6%).

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

Trade receivables excluding current at 30 June 2023 ($000s)



At 30 June 2023, trade receivables of $2.2m (2022: $0.3m) were greater than 60 days overdue. These relate to a number of independent customers for whom there is no recent history of default. The group's credit terms are in line with industry peers. The group does not have any customers with payment terms exceeding one year. As a result the group does not adjust transaction prices for the time value of money.

Provision for impairment

At 30 June 2023 an impairment provision of $1.8m (2022: $1.6m) was held.

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

As at 30 June 2023	Current $000	Within 1 Month $000	1 - 2 Months $000	2-3 Months $000	Beyond 3 Months $000	Total $000
Gross carrying amount	**58,115**	**7,760**	**869**	**511**	**1,688**	**68,943**
Baseline/Aging	387	134	61	169	1,021	1,772
Region	4	2	1	1	4	12
Sector	5	4	2	1	5	17
Expected credit loss allowance	**396**	**140**	**64**	**171**	**1,030**	**1,801**

As at 30 June 2022	Current $000	Within 1 Month $000	1 - 2 Months $000	2-3 Months $000	Beyond 3 Months $000	Total $000
Gross carrying amount	**85,966**	**1,061**	**90**	**11**	**255**	**87,383**
Baseline/Aging	930	305	54	10	240	1,539
Region	4	-	-	-	1	5
Sector	6	-	1	-	2	9
Expected credit loss allowance	**940**	**305**	**55**	**10**	**243**	**1,553**

Movements in the provision for impairment for the year ended 30 June 2023, are as follows:

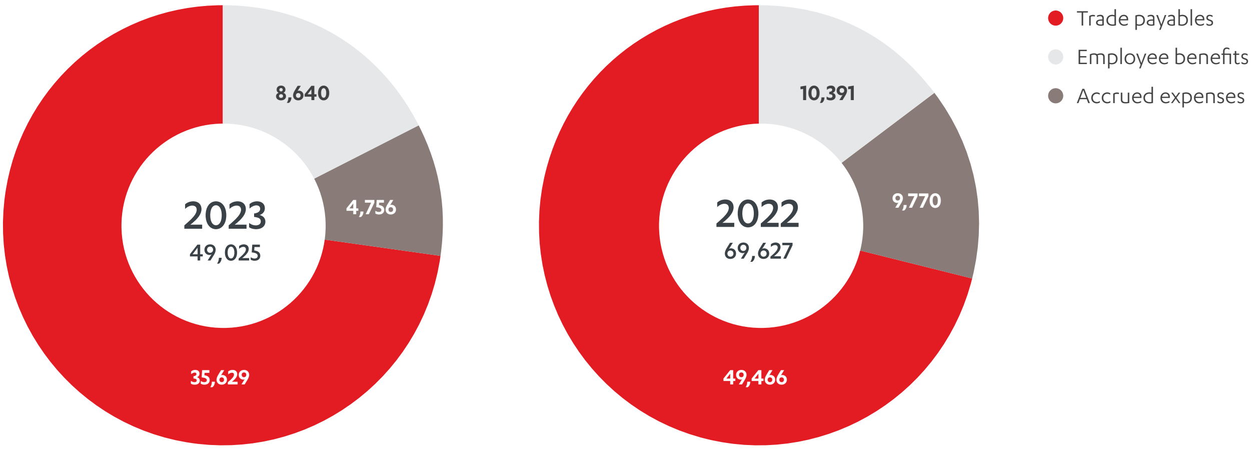
Provision for impairment	2023 $000	2022 $000
Provision as at 1 July	**1,553**	**2,240**
Recognised	**289**	**347**
Utilisation of provision	**(41)**	**(1,034)**
Provision as at 30 June	**1,801**	**1,553**

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 and other collateral may be obtained from trade receivables to mitigate the risk of default. There are no significant concentrations of credit risk in the current or prior years.

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

B3: Trade and Other Payables

Trade and other payables ($000s)



The carrying amounts of the above items are equivalent to their fair values and subsequently measured at amortised cost using the effective interest method.

Fixed Capital

Notes to the Financial Statements

For the year ended 30 June 2023

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

C1: Property, Plant and Equipment

Key Policy

Plant and equipment are stated at cost less accumulated depreciation. Assets are tested annually for indicators of impairment and adjusted if required.

Depreciation is charged on a straight-line basis over the estimated useful lives of the assets. This allocates the cost of an asset, less any residual value, over its estimated remaining useful life. The residual values and useful lives are reviewed annually.

The estimated useful lives are as follows:

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

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

	Plant, machinery & vehicles at cost	Furniture, fittings & equipment at cost	Total
2023	**$000**	**$000**	**$000**
Opening cost	**85,606**	**19,309**	**104,915**
Opening accumulated depreciation	**(53,550)**	**(15,440)**	**(68,990)**
Opening net book value	**32,056**	**3,869**	**35,925**
Additions	**3,360**	**1,247**	**4,607**
Disposals	**(96)**	**-**	**(96)**
Depreciation	**(3,436)**	**(1,353)**	**(4,789)**
Closing net book value	**31,884**	**3,763**	**35,647**
Comprises:			
Cost or fair value	**88,624**	**20,539**	**109,163**
Accumulated depreciation	**(56,740)**	**(16,776)**	**(73,516)**
Property, plant and equipment	**31,884**	**3,763**	**35,647**
2022			
Opening cost	82,880	17,293	100,173
Opening accumulated depreciation	(50,852)	(14,928)	(65,780)
Opening net book value	32,028	2,365	34,393
Additions	3,202	2,561	5,763
Disposals	(52)	(62)	(114)
Depreciation	(3,122)	(995)	(4,117)
Closing net book value	32,056	3,869	35,925
Comprises:			
Cost or fair value	85,606	19,309	104,915
Accumulated depreciation	(53,550)	(15,440)	(68,990)
Property, plant and equipment	32,056	3,869	35,925

Included within the plant, property and equipment categories is capital work in progress totalling $1.8m (2022: $1.6m).

C2: Intangibles

2023	Goodwill $000	Software & Licences $000	Other $000	Total $000
Opening cost	**47,171**	**28,680**	**2,522**	**78,373**
Opening accumulated amortisation and impairment	**(47,171)**	**(21,094)**	**(2,233)**	**(70,498)**
Opening net book value	**-**	**7,586**	**289**	**7,875**
Additions	**4,761**	**1,944**	**862**	**7,567**
Amortisation charge	**-**	**(1,754)**	**(165)**	**(1,919)**
Closing net book value	**4,761**	**7,776**	**986**	**13,523**
Comprises:				
Cost	**51,932**	**30,624**	**3,384**	**85,940**
Accumulated amortisation and impairment	**(47,171)**	**(22,848)**	**(2,398)**	**(72,417)**
Closing net book value	**4,761**	**7,776**	**986**	**13,523**
2022				
Opening cost	47,171	28,262	2,522	77,955
Opening accumulated amortisation and impairment	(47,171)	(19,519)	(2,131)	(68,821)
Opening net book value	-	8,743	391	9,134
Additions	-	418	-	418
Amortisation charge	-	(1,575)	(102)	(1,677)
Closing net book value	-	7,586	289	7,875
Comprises:				
Cost	47,171	28,680	2,522	78,373
Accumulated amortisation and impairment	(47,171)	(21,094)	(2,233)	(70,498)
Closing net book value	-	7,586	289	7,875

Goodwill recognised in the current financial year relates to the goodwill arising from the acquisition of Kiwi Pipe (refer Note C5 Business Combination). Included within the intangibles categories is capital work in progress totalling $0.7m (2022: $0.2m). Other intangibles comprises customer relationships and customer contracts arising from business combinations.

Key Policy

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

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

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

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

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

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

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

Key Judgement - Impairment Testing on Non-financial Assets

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

For the purpose of assessing impairment, assets are grouped in the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash generating unit or CGU), which as at 30 June 2023 were identified as being Distribution, Reinforcing/CFDL and Rollforming.

As at 30 June 2023, the group has not identified any indicators of impairment over the assets held at the CGUs. The group's market capitalisation is slightly below net assets at year end, however this market capitalisation value excludes any control premium and may not reflect the value of 100% of the group's net assets.

The group has therefore concluded that no impairment is required as at 30 June 2023. The group has also concluded that no reversal of the previous impairment of intangible assets should be made following an assessment that previous assumptions applied remain consistent in the current financial year.

Key judgement – Goodwill Impairment testing

The group's goodwill balance of $4.7m (2022: nil) has been allocated to the Distribution CGU, for the purposes of impairment testing.

The group has undertaken a VIU calculation for the Distribution CGU. A VIU calculation is a valuation based on forecast cash flows. These forecast cash flows are discounted back to present value to estimate a value for the CGU. If the VIU exceeds the carrying value of the assets no impairment is recognised.

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

Assumption	2023	
Discount rate (post-tax)	11.1%	The group engaged an independent expert to assess the CGU's post-tax weighted average cost of capital.
Discount rate (pre-tax)	14.9%	The pre-tax discount rate was calculated based on back solving from the post-tax discount rate.
Terminal growth rate	2.0%	A long-term growth rate into perpetuity has been determined based on forecasted consumer price inflation (CPI) growth.
Forecast period	5 years	Board approved budget was used for FY24.
Forecast period cash flow growth rate	(4.5%) – 7.9%	Based on expectations of future outcomes taking into account past experience, sector analysis and adjusted for anticipated revenue growth/decline.

Based on the calculations and assumptions outlined above, the group has not identified any impairment as at 30 June 2023.

C3: Commitments

Capital commitments

The group has contractual commitments of $1.8m (2022: $1.1m) for purchase of plant and equipment.

C4: Leases

Key Judgement – Impairment testing on right-of-use assets

The group has assessed for any indicators of impairment on its right-of-use assets for the financial year ended 30 June 2023. The group has re-assessed the assumptions used for the previously impaired sites with longer term leases (> 3 years) based on current market outlook and consideration over the sites' space utilisation in line with the group's network strategy. Based on the assessment performed, the group has recognised a reversal of impairment of $0.2m on these leases as at 30 June 2023, which represents a partial recovery of the total impairment charge recognised previously.

