

NZPM GROUP LIMITED

CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2021

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NZPM GROUP LIMITED

Consolidated interim statement of profit or loss and other comprehensive income

For the six months ended 30 September 2021

	Notes	Unaudited 6 months to 30 Sept 2021 \$'000	Unaudited 6 months to 30 Sept 2020 \$'000	Audited 12 months to 31 Mar 2021 \$'000
Sales revenue		144,294	124,021	262,929
Cost of goods sold		(101,761)	(87,686)	(183,436)
Gross profit		42,533	36,335	79,493
Other operating income	3	970	3,845	3,926
Share of results of associates		93	39	56
Administration expenses	4	(6,429)	(5,735)	(11,159)
Other operating expenses	5	(27,904)	(25,960)	(51,355)
Operating profit		9,263	8,524	20,961
Finance income		6	5	9
Finance costs		(1,343)	(1,612)	(3,069)
Net finance cost		(1,337)	(1,607)	(3,060)
Rebate dividends and dividends	6	(9,240)	(4,589)	(5,993)
(Loss)/profit before income tax		(1,314)	2,328	11,908
Income tax expense		(2,227)	(1,968)	(5,145)
(Loss)/profit for the period		(3,541)	360	6,763
Other comprehensive (loss)/income for the period				
<i>Items that may be classified subsequently to profit and loss:</i>				
Gain/(loss) from foreign exchange differences on translation of foreign operations		1	0	(61)
Other comprehensive gain/(loss) for the period		1	0	(61)
Total comprehensive (loss)/income for the period		(3,540)	360	6,702

The accompanying notes form part of and are to be read in conjunction with these consolidated interim financial statements.

NZPM GROUP LIMITED

Consolidated interim balance sheet

As at 30 September 2021

	Note	Unaudited 30 Sept 2021 \$'000	Unaudited 30 Sept 2020 \$'000	Audited 31 Mar 2021 \$'000
Current assets				
Cash and cash equivalents	7	1,365	744	1,125
Trade and other receivables		30,544	30,149	38,290
Right to returned goods asset		1,007	1,219	1,088
Derivative financial instruments		29	10	46
Inventories		50,617	39,164	41,221
Total current assets		83,562	71,286	81,770
Non-current assets				
Property, plant and equipment		18,108	14,941	17,845
Intangible assets		7,885	7,897	7,791
Investment in associate		826	817	731
Right-of-use assets		43,455	47,155	44,723
Derivative financial instruments		32	0	0
Deferred taxation		3,072	2,428	2,642
Total non-current assets:		73,378	73,238	73,732
Total assets		156,940	144,524	155,502
Current liabilities				
Trade and other payables		31,836	30,990	33,201
Refund liability		1,449	1,753	1,566
Contract liabilities		1,839	1,545	1,532
Derivative financial instruments		0	170	84
Provisions		3,421	2,883	3,007
Lease liabilities		6,392	5,999	5,883
Taxation payable		1,657	1,164	3,505
Total current liabilities		46,594	44,504	48,778
Non-current liabilities				
Trade and other payables		0	182	0
Loans and borrowings		13,093	4,465	5,643
Derivative financial instruments		0	194	117
Provisions		675	680	823
Lease liabilities		40,636	43,675	41,919
Co-operative share capital	8	32,016	29,700	30,756
Total non-current liabilities		86,420	78,896	79,258
Total liabilities		133,014	123,400	128,036
Net assets		23,926	21,124	27,466
Equity				
Reserves		(60)	0	(61)
Retained earnings		23,986	21,124	27,527
Total equity		23,926	21,124	27,466

On behalf of the Board,



John DeBernardo

Director (Chair of the Board)

Authorised for issue on 12 November 2021



Kathy Meads

Director (Chair of the Audit & Risk Committee)

The accompanying notes form part of and are to be read in conjunction with these consolidated interim financial statements.

NZPM GROUP LIMITED**Consolidated interim statement of changes in equity**

For the six months ended 30 September 2021

	Notes	Foreign currency translation reserve \$'000	Retained earnings \$'000	Total equity \$'000
Unaudited 2021				
Balance at 1 April 2021		(61)	27,527	27,466
Loss for the period		0	(3,541)	(3,541)
Other comprehensive income for the period		1	0	1
Total comprehensive loss for the period		1	(3,541)	(3,540)
Balance at 30 September 2021		(60)	23,986	23,926
Unaudited 2020				
Balance at 1 April 2020		0	20,764	20,764
Profit for the period		0	360	360
Other comprehensive loss for the period		0	0	0
Total comprehensive income for the period		0	360	360
Balance at 30 September 2020		0	21,124	21,124
Audited 2021				
Balance at 1 April 2020		0	20,764	20,764
Profit for the year		0	6,763	6,763
Other comprehensive loss for the year		(61)	0	(61)
Total comprehensive income for the year		(61)	6,763	6,702
Balance at 31 March 2021		(61)	27,527	27,466

The accompanying notes form part of and are to be read in conjunction with these financial statements.