The below outlines the recognised right-of-use assets and corresponding lease liabilities by the group as at 30 June 2023:

	Properties $000	Motor Vehicles $000	Equipment $000	Total $000
Right-of-use assets at 1 July 2022	**74,533**	**3,314**	**841**	**78,688**
Additions to right-of-use assets	16,107	1,983	606	18,696
Depreciation	(12,365)	(1,448)	(346)	(14,159)
Impairment loss reversed	177	-	-	177
Disposals	(105)	-	(392)	(497)
Total right-of-use assets at 30 June 2023	**78,347**	**3,849**	**709**	**82,905**

	Properties $000	Motor Vehicles $000	Equipment $000	Total $000
Right-of-use assets at 1 July 2021	**81,624**	**3,074**	**839**	**85,537**
Additions to right-of-use assets	3,819	1,741	238	5,798
Depreciation	(11,437)	(1,495)	(236)	(13,168)
Impairment loss reversed	527	-	-	527
Disposals	-	(6)	-	(6)
Total right-of-use assets at 30 June 2022	**74,533**	**3,314**	**841**	**78,688**

A portion of the group's right-of-use assets is being used for sub-lease, which would meet the definition of an investment property under NZ IAS 40 Investment Property. The portion recognised as investment property for the current financial year is $1.6m (2022: $1.5m). Income from sub-leasing right-of-use assets for the year ended 30 June 2023 was $0.3m (2022: $0.3m).

Amounts recognised as lease liabilities are presented below.

Lease liability maturity analysis	Principal $000	Interest $000	Gross $000
2023			
Between 0 to 1 year	14,235	4,653	18,888
Between 1 to 5 years	49,333	12,277	61,610
More than 5 years	35,858	5,651	41,509
Lease liabilities as lessee	**99,426**	**22,581**	**122,007**
2022			
Between 0 to 1 year	13,555	4,233	17,788
Between 1 to 5 years	44,822	11,596	56,418
More than 5 years	37,695	5,636	43,331
Lease liabilities as lessee	**96,072**	**21,465**	**117,537**

C5: Business Combination

The group accounts for business combinations when it obtains control of either an entity, or a group of assets and liabilities which constitute a business. The group controls an entity when it 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 over the entity.

Acquisition of Kiwi Pipe and Fittings

On 1 August 2022, the group acquired 100% control of the operations of Kiwi Pipe and Fittings Limited, a well established specialist and successful provider of fire and reticulation products. The acquisition is part of the group's strategy to selectively invest in high value products, services and sectors. While the group already offers a range of fire protection products to its customers, bringing Kiwi Pipe into the fold makes it one of the larger suppliers in this market.

For the year ended 30 June 2023, Kiwi Pipe contributed revenue of $6.2m and earnings before interest and tax (EBIT) of $1.1m. If the acquisition had occurred on 1 July 2022, management estimates that Kiwi Pipe would have contributed revenue of $6.8m and EBIT of $1.2m. In determining these amounts, management has assumed that the fair value adjustments that arose on date of acquisition would have been the same if the acquisition had occurred on 1 July 2022.

Consideration transferred

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The total consideration transferred for the acquisition of the Kiwi Pipe business comprised of cash paid of $8.9m. No other form of consideration was transferred.

Identifiable assets acquired and liabilities assumed

The following table summarises the fair values of assets acquired and liabilities assumed at the date of acquisition:

	$000
Inventories	3,180
Property, plant and equipment	134
Trade and other payables	(28)
Customer relationships	862
Total identifiable net assets acquired	4,148

Goodwill recognised

Goodwill arising from the acquisition has been recognised as follows:

	$000
Consideration paid	8,909
Fair value of identifiable net assets acquired	4,148
Goodwill recognised	4,761

The goodwill is mainly attributable to the skills and experience of Kiwi Pipe's workforce and the synergies expected to be achieved when combined into the group's business. None of the goodwill recognised is expected to be deductible for tax purposes.

Key Judgement - Identification and Valuation of Identifiable Assets and Liabilities

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

Management has applied judgement in relation to both identifying and valuing these assets and liabilities; specifically in respect to the identification and measurement of customer relationships. The fair value of customer relationships was measured using the multi-period excess earnings method. This method considers the present value of net cash flows expected to be generated by the customer relationships, excluding any cash flows related to contributory assets.

Funding

Notes to the Financial Statements

For the year ended 30 June 2023

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

D1 : Borrowings

	2023 $000	2022 $000
Bank loans	-	51,000

Key policy

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

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

The group has in place committed bank borrowing facilities of $100m, comprising a three year $80m Revolving Cash Advance facility with an expiry date of 15 February 2024 and a $20m Trade Loan facility with an expiry date of 15 February 2024. Borrowing facilities arranged with the group's banking partner can be drawn at any time, subject to meeting the terms of the group's Facility Agreement. As at 30 June 2023, the group has not relied on financial covenant waivers and is compliant with all financial covenants.

On 4 August 2023, the group negotiated an amendment to its current banking facility, comprising a three year $30m Revolving Cash Advance facility with an expiry date in 4 August 2026, a two year $30m Revolving Cash Advance facility with an expiry date of 4 August 2025 and a $40m Trade Loan facility.

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

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

	Average Interest rate	6 months or less $000	6 to 12 months $000	1 to 3 years $000	Total $000	Carrying Value $000
2023						
Trade payables & accruals	-	**49,025**	-	-	**49,025**	**49,025**
Cash flow hedging of derivatives:						
Outflow	-	**29,201**	-	-	**29,201**	**29,201**
Inflow	-	**(29,410)**	-	-	**(29,410)**	**(29,410)**
	-	**(209)**	-	-	**(209)**	**(209)**
2022						
Borrowings[1]	4.81%	52,223	353	471	53,047	51,000
Trade payables & accruals	-	69,627	-	-	69,627	69,627
Cash flow hedging of derivatives:						
Outflow	-	37,299	-	-	37,299	37,299
Inflow	-	(38,782)	-	-	(38,782)	(38,782)
	-	(1,483)	-	-	(1,483)	(1,483)

[1] The group's Facility Agreement allows drawdowns to be rolled over, subject to meeting the terms of the agreement

D2: Net Debt Reconciliation

	Cash and cash equivalents $000	Borrowings $000	Current lease liabilities $000	Non-current lease liabilities $000	Total $000
Net debt as at 1 July 2022	**8,046**	**(51,000)**	**(13,555)**	**(82,517)**	**(139,026)**
Cash flows	**(1,565)**	**51,000**	**14,773**	**-**	**64,208**
Non-cash movements	**-**	**-**	**(15,453)**	**(2,674)**	**(18,127)**
Net debt as at 30 June 2023	**6,481**	**-**	**(14,235)**	**(85,191)**	**(92,945)**
Net debt as at 1 July 2021	25,033	-	(13,079)	(90,742)	(78,788)
Cash flows	(16,987)	(51,000)	13,176	-	(54,811)
Non-cash movements	-	-	(13,652)	8,225	(5,427)
Net debt as at 30 June 2022	8,046	(51,000)	(13,555)	(82,517)	(139,026)

D3: Share Capital

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

Capital Structure Policy Targets

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

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

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

	Note	2023 $000	2022 $000	2023 Shares	2022 Shares
Fully paid:					
Balance at the beginning of the year		**156,668**	156,668	**165,972,540**	165,972,540
Shares issued to employees	E5	**499**	-	**855,125**	-
Balance at the end of the year		**157,167**	156,668	**166,827,665**	165,972,540
Partly paid:					
Balance at the beginning of the year		**1**	1	**25,000**	25,000
Balance at the end of the year		**1**	1	**25,000**	25,000
Total balance at the end of the year		**157,168**	156,669	**166,852,665**	165,997,540

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

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

Treasury shares	2023 $000	2022 $000	2023 Shares	2022 Shares
Balance at the beginning of the year	**2,896**	2,896	**972,849**	972,849
Balance at the end of the year	**2,896**	2,896	**972,849**	972,849

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

Other

Notes to the Financial Statements

For the year ended 30 June 2023

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

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

E1: Financial Risk Management

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

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

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

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

E2: Provisions

	Restructure Provision $000	Make Good Provision $000	Other Provisions $000	Total $000
Opening balance as at 1 July 2022	-	1,533	505	2,038
Additions	85	81	88	254
Used	-	-	(328)	(328)
Unutilised	-	-	(152)	(152)
Closing balance at 30 June 2023	**85**	**1,614**	**113**	**1,812**
Current	85	296	113	494
Non Current	-	1,318	-	1,318
Closing balance at 30 June 2023	**85**	**1,614**	**113**	**1,812**

Key Policy

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

- Restructure Provision. The costs included within this provision relate to committed restructuring activities
- Make Good Provision on existing tenanted properties. No make good activities were undertaken as at 30 June 2023. Actual payment dates and costs will be known once each lease reaches its expiry date
- Other Provisions relates to an estimate of the costs of customer claims for faulty or defective products supplied

E3: Contingent Liabilities

Indemnities given to the group's banking partner in respect of performance bonds were $2.5m (2022: $2.7m) at balance date and were transacted in the ordinary course of business. These relate to performance guarantees held primarily for the construction contracts entered into by the group.

E4: Auditor Remuneration

Fees paid to auditors (KPMG)	2023 $000	2022 $000
Annual audit & half year review	**491**	379
Total	**491**[1]	379

[1] Including $60k relating to the FY22 audit

E5: Related Party and Share Based Plans

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

The subsidiaries in the group are:

Subsidiaries	Principal Activity	Balance Date	2023 Holding	2022 Holding
Steel & Tube New Zealand Limited	Non-trading	30 June	100%	100%
Composite Floor Decks Holdings Limited	Non-trading	30 June	100%	100%
Studwelders Limited	Non-trading	30 June	100%	100%
S & T Plastics Limited	Non-trading	30 June	100%	100%
S & T Stainless Limited	Non-trading	30 June	100%	100%
Manufacturing Suppliers Limited	Fastenings Distributor	30 June	100%	100%
Composite Floor Decks Limited	Floor Decking Installer	30 June	100%	100%

Transactions with Key Management Personnel	2023 $000	2022 $000
Short-term benefits	5,454	5,733
Share-based benefits (accounting expense)	386	356
	5,840	6,089

The key management personnel are the non-executive directors and executive management. Included in short term benefits are directors' fees of $0.6m (2022: $0.5m). The aggregate value of sales transacted with key management personnel in the current financial year amounts to $17k.

Other Transactions with Related Parties

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

Certain directors and management hold shares in the group and receive dividends in the normal course of business.

Performance Rights Plan 2017

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

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

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

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

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

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

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

	No. of Rights Available 2023	No. of Rights Available 2022
Opening balance	3,947,541	3,678,476
New shares granted	975,896	1,353,114
Rights forfeited	(609,807)	(370,380)
Rights vested	(855,125)	-
Rights lapsed	-	(713,669)
Total	**3,458,505**	3,947,541

Rights Performance Conditions Start Date	Expiry date	Issue date fair value	Total Rights Issued	Rights Available 30 June 2023	Rights Available 30 June 2022
6 September 2019 - Tranche 3	6/09/2022	$0.80	**1,215,524**	**-**	855,125
11 September 2020 - Tranche 4	11/09/2023	$0.75	**2,002,871**	**1,507,307**	1,783,230
7 September 2021 - Tranche 5	7/09/2024	$1.15	**1,353,114**	**1,124,046**	1,309,186
5 September 2022 - Tranche 6	5/09/2025	$1.43	**975,896**	**827,152**	-
		Total	**5,547,405**	**3,458,505**	3,947,541
Weighted average remaining contractual life of options outstanding at end of period				**0.99**	**1.28**

	2023 $000	2022 $000
Share-based benefits (accounting expense)	**409**	443

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 34.9%, expected option life of between 1 and 3 years and an annual risk free interest rate of 4.03%. Volatility has been calculated based on the annualised volatility for the three years prior to the rights issue.

Key Policy

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

Performance Rights Plan 2017

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

E6: Financial Instruments

	Financial assets at amortised cost	Derivatives for hedging at fair value	Financial liabilities at amortised cost
2023	$000	$000	$000
Cash and cash equivalents [1]	**6,481**	**-**	**-**
Trade and other receivables excluding prepayments	**67,528**	**-**	**-**
Derivative financial instruments [2]	**-**	**278**	**-**
Total financial assets	**74,009**	**278**	**-**
Borrowings	**-**	**-**	**-**
Trade and other payables	**-**	**-**	**49,025**
Derivative financial instruments [2]	**-**	**69**	**-**
Lease liabilities	**-**	**-**	**90,903**
Total financial liabilities	**-**	**69**	**139,928**
2022			
Cash and cash equivalents [1]	8,046	-	-
Trade and other receivables excluding prepayments	89,005	-	-
Derivative financial instruments [2]	-	1,491	-
Total financial assets	**97,051**	**1,491**	**-**
Borrowings	-	-	51,000
Trade and other payables	-	-	69,627
Derivative financial instruments [2]	-	8	-
Lease liabilities	-	-	96,072
Total financial liabilities	**-**	**8**	**216,699**

[1] Cash and cash equivalents comprise cash in bank balances and cash on hand.

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

E7: Financial Assets

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

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

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

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

E8: Subsequent Events

On 4 August 2023, the group has executed an agreement with the group's banking partner for an amendment to and extension of its current banking facility. Refer to Note D1 for more detail.

On 7 August 2023, the group has executed a deed of surrender for the group's leased site at Rosebank Road, Avondale, Auckland. The agreed surrender date is 31 January 2024. This will result in a $1.9m reduction in lease liability and a corresponding $1.8m reduction in right-of-use asset on the group's Balance Sheet in the next financial year.

On 18 August 2023, the board declared a final dividend (fully imputed) of 4.00 cents per share (2022: 7.50) totalling $6.7m (2022: $12.4m). The dividends will be paid to shareholders on 22 September 2023.

E9: Other Accounting Policies

Basis of consolidation

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

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

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

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

Foreign currency

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

Derivatives - Cash flow hedge

The group uses derivative financial instruments to hedge its exposure to foreign exchange risks 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 if expected to be settled within 12 months; otherwise, they are classified as non-current.

Impairment of non-financial assets

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

Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer. The group derives its revenue from the distribution and processing of steel and associated products. Revenue is recognised when the group transfers control over products and services to its customers.

The table below shows the contract portfolios identified by the group and further information on the revenue recognition. The grouping of the contract portfolios is based on assessment of certain contract characteristics for similarities. The effects on the financial statements of these groupings is not expected to differ materially from applying NZ IFRS 15 to the individual contracts (or performance obligations) within the portfolio. The group regularly undertakes a process to review the contracts' characteristics and assess the appropriate grouping of the contract portfolios. Characteristics considered may include identified risks, contract size and duration, and contractual terms of the contracts.

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

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

Leases

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

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

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

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

New standards and interpretations issued and not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 July 2023. The group is currently assessing the impact of these new standards to the group to determine if they will have a significant impact on future financial statements. On this basis, the group has not adopted and currently does not anticipate adopting, any standards prior to their effective dates.

Independent Auditor's Report

To the shareholders of Steel & Tube Holdings Limited

Report on the audit of the consolidated financial statements

Opinion

In our opinion, the consolidated financial statements of Steel & Tube Holdings Limited (the 'company') and its subsidiaries (the 'group') on pages 39 to 73 present fairly, in all material respects:

i. the group's financial position as at 30 June 2023 and its financial performance and cash flows for the year ended on that date;

in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards issued by the New Zealand Accounting Standards Board.

We have audited the accompanying consolidated financial statements which comprise:

- the consolidated balance sheet as at 30 June 2023;
- the consolidated statements of profit or loss and comprehensive income, changes in equity and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Our responsibilities under ISAs (NZ) are further described in the *Auditor's responsibilities for the audit of the* consolidated financial statements section of our report.

Other than in our capacity as auditor we have no relationship with, or interests in, the group. Subject to certain restrictions, partners and employees of our firm may also deal with the group on normal terms within the ordinary course of trading activities of the business of the group. These matters have not impaired our independence as auditor of the group. The firm has no other relationship with, or interest in, the group.

KPMG

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at $2.4 million determined with reference to a benchmark of group revenue. We chose the benchmark because, in our view, this is a key measure of the group's performance.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the shareholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements

The key audit matter

How the matter was addressed in our audit

Revenue recognised on construction contracts within the Infrastructure Division

Refer to the Infrastructure Division segmental information in Note A3 to the Financial Report.

$96.3 million of revenue was recognised on construction contracts within the Infrastructure Division.

The construction contracts typically have a duration of many months, with some spanning more than a year. Revenue is recognised over time based on either the estimated stage of completion of each project or according to the value to the customer of the group's performance completed to date.

When estimating stage of completion, revenue is calculated based on the proportion of total costs incurred at the reporting date compared to the group's estimation of total costs of the project, multiplied by the total expected revenue from the project.

Revenue from construction contracts is a Key Audit Matter due to the large volume of individual projects which are in progress at each reporting date. Furthermore, estimating the stage of completion requires consideration of the specific contractual terms, and judgement is required when estimating the expected costs to complete and the total expected revenue from the project.

We evaluated revenue from construction contracts within the Infrastructure Division by performing audit procedures including;

- obtaining an understanding of the group's processes and controls relating to recognition of revenue on construction contracts.
- in respect of completed projects, on a sample basis, we assessed the evidence of completion of the contract and vouched collection of customer receipts.
- in respect of in-progress contracts, we selected contracts according to a risk-based criteria. For selected contracts, we made inquiries with management to understand the status and risks of the project. We obtained the customer contract to evaluate whether the contractual terms were reflected in the group's estimation of total costs and total expected revenues. We challenged the completeness by comparison to supporting evidence such as cost to date and material and labour pricing.
- made inquiries about the project performance in the period since reporting date to assess whether this had any bearing on the judgements made within the year ended 30 June 2023.
- considered the adequacy of the associated disclosures in the financial statements.

We did not identify any material misstatements in relation to the recognition of revenue on construction contracts within the Infrastructure Division.

KPMG

Other information

The Directors, on behalf of the group, are responsible for the other information included in the entity's Annual Report. Other information comprises the information included in the group's Annual Report, but does not include consolidated financial statements and our Independent Auditor's Report thereon. Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, 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.

Use of this independent auditor's report

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

Responsibilities of the Directors for the consolidated financial statements

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

- the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards issued by the New Zealand Accounting Standards Board;
- implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations or have no realistic alternative but to do so.

KPMG

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objective is:

- 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 independent 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 will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of these consolidated financial statements is located at the External Reporting Board (XRB) website at:

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

This description forms part of our independent auditor’s report.

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

For and on behalf of

KPMG

KPMG
Auckland

18 August 2023

Governance

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

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

The board believes that the company's corporate governance framework materially complies with the NZX Corporate Governance Code dated 1 April 2023 (the Code). A summary of Steel & Tube's governance actions and performance against each of the Principles in the Code is detailed on the following pages.

The information in this report is current as at 18 August 2023 and has been approved by the board of Steel & Tube.

1. Ethical Standards

1.1 Code of Ethics

We expect our directors and team members to act with integrity and professionalism and undertake their duties in the best interests of the company, taking into account the interest of shareholders and other stakeholders. The board has adopted a Code of Ethics, which is available on the company website and staff intranet. Steel & Tube's policies also include detailed standards of integrity, conduct and behaviour required of all employees. This forms part of the new employee induction programme.

We encourage employees to speak out if they have concerns. The avenues for doing so are detailed in the company's Whistleblower Policy which is on the company website. During FY24, we will be providing access to a confidential third party whistleblower agency.

1.2 Insider Trading Policy

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

While there is no formal requirement to do so, all directors hold shares in the company either directly or through affiliates. Details of directors' share dealings are set out on page 103 of this report.

2. Board Composition and Performance

2.1 Board Charter

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

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

2.2 Nomination and Appointment of Directors

Membership, rotation and retirement of directors is determined in accordance with the company constitution and NZX Listing Rules.

The Nominations Committee has delegated responsibility from the board to make recommendations on board composition and nominations, subject to the company constitution.

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

Shareholders may also nominate candidates for election to the board. The board asks for director nominations each year prior to the Annual Shareholders' Meeting, in accordance with the company constitution and the NZX Listing Rules.

The board has developed a skills matrix and takes into account a number of factors including qualifications, experience and skills when making directorship recommendations to the shareholders. The collective capability of the current board is assessed against these requirements and the search then focuses on finding a board member who will best complement the current mix of capabilities on the board.

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

2.3 Written Agreements

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

The company has arranged a policy of directors' and officers' liability insurance. This policy covers the directors and officers so that any monetary loss suffered by them, as a result of actions undertaken by them as directors or officers, is insured to specified limits (and subject to legal requirements and/or restrictions).