NZPM GROUP LIMITED

Consolidated interim statement of cash flows

For the six months ended 30 September 2021

	Notes	Unaudited 6 months to 30 Sept 2021 \$'000	Unaudited 6 months to 30 Sept 2020 \$'000	Audited 12 months to 31 Mar 2021 \$'000
Operating activities:				
Receipts from customers		149,506	122,741	258,118
Receipts from 2020 COVID-19 Wage Subsidy		0	3,359	3,359
Receipts from 2021 COVID-19 Wage Subsidy		706	0	0
Rent received		58	52	132
Interest received		6	5	9
Income tax received		0	332	0
Dividends received from associates		0	0	42
Other income		61	26	27
Payments to suppliers and employees		(138,977)	(107,028)	(233,178)
Income tax paid		(4,505)	(2,252)	(2,970)
Interest paid on borrowings		(138)	(132)	(236)
Interest paid on lease liabilities		(1,341)	(1,429)	(2,827)
Interest paid on interest rate swaps		(97)	(139)	(257)
Dividends paid to shareholders	6	(8,575)	(3,988)	(5,144)
Net cash (outflows)/inflows from operating activities	7	(3,296)	11,547	17,075
Investing activities:				
Proceeds from sale of property, plant and equipment		0	0	24
Investment in associate		0	(375)	(375)
Purchase of intangible assets		(216)	(170)	(411)
Purchase of property, plant and equipment		(1,332)	(1,528)	(5,512)
Net cash outflows from investing activities		(1,548)	(2,073)	(6,274)
Financing activities:				
Issue of new shares	8	1,663	1,500	3,351
Proceeds from loans and borrowings		7,500	0	2,648
Share payments	8	(1,068)	(2,333)	(3,376)
Loans and borrowings repayments		(50)	(5,430)	(6,900)
Lease liability payments		(2,961)	(3,164)	(5,839)
Interest rate swaps repayments		0	0	(257)
Net cash inflows/(outflows) from financing activities		5,084	(9,427)	(10,373)
Net cash flows		240	47	428
Cash and cash equivalents at beginning of year		1,125	697	697
Cash and cash equivalents at end of period		1,365	744	1,125

The accompanying notes form part of and are to be read in conjunction with these consolidated interim financial statements.

NZPM GROUP LIMITED

Notes to the consolidated interim financial statements

For the six months ended 30 September 2021

1 Basis of preparation

Reporting entity and statutory base

The condensed consolidated interim financial statements presented are for NZPM Group (the 'Group') comprising NZPM Group Limited (NZPM or 'the company') and its subsidiaries and associate, as at 30 September 2021.

The Group is primarily involved in the provision of plumbing supplies and related products.

NZPM is a co-operative established in 1964. It is a profit-orientated company incorporated and domiciled in New Zealand. The address of its registered office is Metrix Building, 155 The Strand, Parnell, Auckland 1010.

NZPM is registered in New Zealand under the Companies Act 1993 and the Co-operative Companies Act 1996 and is a FMC Reporting Entity under the Financial Markets Conduct Act 2013.

The condensed consolidated interim financial statements have been authorised for issue by the Board of Directors on 12 November 2021 and have not been audited.

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP), NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*.

The condensed consolidated interim financial statements do not include all the notes and disclosures set out in the 2021 Annual Report. As a result, these statements should be read in conjunction with the annual report for the year ended 31 March 2021, (2021 Annual Report), which has been prepared in accordance with New Zealand Generally Accepted Accounting Practice ('NZ GAAP').

The condensed consolidated interim financial statements are expressed in New Zealand dollars which is the Group's presentation currency. All financial information has been rounded to the nearest thousand (\$'000) unless otherwise stated.

All significant accounting policies adopted in the preparation of these condensed consolidated interim financial statements are consistent with those used in the audited financial statements of the Group for the year (2021 Annual Report).

Critical accounting estimates and judgments

The Group makes estimates and judgments concerning the future. The resulting accounting estimates may, by definition, not equal the related actual results. The estimates and judgments used in the preparation of these unaudited condensed interim financial statements are consistent with those used in the 2021 Annual Report.