2.4 Director Information

As at the date of this report, the board comprises six independent directors, who have significant relevant industry and market experience, skills and expertise that are of value to the company. In addition, Steel & Tube has appointed Cherie Kerrison as its inaugural participant in the Future Directors programme. Future Directors attend board meetings to observe and participate in discussions, but they do not have voting rights.

The board considers director succession on a regular basis, considering such things as tenure, experience and director workload.

Profiles of directors are available on the company website and are included in the Annual Report. Directors' interests are disclosed on page 103 of the Annual Report.

The board believes that the current directors offer valuable and complementary skill sets. Importantly, the majority of Steel & Tube's directors have either worked in or held governance positions within the sector.

Skills Matrix

Director Expertise	High	Moderate
Governance	● ● ●	● ●
Commercial	● ● ● ●	● ●
Financial Acumen (F&A)	● ●	● ● ● ●
M&A	●	● ● ● ●
Quality, Health, Safety, Environmental and Training	● ● ●	● ●
Business Turnaround	● ● ●	● ● ●
Steel Industry	● ●	● ●
Manufacturing	● ● ●	●
Construction/Infrastructure	● ● ●	●
Logistics, Supply Chain & Procurement	● ●	● ● ● ●
Sales Marketing and Brand	● ●	● ●
Digital Technology and Change	●	● ● ●
People, Culture and Employee Relations	● ● ● ●	● ●

2.5 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.

The board encourages diversity and will not knowingly participate in business situations where Steel & Tube could be complicit in human rights and labour standard abuses. Our approach to diversity is outlined in the Diversity and Inclusion Policy, which is available on the company website.

Measurable objectives form part of the People & Culture plan each year and they are agreed and approved by the board. A number of initiatives are in place to support diversity and achievement of Steel & Tube's diversity and inclusion objectives. The board believes the principles in the policy were adhered to in FY23.

Key areas of focus are:

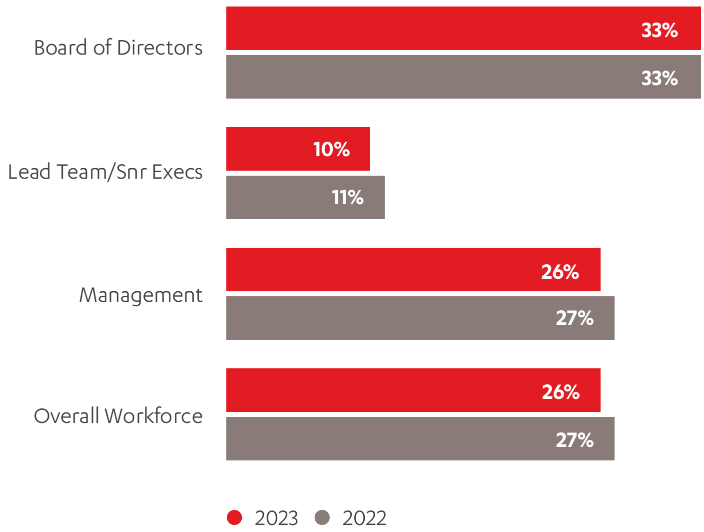
- Recruitment and retention of a diverse workforce
- Fair and consistent reward and recognition
- Flexible working arrangements
- Employee engagement
- Agreed standards of conduct and behaviour

Steel & Tube has a diverse workforce, representing more than 30 different ethnicities. English is a second language for many Steel & Tube team members. To create a safe and supportive working environment Steel & Tube translates documentation into different languages and provides safety training which also helps improve numeracy and literacy levels.

The officers of the company (as defined by the NZX Listing Rules for the purposes of diversity reporting) are the CEO and specific direct reports of the CEO having key functional responsibility. As at 30 June 2023, females represented 21% of Directors and Officers of the Company (FY22: 20%).

As at 30 June	FY23 Female	FY23 Male	FY22 Female	FY22 Male
Directors	2	4	2	4
Officers	1	7	1	8

Female representation at Steel & Tube



2.6 Director Training and Education

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

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.

2.7 Board Performance and Review

The board monitors its own performance annually and from time to time commissions external reviews to assess the performance of individual directors and the board's effectiveness. An external review was last conducted in calendar year 2021.

2.8 Director Independence

Director independence is determined in accordance with NZX Listing Rules and with regard to the factors described in Table 2.4 of the NZX Corporate Governance Code. The board has determined that all current directors are independent and have no disqualifying relationships.

Directors are required to notify the company of any interests they have that could impact an assessment of their independence or their ability to act in the best interests of Steel & Tube. Steel & Tube has processes in place to manage any conflicts of interest with directors.

2.9 Independent Chair

Steel & Tube's chair is required to be an independent director and is elected by the directors. Susan Paterson was appointed as chair in January 2017 and is deemed to be independent.

2.10 Separation of the role of Chair and CEO

The board supports the separation of the roles of chair and CEO. Steel & Tube's CEO, Mark Malpass is not a director on the Steel & Tube board.

3. Board Committees

The board has established several standing committees, each of which has a board-approved written charter summarising the role, responsibilities, delegations and membership requirements.

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.

The board regularly reviews the charters of each board committee, the committees' performance against those charters and membership of each committee.

The board believes that committee charters, committee membership and roles of committee members comply with recommendations in the Code.

Current membership of each of the board committees at 30 June 2023 is set out below.

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

The table below sets out committee membership and director attendance at board and committee meetings during FY23. Board meetings are scheduled throughout the year, with other meetings to deal with certain matters arising from time to time being held when necessary.

	Board	Quality, Health, Safety & Environment Committee	Audit & Risk Committee	People & Culture Committee	Nomination Committee
Total number of meetings					
Susan Paterson	8	2	4	3	2
Steve Reindler	8	-	4	3	2
Chris Ellis	8	3	-	3	2
John Beveridge	8	3	2	-	1
Karen Jordan	8	3	4	-	2
Andrew Flavell	8	-	4	-	2

3.1 Audit & Risk Committee

The board has an Audit & Risk committee which acts as a delegate of the board on financial reporting, internal control and risk management issues. There are a minimum of three members, who are all independent directors. The committee is currently made up of four independent directors. The chair of the committee, Karen Jordan, is not the chair of the board, is independent and has significant accounting and financial expertise. The remaining committee members have a range of qualifications and are all experienced in commercial and operational matters.

The role and responsibilities of the committee are detailed in a written charter which is available on Steel & Tube's website.

3.2 Management attendance at Audit & Risk Committee meetings

Management attendance at committee meetings is by invitation only.

3.3 People & Culture Committee

The People & Culture committee assists the board to establish and maintain a strong governance framework overseeing the management of the company's people, remuneration and diversity policies. All members of the committee are independent directors, and it operates to a written charter which is available on Steel & Tube's website.

3.4 Nomination Committee

The Nomination committee assists the board in ensuring appropriate board performance and composition and in appointing directors. All members of the committee are independent directors, and it operates to a written charter which is available on Steel & Tube's website.

3.5 Other Board Committees

Special purpose committees may be formed to review and monitor specific projects with senior management. There were no other board committees formed during FY23.

3.6 Takeover protocols

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

4. Reporting and Disclosure

4.1 Continuous Disclosure Policy

We 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, we also seek to provide sufficient meaningful information to ensure stakeholders and investors are well informed.

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

4.2 Access to key governance policies

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

4.3 Financial Reporting

The board is responsible for ensuring that the financial statements give a true and fair view of the financial position of the company and have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates. The board is also responsible for ensuring all relevant financial reporting and accounting standards have been followed.

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

For the financial year ended 30 June 2023, 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 Officer and Chief Financial Officer have confirmed in writing that Steel & Tube's external financial reports are presented fairly in all material aspects.

4.4 Non-financial reporting

Steel & Tube has a commitment to ensuring that the company adds value for all its stakeholders, from shareholders to staff and the communities the company operates in, as well as reducing the environmental impact of the company's activities. Steel & Tube believes it is the company's corporate responsibility to ensure the company plays its part in making the world a better place.

We have identified environmental, social and governance (ESG) principles which we believe will enhance Steel & Tube and support our growth. Oversight of ESG is set out in Steel & Tube's Sustainability Policy. Steel & Tube's Sustainability Manager leads the company's sustainability practices.

Independent director, John Beveridge has been appointed to lead the board in relation to sustainability matters.

Steel & Tube has reported on the company's progress, outlined on pages 26 to 27.

Steel & Tube has made voluntary disclosures against the mandatory climate-related disclosures regime in FY23 and will report against this fully from FY24. Disclosures can be read on pages 89 to 98.

5. Remuneration

Remuneration of directors and senior executives is the key responsibility of the People & Culture Committee.

The framework for the determination and payment of directors' and senior executives' remuneration is set out in Steel & Tube's 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 FY23 are provided on pages 99 to 102.

5.1 Directors' Remuneration

Shareholders fix the total remuneration available for directors. Approval is sought for any increase in the pool available to pay directors' fees, and any recommendations to shareholders regarding director remuneration are provided for approval in a transparent manner. If independent advice is sought by the board, it will be disclosed to shareholders as part of the approval process.

The last increase in director remuneration was approved by shareholders at the Annual Meeting in September 2022, for a total fee pool of $642,500. Board policy is that no sum is paid to a director upon retirement or cessation of office.

While there is no formal requirement to do so, all directors hold shares in the company either personally or through affiliates. Directors' share dealings and interests in the company are detailed on page 103.

Remuneration for each board role as at 30 June 2023 is as follows. Specific payments made to each director during FY23, as well as other related information, is set out in the Remuneration Report on page 99.

Chair	$165,000
Director	$87,500
Committee Chair – Audit & Risk, QHSE	$15,000
Committee Chair – People & Culture	$10,000

5.2 and 5.3 Executive and CEO Remuneration

Steel & Tube's executive remuneration policies and practices are designed to attract, retain and motivate high calibre people and create a performance-focussed culture. Details of executive and CEO Remuneration are set out in the Remuneration Report on pages 99 to 102.

6. Risk Management

6.1 Risk Management Framework

Steel & Tube's ability to deliver appropriate returns to its shareholders requires successful execution of business strategy and the elimination, reduction and mitigation of associated risks. We apply effective risk management principles across our Business Units to ensure risk is identified, assessed, categorised and ranked to allow the business to understand its risks.

The board has overall responsibility for the establishment and oversight of the group's risk management framework. The board is responsible for overseeing and monitoring significant business risks and overseeing management's processes to mitigate the identified risks.

Key risks are owned by members of the executive leadership team. This promotes integration into operations and planning and a culture of proactive risk management. Management regularly report to the board on significant business risks and treatments for those risks. Legislative compliance is monitored across each business unit through Quantate compliance management survey.

The company is exposed to risks from a number of sources, including operational, strategic, economic and financial risks.

Steel & Tube's risk management framework incorporates policies, procedures and appropriate internal controls to identify, assess and manage areas of significant business and financial risks.

Key risks are assessed on a risk profile identifying the likelihood of occurrence and potential severity of impact; and are managed with a focus on decreasing the risk likelihood and minimising the risk impact should it occur. Steel & Tube maintains insurance policies that it considers adequate and practicable to meet its insurable risks.

Key risk areas include:

Key Risk	Description	Mitigation
Maintenance of Steel & Tube's values and culture	Deviation from the company's core values and culture could lead to ethical and reputational issues	• Unified purpose focussed on making life easy for customers • Regular communication and reinforcement of the company's values and culture through inductions, training and workshops • Monitoring of employee engagement surveys and controls environment
Strategy execution	Ineffective implementation of strategic initiatives leading to sub-optimal performance and competitive disadvantage	• Clearly defined strategic goals with measurable objectives and key performance indicators (KPIs) • Clear responsibilities and accountability for strategy implementation • Regular progress monitoring and corrective actions to address deviations from the plan
Quality of products	Risks associated with the production and supply of substandard or faulty products, leading to customer dissatisfaction and potential product under-performance and/or legal liabilities	• Robust quality control processes throughout the production chain • Regular product testing to rigorous standards • Independent audits of supplier mills • Internal audits and ISO certification and compliance • Maintaining compliance with industry standards and regulations
Economic environment and trading conditions	Exposure to economic fluctuations impacting demand, pricing, and overall financial performance	• Diversification of product offerings and customer base to reduce dependency on specific sectors • Regular economic analysis and scenario planning to anticipate and respond to market changes • Syndicated bank debt facility • Active financial stewardship

6.2 Quality, Health, Safety and Environment

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

The board is responsible for ensuring that the systems used to identify and manage health and safety risks are fit for purpose, being effectively implemented, regularly reviewed and continuously improved. A mix of lead and lag indicators are reported, and safety performance is tracked to identify patterns to help prevent incidents. Health and safety is a fixed agenda item at each board meeting and the chair of the QHSE committee regularly provides updates to the board on committee proceedings.

	2019	2020	2021	2022	2023
Safety eTRIFR	1.5	4.9	1.86	1.13	1.14

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

More information on our approach to Quality and Health & Safety is outlined on page 28.

7. Auditors

7.1 External Audit

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

For the year ended 30 June 2023, KPMG was the external auditor of Steel & Tube. KPMG was first appointed as auditor in 2021, with the next lead partner rotation due no later than 2026.

The Audit & Risk Committee monitors the ongoing independence, quality and performance of the external auditors and monitors audit partner rotation. The committee pre-approves any non-audit work undertaken by the external auditors. There were no non-audit services provided by KPMG following their appointment as external auditors. The fees paid for audit services in FY23 is identified in Note E4 of the Financial Report.

KPMG has provided the Steel & Tube board with written confirmation that, in their view, they were able to operate independently during the year.

7.2 Attendance at Annual Meeting

It is Steel & Tube's practice that the external auditors attend the Annual Shareholders' Meeting each year and are available to answer questions from shareholders relevant to the audit.

7.3 Internal Audit

Steel & Tube operates an outsourced internal audit function, which reports to and is monitored by the Audit & Risk Committee. 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 recommendations arising from the internal auditor's review findings.

During FY23, BDO was appointed as the company's outsourced internal audit provider.

8. Shareholder Rights and Relations

8.1 Investor website

Easy access to information about the performance of Steel & Tube is available through the Investor Centre on the company's website at https://steelandtube.co.nz/investor-centre.

8.2 Engagement with shareholders

We are committed to open and regular dialogue and engagement with shareholders. Steel & Tube's investor relations programme includes semi-annual post-results briefings with investors, analysts and investor meetings, and earnings announcements. In addition, we release semi-annual Shareholder Newsletters as part of our initiative to keep shareholders informed about the business and the contribution our company makes to New Zealand's economic development and prosperity. The programme is designed to provide shareholders and other market participants the opportunity to obtain information, express views and ask questions.

Shareholders are encouraged to communicate with the company and its share registry electronically. Approximately 66% of Steel & Tube's shareholders have opted for email communications.

We endeavour to make it easy for shareholders to participate in Annual Shareholders' Meetings, which are held in a main centre, streamed live online and recorded and posted on the company website. Shareholders can ask questions of and express their views to the board, management and the external auditors at Annual Shareholders' Meetings. In 2022, 38 shareholders attended the meeting in person, with a further 32 shareholders joining online.

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

8.3 Voting on major decisions

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

8.4 Equity offers

Steel & Tube did not undertake any capital raising during FY23. Should Steel & Tube consider raising additional capital, we will structure the offer having regard to likely levels of shareholder participation and optimising and enhancing the ability to maximise the level of capital raised. The board will look to give all shareholders an opportunity to participate in any capital raising.

8.5 Notice of meeting

We aim to provide at least 20 working days of the notice of the Annual Shareholders Meeting, which is posted on Steel & Tube's website, announced on the NZX and sent to shareholders prior to the meeting each year. This goal was achieved in 2022.

Climate-related Disclosures

Steel & Tube's Response to Climate Change

Steel & Tube is well positioned to respond to a low emission future and is supportive of New Zealand's net-zero ambitions by 2050. Our goal is clear: to maximise steel's contribution to a sustainable and low emissions society, whilst continuing to grow our business and deliver value to our shareholders. During FY23, we have completed our first climate risk assessment, conducted a full materiality assessment and deployed an emissions tracking software to ensure we can track and report our emissions profile. In late 2022, Steel & Tube became a member of the Sustainable Business Council, strengthening our commitment to reducing our environmental impact through proactive collaboration with our peers.

We are mindful that a transition to a low emissions economy brings both opportunities and risks to Steel & Tube. As one of New Zealand's largest steel distributors and manufacturers, climate change has the potential to have a transformative impact on the way we do business. This is why we have committed to engaging with policymakers on climate change legislation over the last two years, and will continue to do so in the future. With the help of Deloitte, our work in the current year to identify key climate risks and opportunities has set the foundation for a robust climate change strategy which will continue to develop over the coming years.

As a climate reporting entity under the *Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021*, Steel & Tube will regularly report on the way in which climate change is managed in the organisation. Developed by the External Reporting Board, Climate-related Disclosures is based on the TCFD[1] framework, which span across four key climate pillars: governance, risk management, strategy and metrics & targets. Although these disclosures are not mandatory until our FY24 reporting, we recognise the benefit of understanding the impact of climate change on our business and have made a number of disclosures in FY23. The following table outlines the highlights achieved during FY23, categorised by TCFD pillar.

Pillar	FY23 Highlights
Governance	• The board has oversight of climate related opportunities and risks • Management has been assigned responsibility in managing climate change, including the role of the Group Sustainability Manager in preparing climate-related disclosures • The company's Sustainability Policy has been updated to reflect evolving stakeholder feedback and legislative changes
Strategy	• Steel & Tube has completed a review to understand its current climate-related impacts experienced in FY23 • Steel & Tube has completed its first climate risk assessment, identifying climate opportunities and risks over the short, medium and long term. This includes an understanding of the associated impacts of these opportunities and risks • The company has also outlined the scenario analysis it has undertaken, and started to integrate climate opportunities and risks into its overall business strategy
Risk Management	• Steel & Tube has developed a process for identifying, assessing and managing climate-related risks, including how it intends to engage with stakeholders for this assessment
Metrics & Targets	• Steel & Tube has deployed an emissions tracking system to manage its Scope 1, Scope 2 and Scope 3 emissions • Scope 3 emissions have been expanded to include transportation and distribution, and upstream energy production. The calculation methodology has been improved to reflect best practice in New Zealand • The company has conducted a review of its GHG (Greenhouse Gas) organisational boundary with the help of an independent third party • Sustainability metrics and targets are reported to the board on a quarterly basis

[1] Task Force on Climate-related Financial Disclosures

Governance

Identifying, addressing, and mitigating climate change risks and opportunities involves a number of roles across Steel & Tube. The Group Sustainability Manager leads an annual review of climate-related risks and opportunities against three approved climate scenarios. The leadership team and selected subject matter experts recommend targets and strategies that aim to mitigate climate risks and harness climate opportunities identified in the annual review.

Steel & Tube's board of directors is responsible for Steel & Tube's strategy, which include climate-related risks and opportunities. Sustainability and climate response is a standing topic with the board and key updates are reported regularly. The board reviews and approves the metrics and targets that measure our performance across our core strategic pillars. Progress and performance against sustainability metrics are reported to the board quarterly. The board is responsible for oversight of climate-related disclosures, including climate scenarios and time horizons.

Steel & Tube's Chief Executive Officer is responsible for leading, managing and delivering Steel & Tube's strategy. A climate risk steering group, consisting of five General Managers are engaged to identify key climate risks and opportunities. The Group Sustainability Manager reports to the Chief Financial Officer and works across all Business Units to ensure that decarbonisation projects and other strategic drivers are being implemented.

Board	• Oversees climate-related disclosures • Oversees climate-related risks and opportunities, including management of these opportunities and risks
Management	• CEO is responsible for leading, managing and delivering on Steel & Tube's strategy, including its sustainability strategy
Group	• Group Sustainability Manager ensures there is appropriate oversight of climate-related risks and opportunities, including consulting with the business to drive decarbonisation initiatives • Group Financial Controller oversees financial impacts of climate-related risks and opportunities

Strategy

Steel & Tube conducted its first climate risk assessment in 2023. This was conducted in reference to a combination of best practice guidance, including the methodology provided by the Ministry for Environment's National Climate Change Risk Assessment Framework, ISO 14091-2021 for physical risk and opportunities assessment and the TCFD recommended methodology for identifying and rating transition risks and opportunities.

New Zealand's acute weather events in the summer of 2023 have demonstrated the severity of climate hazards and their potential impact on our assets, operations, people, ecosystem and communities.

The Auckland Anniversary floods of January 2023 saw a record amount of rainfall in parts of Auckland, with widespread flooding and coastal inundation affecting most of the city. Whilst our assets were protected from flood damage, there was an impact on our operations, with some deliveries delayed until it was safe to resume normal business activities. Steel & Tube was well equipped to handle a regional shutdown, with our hub and spoke model ensuring that operations in other regions were able to continue without issue.