2 Changes to accounting standards and significant accounting policies

Impact of the initial application of Covid-19-Related Rent Concessions Amendment to IFRS 16

In the current financial year, the Group has applied the amendment to IFRS 16 (as issued by the IASB in May 2020) in advance of its effective date. This amendment introduces a practical expedient to IFRS 16 which permits a lessee to elect not to assess whether a COVID 19 related rent concession is a lease modification. The Group has made this election. The reduction of lease payments, resulting from the COVID-19-related rent concession, has been accounted for as a negative variable lease payment in profit or loss.

There have been no other changes to accounting policies and no other new standards adopted during the period.

NZPM GROUP LIMITED**Notes to the consolidated interim financial statements**

For the six months ended 30 September 2021

3 Other operating income

	Unaudited 6 months to 30 Sept 2021 \$'000	Unaudited 6 months to 30 Sept 2020 \$'000	Audited 12 months to 31 Mar 2021 \$'000
Government grant - 2020 COVID-19 wage subsidy scheme	0	3,359	3,359
Government grant - COVID-19 Resurgence Wage subsidy	27	0	0
Government grant - COVID-19 Wage subsidy August 2021	691	0	0
COVID-19 related rent concessions (i)	133	408	408
Operating rental income	58	52	132
Other	61	26	27
Total operating income	970	3,845	3,926

Applications for the initial COVID-19 wage subsidy August opened on 20 August 2021. The grant was recognised over the 14-day period of the related wage costs. Two further applications for COVID-19 wage subsidies were made after this period. One application was made for the COVID-19 Resurgence Wage subsidy.

(i) A number of lessors provided waivers of rent as a direct consequence of the COVID-19 pandemic.

4 Administration expenses

The comparative information for 'advertising expenses' for September 2020 has been restated to reclassify marketing rebates of \$1,357,182 to 'cost of goods sold' to conform to this year's presentation. This change has been made in order to provide users of the financial statements with a more comparable benchmark to improve the understandability of the financials overall as these are a direct credit to incurring costs.

5 Other operating expenses

	Unaudited 6 months to 30 Sept 2021 \$'000	Unaudited 6 months to 30 Sept 2020 \$'000	Audited 12 months to 31 Mar 2021 \$'000
<i>Other operating expenses include the following:</i>			
Employee expense	22,077	19,641	39,095
Depreciation and amortisation expense	4,787	5,236	10,293

The comparative information for 'other operating expenses' for September 2020 has been restated to reclassify COVID-19 rent concessions of \$408,000 to 'other operating income' to conform to this year's presentation.

6 Rebate dividends and dividends

	Unaudited 6 months to 30 Sept 2021 \$'000	Unaudited 6 months to 30 Sept 2020 \$'000	Audited 12 months to 31 Mar 2021 \$'000
<i>Amounts recognised as distributions to shareholders in the period:</i>			
Rebate dividends on ordinary shares	8,870	4,204	5,243
Dividends on redeemable preference shares	370	385	750
Total rebate dividends and dividends	9,240	4,589	5,993

NZPM GROUP LIMITED**Notes to the consolidated interim financial statements**

For the six months ended 30 September 2021

6 Rebate dividends and dividends continued

On 7 July 2021, NZPM declared a final rebate dividend for the year ended 31 March 2021 to all ordinary shareholders that was the greater of \$300 or 8.0% per annum of ordinary shareholder Grade-A cash. The rebate dividend was payable in cash on 23 September 2021 to all ordinary shareholders on the share register as at the date of payment who were not in default of their monthly obligations. The rebate dividend was fully imputed for tax purposes.

<i>The below figures reconcile to the amount of cash shown in the consolidated interim statement of cash flows at the end of the period as follows:</i>	Unaudited 6 months to 30 Sept 2021 \$'000	Unaudited 6 months to 30 Sept 2020 \$'000	Audited 12 months to 31 Mar 2021 \$'000
Total rebate dividends and dividends	9,240	4,589	5,993
less non-cash rebate dividends and dividends	(665)	(601)	(849)
Balance as per the consolidated interim statement of cash flows	<u>8,575</u>	<u>3,988</u>	<u>5,144</u>

7 Notes to the consolidated interim statement of cash flows

Cash and cash equivalents	Unaudited 6 months to 30 Sept 2021 \$'000	Unaudited 6 months to 30 Sept 2020 \$'000	Audited 12 months to 31 Mar 2021 \$'000
Cash at bank or on hand	1,365	744	1,125
Total cash and cash equivalents	<u>1,365</u>	<u>744</u>	<u>1,125</u>

Cash and cash equivalents comprises cash net of outstanding bank overdrafts.
The total also includes any foreign currency held by the Group as at 30 September 2021.