Two weeks later, the North Island's North and East coasts were struck by Cyclone Gabrielle, causing more widespread damage, especially in the Hawkes Bay region where Steel & Tube operate two sites. Steel & Tube followed advice from meteorologists to prepare for a potentially destructive storm, and sites prepared accordingly. Our focus was on ensuring our people were safe, and these precautionary measures ensured that impact of Cyclone Gabrielle was considerably mitigated.

We also acknowledge the mental health impacts for staff that were affected by the Auckland floods and Cyclone Gabrielle. Financial support was provided to those in areas with the most damage, and our staff had our full support to make necessary arrangements for childcare until schools reopened.

Climate Scenarios

Scenarios are hypothetical pathways that adopt a set of assumptions leading to a plausible future. Steel & Tube's climate scenarios were developed using a combination of both global and local modelling data.

The scenarios adopted for Steel & Tube's first climate risk assessment are described in the below table

SSP (Shared Socioeconomic Pathway) Scenario	SSP1	SSP2	SSP5
NFGS (Network for Greening the Financial System) Scenario	Orderly	Disorderly	Hothouse
IPCC (Intergovernmental Panel on Climate Change) Scenario	RCP (Representative Concentration Pathway) 2.6	RCP 4.5	RCP 8.5
IPCC Description	This future poses moderate challenges to mitigation and moderate challenges to adaptation. Population growth stabilises toward the end of the century; current social, economic, and technological trends continue; global and national institutions make slow progress toward achieving sustainable development goals. This scenario limits global warming to between 1.3°C and 2.4°C.	This future poses high challenges to mitigation and high challenges to adaptation. Population growth continues with high growth in developing countries; there is an emphasis on national issues due to regional conflicts and nationalism; economic development is slow and fossil fuel dependent; there are weak global institutions and little international trade. Under this scenario global temperatures rise by between 2.1°C and 3.5°C.	This future depicts a worst-case scenario, where very little effort has been deployed to mitigate global warming. Current CO_2 emissions levels roughly double by 2050. Under this scenario, economic growth continues to be driven by fossil fuel combustion and energy intensive lifestyles. By 2100, the average global temperature has increased by 4.4°C. This future pose high challenges to mitigation and low challenges to adaptation. Under this scenario, global temperatures rise between 3.3°C and 5.7°C.

Steel & Tube adopted SSP1 (RCP 2.6) for our lower bound as the most plausible lower bound warming scenario using NIWA's downscaled context, due to the SSP1 (RCP 1.9) scenario not having available data.

The strategic time horizons to test against were determined on the basis of Steel & Tube's asset and product design life, its asset management regime, and its longer-term business strategy.

The three time horizons chosen are:

- present day (anchor point)
- 2030-2050
- 2050-2100

The warming scenarios and time horizons adopted by Steel & Tube provide a means of understanding the exposure and vulnerability of Steel & Tube's assets, operations, people, ecosystem and communities to the effects of climate change over time, and under different scenarios.

Physical Opportunities

Our primary physical opportunities relate to steel's resilience against climate hazards such as extreme weather and extreme winds. We anticipate a higher demand for climate change mitigation projects, such as sea walls to protect from coastal inundation and steel framing to offer increased structural stability against high winds. In addition to this, we expect increased demand of higher specified products to offer further protection to extreme weather and other physical climate risks when compared to alternative materials.

Transition Opportunities

Multiple opportunities have been identified with benefits anticipated in the near term. These relate to energy sector decarbonisation and potential revenue growth due to demand for steel products such as wind turbine blades and ground mounted solar arrays. An increase in extreme weather events could result in increased market demand for climate resilient steel products. We continue to closely monitor emerging technologies overseas in anticipation of lower-carbon or zero-carbon steel being available for our customers in New Zealand.

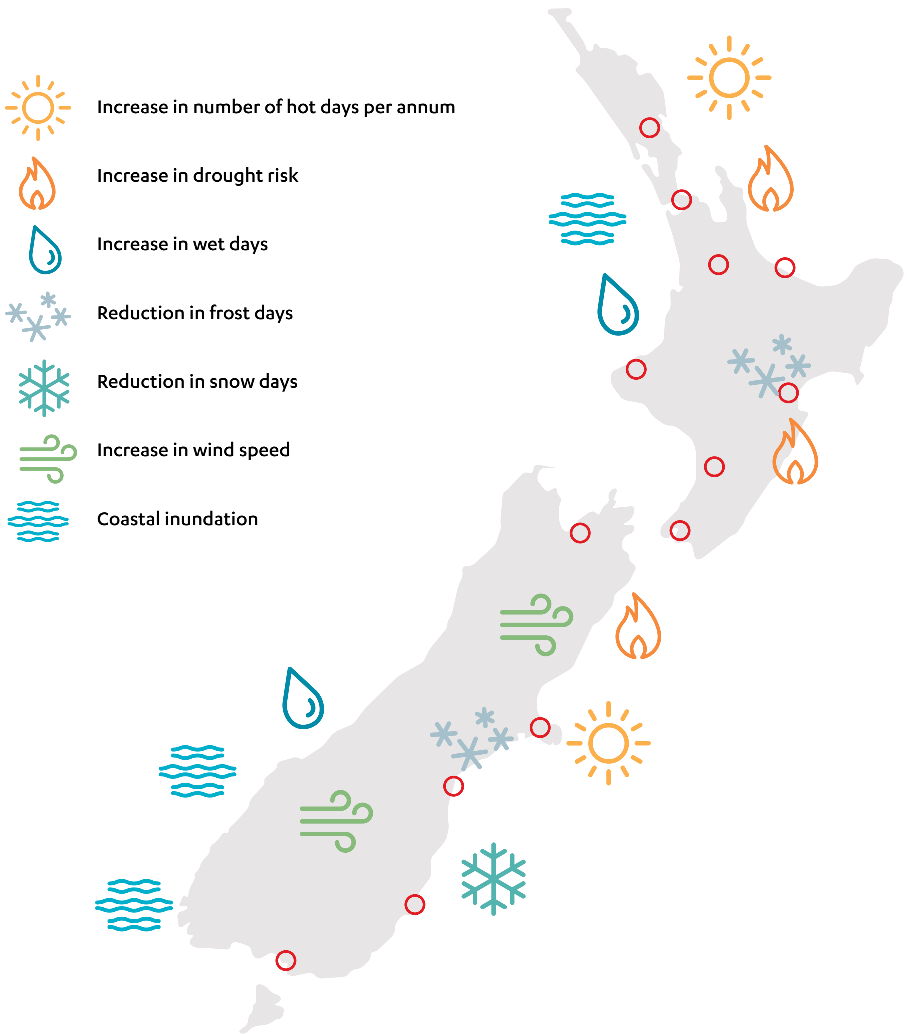
Top Opportunities

Type	Physical Opportunity	Transition Opportunity
Opportunity Statement	Extreme weather may result in heightened demand for steel products	Energy sector decarbonisation increases the need for steel
Time Frame	Present Day – 2030	2-5 years
Impact	New sales opportunities present an opportunity for revenue growth	As the energy sector decarbonises, new sales opportunities in the form of wind farms, solar support structures, geothermal farms and hydroelectric dams present an opportunity for revenue growth
Financial Impact	Planned for FY24 disclosures	Planned for FY24 disclosures
Management Response	Steel's higher resilience to extreme weather events is likely to yield an increased demand for steel products such as piles, roofing materials, fencing and steel framing. Secondly, an opportunity exists to offer higher specified products to the market, where alternative materials are not suitable. For example, stainless steel offers significant corrosion resistance and can help reduce rust and deterioration in areas affected by increased sea salt spray and humidity. Management understands steel's role in developing resilient infrastructure and our strategy aims to capture these opportunities.	Steel & Tube's Reinforcing division plays an integral role in supporting infrastructure projects in New Zealand. We supplied steel to Harapaki Windfarms in 2022 and anticipate more projects of a similar size in the future. Steel is essential in the production of most renewable energy infrastructure; for example, approximately 250 tonnes of steel is required for a 2MW wind turbine. Similarly, the proliferation of energy storage systems and carbon capture systems (CCS) is likely to increase demand for steel piping, pressure vessels and other equipment used in these projects. Steel also plays a significant role in constructing hydrogen production facilities, such as hydrogen compression vessels, storage and transportation.

Physical Risks

As a large distributor, changes in climate have the potential to have a significant impact on our operations, our assets and our people. We used NIWA's (National Institute of Water and Atmospheric Research) downscaled climate change projections to inform Steel & Tube of its relative climate risk exposure at various scenarios, which are detailed on page 91. We move a significant amount of steel between Steel & Tube locations, from domestic and offshore suppliers, and to customers in every corner of New Zealand. Consequently, physical risks that impact New Zealand's roading infrastructure will also have an impact on our ability to freight products by road. Flooding, extreme weather and landslides are the most conspicuous of these hazards. Climate change plays a significant role in determining where we choose to operate, and our location network has been built with this flexibility in mind.

Climate Hazard Projections Relative to Steel & Tube Locations:



Transition Risks

The steel industry faces potential transition risks relating to access to capital, reduced margins due to carbon border adjustment mechanisms and carbon taxes, as well as market loss arising from changing consumer preferences for lower carbon alternatives. While steel's embodied carbon content is high, steel is one of the most recycled materials in the world and from a whole-of-life perspective, steel has lower carbon content. The high embodied carbon content of steel plays a role during the procurement process, and our procurement team ensures Steel & Tube secure access to lower carbon steel products where commercially feasible. The team also undertake the conscious integration of social, ethical and environmental performance factors into the process of selecting suppliers.

During our climate risk assessment, we identified that transition risks were our most material risk type and are being closely monitored by the board of directors.

Top Risks

Type	Physical Risk	Transition Risk
Risk Description	Impaired site access due to flooding and landslips	High embodied carbon content of steel
Time Frame	Present Day – 2030	2-5 years
Impact	Inability for inter-site deliveries or customer deliveries to reach their destination in time, or at all resulting in a loss of revenue	Steel's reputation as having high embodied carbon content may contribute to alternative products being used, resulting in a reduced market size and associated revenue for Steel & Tube
Financial Impact	Planned for FY24 disclosures	Planned for FY24 disclosures
Management Response	Our hub and spoke model mitigates the risk of widespread impact caused by regional shutdowns, and we operate four primary distribution hubs to support our regional centres. Cyclone Gabrielle in February 2023 caused several access issues for Steel & Tube sites in Napier, Hastings and customers in Gisborne. In order to support our team in that area, product was dispatched from our Mount Maunganui site. Customers were regularly updated with delivery status updates to manage expectations and a focus was placed on safety for our transport contractors. Steel & Tube's response to Cyclone Gabrielle demonstrated the effectiveness of the hub and spoke model during extreme weather events and ensured a speedy recovery for our affected sites.	We are conscious that steel currently has high embodied carbon, and this is particularly true for products that were produced with traditional steelmaking methods that require the use of coal. We are closely following emerging technologies that use alternative reductants in the steelmaking process but are mindful that this technology will take time to scale and offer a commercially feasible product for the New Zealand market. In the meantime, Steel & Tube consider embodied carbon in procurement decisions and support HERA's (Heavy Engineering Research Association) verified carbon offset programme to offer an immediate solution for customers.

The outputs of our first climate risk assessment will support the development of Steel & Tube's transition plan, as required by the External Reporting Board's New Zealand Exposure Climate Standard 1 (NZ CS 1). In FY24, Steel & Tube will complete phase 2 of our climate risk assessment, which aims to understand the financial impacts of climate change and the subsequent transition plan to mitigate climate risks and harness climate opportunities.

In anticipation of our transition, all capital expenditure above $50,000 will require a climate risk evaluation before being approved.

Risk Management

Steel & Tube reviews climate-related risks and opportunities on an ongoing basis. In 2023, Steel & Tube completed its first climate risk assessment, establishing a reference point for future climate risk reporting. The assessment was conducted in conjunction with Deloitte and applies methodology from the Ministry for the Environment's National Climate Change Risk Assessment Framework (NCCRA), ISO 14091-2021 and TCFD recommendations.

For physical risks and opportunities, Steel & Tube engaged several subject matter experts across the business to identify climate-related risks and opportunities resulting from various climate hazards. Each expert also identified the relative consequence of each risk and rated these accordingly. For transition risks and opportunities, a different group of subject matter experts in the fields of technology, markets, legal/policy and reputation were responsible for identifying risks and rating these against a modified urgency criteria derived from the NCCRA and UK Committee on Climate Change's rating methodologies.

Risk Identification – Methodology

The process to identify physical risks and opportunities is consistent with the Ministry for Environment's National Climate Risk Assessment Framework methodology, and with ISO 14091:2021 by assessing the identified risks in terms of their exposure, sensitivity, and adaptive capacity. This process enables us to develop climate scenarios depicting our future state exposure to climate risk. Climate scenarios illustrate what the future might look like under differing degrees of climate change. They are not predictions about what will happen, but rather hypotheses about what could happen in the short to long term.

Transition risks and opportunities were identified and rated using the Taskforce for Climate-related Financial Disclosure's (TCFD) recommended methodology for identifying and rating transition risks. We applied the TCFD's four risk categories of Market, Reputation, Policy and Legal and Technology to identify the risks arising as global and local economies decouple from fossil fuels. For transition opportunities, we used the TCFD's five categories relating to a decarbonising economy, including resource efficiency and cost savings, the adoption and utilisation of low-emission energy sources, the development of new products and operations, and building supply chain resilience. The transition risks were then rated using a modified urgency criteria derived from the NCCRA and the UK Committee on Climate Change's rating methodologies. The urgency criteria were modified by introducing a temporal element to further define the level of urgency and to provide context for transition risk rating purposes.

A scoring methodology was applied to yield a materiality analysis that enables Steel & Tube to aggregate scores by climate hazard, risk type and risk area, as well to view the risk scores by individual risk statement. The purpose of aggregation was to ensure that the interlinked and cascading nature of climate related risks are captured in the risk summary.

These risks and opportunities were aggregated and reviewed by the climate steering group before submission to the board for approval.

The scope of our climate risk assessment covered all parts of Steel & Tube and its subsidiaries. This includes our suppliers, upstream transportation, and one tier downstream to our direct customers.

A full climate risk assessment will be conducted, at a minimum, every three years. On an annual basis, a list of top risks and opportunities will be reviewed by the leadership team and presented to the board of directors to determine whether additional action is required.

The climate risk assessment risk ratings and criteria align with Steel & Tube's Enterprise Risk Management Framework (ERMF). Currently, risks are collated by management and presented to the board on an annual basis, or quarterly if urgent risks or opportunities need addressing. Management of day-to-day climate risks occurs in a collaborative manner across several group functions, including supply chain, QHSET, Sustainability and Legal.

Metrics and Targets

Metrics and targets are used to quantitatively measure an organisation's sustainability performance.

We include Scope 1, Scope 2 and Scope 3 emissions in our GHG inventory:

- Scope 1: emissions we directly control. For Steel & Tube, this includes vehicle fuel and stationery combustion
- Scope 2: purchased electricity from the grid
- Scope 3: all other emissions that are outside of our direct control but sit within our organisational boundary. This includes supply chain emissions, business travel and waste

In FY23, we focussed on identifying and measuring our GHG inventory in accordance with the Ministry for the Environment's Measuring Emissions: A Guide for Organisations: 2022 and the Greenhouse Gas Protocol. During this time, we worked with a climate consultant, Proxima, to assist in establishing our organisational boundary and complete an independent review prior to our first year of mandatory reporting. All metrics are prepared using the 'operational control' consolidation approach and emission factors are sourced from the Ministry for the Environment's "A guide for organisations: 2022 summary of emission factors". Any emission factors not available in the Ministry for the Environment's Emission Factor Set are sourced from the United Kingdom's Department for Environment Food & Rural Affairs (DEFRA) Emission Factor Toolkit (2023).

Table of Emissions

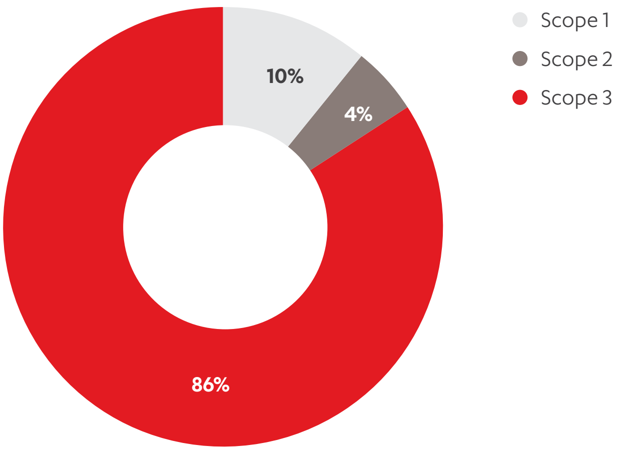
All figures are in tCO_2e (Tonnes of Carbon Dioxide Equivalent). Prepared in reference to the GHG Protocol Corporate Value Chain Standard.

Emissions Category		FY22	FY23	Change
Total Scope 1+2+3		17,435	14,175	-3,260
Scope 1		**1,350**	**1,480**	**130**
Stationery Combustion		10	10	-
Vehicle Fleet		1,340	1,470	130
Scope 2		**630**	**600**	**-30**
Electricity Consumption		630	600	-30
Scope 3		**15,455**	**12,095**	**-3,360**
C1	Purchased Goods and Services	*Disclosure proposed in FY24*		
C3	Fuel and Energy-Related Activities			
	Electricity Transmission/Distribution Losses	60	55	-5
	Upstream Fuel Production and Distribution	310	330	20
C4	Upstream Transportation & Distribution			
	Ocean Freight	8,630	5,335	-3,295
	Road Freight	4,740	4,520	-220
	Air Freight	No data	115	
C5	Waste Generation	95	100	5
C6	Business Travel	330	670	340
C7	Employee Commuting	*Disclosure proposed in FY24*		
C9	Downstream Transportation & Distribution	1,290	970	-320

These figures are provisional and the company has not sought assurance over its GHG emissions. Note that these figures have been appropriately rounded by the group. The group has made an assessment around the relevance and materiality of other emissions sources, with a priority placed on the categories listed above.

Share of Emissions by Scope – FY23

Emissions Split by Scope – FY23



Our Scope 1 and Scope 2 emissions represent 14% of our total reported emissions, where as our Scope 3 emissions represent the remaining 86% of reported emissions.

Table of Emissions Intensity

Emissions Intensity - Tonnes Sold

Steel & Tube calculates emission intensity by tonnes sold (kgCO_2e per tonne sold). In FY22, we increased the level of inventory to ensure we had sufficient product to meet our customers' needs during a period of significant supply chain disruption. As those disruptions have lessened, we have been able to reduce our inventory levels. Our focus on inventory management has reduced our gross emissions and both emission intensity measures from FY22 to FY23, primarily due to a reduction in upstream transportation (C4).

Steel & Tube's LED lighting carbon abatement project has so far yielded an approximate reduction of 400,000kWh compared to the previous year.

In FY24, we are establishing our base year and an emission reduction target for our group emissions.

Remuneration

Director Remuneration

As at 30 June 2023, the standard directors' fees per annum were $165,000 for the chair and $87,500 for each non-executive director. board committee chairs also receive additional fees of between $10,000 - $15,000 for their committee responsibilities.

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

Directors do not participate in the company's short or long term incentives.

The total amount of remuneration and other benefits received by the directors during the year ended 30 June 2023 was $642,500 as shown in the table below:

Director	Directors Fees	Committee Chair Fees	FY23 Total	Responsibility
Susan Paterson	165,000	-	165,000	Board Chair
Steve Reindler	87,500	10,000	97,500	People & Culture Committee Chair
Chris Ellis	87,500	15,000	102,500	QHSE Committee Chair
John Beveridge	87,500	-	87,500	
Karen Jordan	87,500	15,000	102,500	Audit & Risk Committee Chair
Andrew Flavell	87,500	-	87,500	

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.

Board policy is that no additional amounts are paid to a director or the Chief Executive Officer upon retirement or cessation of office.

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

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

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

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

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

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

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

CEO Remuneration

The CEO's overall remuneration as at 30 June 2023 consists of a fixed annual remuneration (FAR), an STI at 60% of FAR and an LTI of 40% of FAR. This is reviewed annually by the People and Culture Committee and approved by the board each year.

The performance targets for the CEO for the year ending 30 June 2023 were as follows:

Target KPIs	Weighting
Financial – Return on Funds Employed (ROFE)	50%
Completion of Nominated Strategic Initiatives	25%
Health & Safety – Leading and lagging indicators	10%
Customer Engagement	8%
Employee Engagement	7%

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

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

Target Remuneration:

	Fixed Remuneration			Pay for Performance			
	FAR[1]	Non-taxable benefits[2]	Sub total	Target STI[3]	Target LTI[4]	Subtotal	Total Target Remuneration
2023	$875,500	nil	$875,500	$525,300	$350,200	$875,500	**$1,751,000**
2022	$875,500	nil	$875,500	$458,556	$409,138	$867,694	**$1,743,194**
2021	$728,280	nil	$728,280	$218,484	$291,312	$509,796	**$1,238,076**
2020	$714,000	nil	$714,000	$428,400	$285,600	$714,000	**$1,428,000**
2019	$700,000	nil	$700,000	$420,000	$392,000	$812,000	**$1,512,000**

The financial performance target for the full year to 30 June 2023 was above the scheme's 80% hurdle requirement and accordingly STI is payable to the CEO.

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

Actual Remuneration Received:

	FAR[1]	Non-taxable benefits[2]	STI earned in FY[5]	Value of LTI vested during FY[6]	Total remuneration earned during FY
FY23	$875,500	nil	$708,871	$422,321	**$2,006,692**
FY22	$794,786	-	$687,834	-	**$1,482,620**
FY21	$721,140	-	$273,105	-	**$994,245**
FY20	$702,880	-	-	-	**$702,880**
FY19	$700,000	-	-	-	**$700,000**

[1] FAR includes any KiwiSaver employer contributions

[2] There were no costs associated with any other benefits during the year ended 30 June 2023

[3] STI target for the full year which is subject to achievement of performance targets as agreed with the board in each year. STI payment for FY22 is calculated on the CEO's FAR as at 31 March 2022. If financial targets are exceeded, it is possible to achieve up to 150% of the target. Financial performance for FY22 has resulted in 150% payment

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

[5] STI payable for the FY following the achievement of performance targets as agreed with the board

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

Pay Gap

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

At 30 June 2023, the Chief Executive Officer's fixed remuneration of $875,500 was 12.99 times (FY22: 13.51 times) that of the median employee at $67,397 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 2023 are specified in the table below.

The remuneration noted includes all monetary payments actually paid during the course of the year ended 30 June 2023, any restructuring and redundancy related compensation, value of shares vested under the terms of the LTI scheme and all short term performance incentive payments.

The remuneration paid to, and other benefits received by, Mark Malpass in his capacity as CEO for the year ended 30 June 2023 are detailed on pages 99 to 101, and are excluded from the table.

There has been an increase from 2022 due to the payment of LTI and full STI payments.

Remuneration Range $000	2023
100 - 110	44
110 - 120	33
120 - 130	21
130 - 140	18
140 - 150	10
150 - 160	7
160 - 170	4
170 - 180	4
180 - 190	6
190 - 200	6
200 - 210	4
220 - 230	1
230 - 240	2
240 - 250	1
250 - 260	1
260 - 270	1
290 - 300	2
300 - 310	2
330 - 340	1
360 - 370	1
400 - 410	1
410 - 420	1
490 - 500	1
540 - 550	1
620 - 630	2
670 - 680	1
810 - 820	1
Total	**177**

Disclosures

Changes in Directors' Interests

Directors made the following entries in the Directors' Interests Register pursuant to section 140 of the Companies Act 1993 during the year ended 30 June 2023:

Director	Interests
Susan Paterson	Appointed as chair of Evolution Healthcare and affiliated entities
Steve Reindler	Appointed as an independent advisor to the Museum of NZ Te Papa Tongarewa Governance Group
Chris Ellis	Ceased to be a director of Steelpipe Limited Appointed as advisory chair of John Filmore Contracting Limited
Karen Jordan	Ceased to be a director of City Rail Link Limited and a member of the IRD Risk and Assurance Committee Appointed as director of Lyttelton Port Company (effective 1 August 2023)
Andrew Flavell	Ceased to be the interim CTO of Laybuy Holdings Limited Appointed as director of SNGLRTY 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 2023 are:

Director	Shares held
Susan Paterson	262,425 beneficially owned
Steve Reindler	95,177
Chris Ellis	10,000
John Beveridge	20,000 beneficially owned
Karen Jordan	1,069
Andrew Flavell	1,000

Directors' Security Dealings

During the year ended 30 June 2023 directors' disclosed the following securities transactions in respect of section 148(2) of the Companies Act 1993 and sections 297(2) and 298(2) of the Financial Markets Conduct Act 2013.

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

Director	Date of Transaction	Number of shares acquired / (disposed)	Nature of transaction	Consideration
Steve Reindler	11 May 2023	14,000	On-market acquisition	$14,433
Andrew Flavell	14 September 2022	1,000	On-market acquisition	$1,430

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 willful 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 2023 were:

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

Steel & Tube Holdings Limited (STU) Analysis Of Shareholding

As at 30 June 2023

Holding Range	Holder Count	Holder Count %	Holding Quantity	Holding Quantity %
1 to 999	1,477	20.29%	604,829	0.36
1,000 to 4,999	2,503	34.39%	6,071,782	3.64
5,000 to 9,999	1,143	15.70%	7,812,966	4.68
10,000 to 49,999	1,722	23.66%	35,639,567	21.36
50,000+	434	5.96%	116,698,521	69.95
Total	**7,279**	**100.00%**	**166,827,665**	**100.00%**

Substantial Security Holder

On 22 August 2022, the group received notice, in accordance with Section 276 of the Financial Markets Conduct Act 2013, that Lennon Holdings Limited held 8,741,308 Steel & Tube Holdings Limited ordinary shares representing 5.26% (at the date of notice) of the ordinary shares of the company.

Issued shares in the company at 30 June 2023 comprise:	
Ordinary shares fully paid	166,827,665
Ordinary shares partly paid (no voting rights)^	25,000
	166,852,665

^ Shares issued in the Senior Executives Share Scheme 1993

Top 20 Shareholders

As at 30 June 2023

Twenty largest security holders as at 30 June 2023	Ordinary Shares	Percentage
New Zealand Steel Limited	26,274,753	15.75%
Lennon Holdings Limited	9,200,000	5.52%
HSBC Nominees (New Zealand) Limited*	4,402,577	2.64%
Custodial Services Limited	3,479,538	2.09%
New Zealand Depository Nominee Limited	3,397,892	2.04%
HPI Avondale Limited	2,103,786	1.26%
FNZ Custodians Limited	1,990,950	1.19%
Citibank Nominees (New Zealand) Limited*	1,831,165	1.10%
Neil Douglas Waites & Anthony Gene Waites & Richard Boyd Waites	1,770,000	1.06%
Leveraged Equities Finance Limited	1,550,000	0.93%
Maxima Investments Limited	1,450,000	0.87%
John Francis Managh	1,344,738	0.81%
Andrew Paul Lissaman Everist	1,272,000	0.76%
ASB Nominees Limited	1,085,000	0.65%
Trevor Jeffrey Corfield	1,012,000	0.61%
John Francis Managh & David Robert Percy	999,454	0.60%
Grandview Grazing Limited	917,550	0.55%
Public Trust Class 10 Nominees Limited*	742,275	0.45%
Accident Compensation Corporation*	621,326	0.37%
Forsyth Barr Custodians Limited	620,717	0.37%
	66,065,721	**39.60%**

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

Glossary

CO_2: Carbon Dioxide

DIFOT: Delivered in full, on time

DIFOTIS: Delivered in full, on time, in spec

EBIT: Earnings / (Loss) before the deduction of interest and tax

EBITDA: Earnings / (Loss) before the deduction of interest, tax, depreciation and amortisation

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

GHG: Greenhouse Gas

ISO: International Organization for Standardization

IPCC: Intergovernmental Panel on Climate Change

kgCO_2e: Kilograms of Carbon Dioxide Equivalent (a standard unit for counting greenhouse gas emissions)

NFGS: Network for Greening the Financial System

NIWA: National Institute of Water and Atmospheric Research

Normalised EBIT/EBITDA: EBIT and EBITDA excluding non-trading adjustments and unusual transactions

NPAT: Net profit after tax

Physical Risks: Risks related to the physical impacts of climate change, such as sea-level risk, extreme weather and flooding

RCP: Representative Concentration Pathway – these pathways refer to the concentration of carbon that deliver global warming at an average number of watts per square meter across the planet

Scope 1 Emissions: Direct emissions from owned or controllable sources in an organisation

Scope 2 Emissions: Indirect emissions from the generation of purchased energy

Scope 3 Emissions: All indirect emissions (not included in Scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions

SSPs: Shared Socioeconomic Pathways – these five pathways refer to the different future scenarios that may occur due to varying responses to climate policy, climate change mitigation and socioeconomic factors

TCFD: Task Force on Climate-Related Financial Disclosures

tCO_2e: Tonnes of Carbon Dioxide Equivalent (a standard unit for counting greenhouse gas emissions)

Transition Risks: Risks related to the transition to a lower-carbon economy, such as policy, legal, technology and market changes

XRB: External Reporting Board

Directory

Registered Office

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

PO Box 58880, Botany, Auckland 2163,
New Zealand

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

Email: info@steelandtube.co.nz

Website: www.steelandtube.co.nz

Directors

Susan Paterson	Chair and Independent Director
Steve Reindler	Independent Director
Christopher Ellis	Independent Director
John Beveridge	Independent Director
Karen Jordan	Independent Director
Andrew Flavell	Independent Director

Auditor

KPMG Auckland

18 Viaduct Harbour Avenue, Auckland 1010

Share Registry

Computershare Investor Services Limited
Private Bag 92119, Auckland 1142, New Zealand

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

Email: enquiry@computershare.co.nz

Website: www.computershare.co.nz

Bankers

ANZ New Zealand

ANZ Centre, 23-29 Albert Street, Auckland 1010

Solicitors

Chapman Tripp Auckland

Level 34, PwC Tower, 15 Customs Street West

PO Box 2206, Auckland 1140

Financial Calendar

Half year results announced February

End of financial year 30 June

Annual results announced August

Annual report August

Annual shareholder meeting September

Stock Exchange

The company’s shares trade on the New Zealand
Exchange under the code STU

steel&tube STRONGER TOGETHER | FORTRESS FASTENERS | ComFlor | Hurricane | KIWI PIPE & FITTINGS

steelandtube.co.nz