NZPM GROUP LIMITED

Notes to the consolidated interim financial statements

For the six months ended 30 September 2021

7 Notes to the consolidated interim statement of cash flows continued

Cash generated from operations

	Unaudited 6 months to 30 Sept 2021 \$'000	Unaudited 6 months to 30 Sept 2020 \$'000	Audited 12 months to 31 Mar 2021 \$'000
(Loss)/profit for the period	(3,541)	360	6,763
<i>Non-cash items:</i>			
Depreciation of property, plant and equipment	1,077	1,154	2,221
Amortisation of intangible assets	122	313	660
Depreciation of right-of-use assets	3,588	3,769	7,412
Non-cash share of net profit of associate	(93)	(40)	(14)
Net foreign exchange gain	1	0	(61)
Movement in deferred tax	(430)	(328)	(542)
Net gains on financial liabilities at fair value	(216)	(23)	(222)
Non-cash rebate dividends and dividends	665	601	849
	<u>4,714</u>	<u>5,446</u>	<u>10,303</u>
<i>Items classified as investing or financing adjustments:</i>			
Gain on disposal of property, plant and equipment	(10)	(3)	(14)
Movement in rent concessions	(133)	0	(408)
Non-cash share of purchase of associate	0	0	(304)
Repayment of interest rate swaps	0	0	257
	<u>(143)</u>	<u>(3)</u>	<u>(469)</u>
<i>Movement in working capital:</i>			
Decrease/(increase) in trade and other receivables	7,746	4,456	(3,686)
Decrease/(increase) in right to returned goods asset	81	(173)	(42)
Increase in inventories	(9,396)	(3,107)	(5,164)
(Decrease)/increase in taxation payable	(1,848)	376	2,717
(Decrease)/increase in trade and other payables	(1,365)	3,665	6,059
(Decrease)/increase in refund liability	(117)	233	46
Increase in contract liabilities	307	445	432
Increase/(decrease) in provisions	266	(151)	116
	<u>(4,326)</u>	<u>5,744</u>	<u>478</u>
Net cash (outflows)/inflows from operating activities	(3,296)	11,547	17,075

8 Co-operative share capital

	Unaudited 6 months to 30 Sept 2021 \$'000	Unaudited 6 months to 30 Sept 2020 \$'000	Audited 12 months to 31 Mar 2021 \$'000
<i>The movements in shares by class for the Group are as follows:</i>			
On issue at the beginning of the year	30,756	29,932	29,932
Net issues/(redemptions/transfers):			
Ordinary shares	266	205	425
'New' redeemable preference shares (New RPS)	344	(437)	399
Share applications	650	0	0
On issue at the end of the period	<u>32,016</u>	<u>29,700</u>	<u>30,756</u>

NZPM GROUP LIMITED

Notes to the consolidated interim financial statements

For the six months ended 30 September 2021

8 Co-operative share capital continued

	Unaudited 6 months to 30 Sept 2021 \$'000	Unaudited 6 months to 30 Sept 2020 \$'000	Audited 12 months to 31 Mar 2021 \$'000
<i>Ordinary shares</i>			
Issued capital			
10,090,000 (Sept 2020: 9,305,776 Mar 2021: 9,475,331) ordinary shares of \$1 each less uncalled and unpaid capital	10,090 (1,644) <u>8,446</u>	9,305 (1,345) <u>7,960</u>	9,475 (1,295) <u>8,180</u>
<i>Redeemable preference shares (RPS)</i>			
16,564 (Sept 2020: 16,564 Mar 2021: 16,564) redeemable preference shares of \$1 each fully paid	17	17	17
<i>'New' redeemable preference shares (New RPS)</i>			
22,137,501 (Sept 2020: 20,319,562 Mar 2021: 21,647,585) new redeemable preference shares of \$1 each fully paid	22,138	20,320	21,648
273,996 (Sept 2020: 323,305 Mar 2021: 351,892) FR24 redeemable preference shares of \$1 each fully paid	274	323	352
385,904 (Sept 2020: 360,625 Mar 2021: 394,549) FR36 redeemable preference shares of \$1 each fully paid	386	361	394
104,939 (Sept 2020: 152,379 Mar 2021: 164,834) FR48 redeemable preference shares of \$1 each fully paid	105	152	165
Share applications	650	567	0
Total co-operative share capital	<u>32,016</u>	<u>29,700</u>	<u>30,756</u>
<i>Classified as:</i>			
Non-current	<u>32,016</u>	<u>29,700</u>	<u>30,756</u>
	<u>Unaudited 6 months to 30 Sept 2021 \$'000</u>	<u>Unaudited 6 months to 30 Sept 2020 \$'000</u>	<u>Audited 12 months to 31 Mar 2021 \$'000</u>
<i>The below figures reconcile to the amount of cash shown in the consolidated interim statement of cash flows at the end of the period as follows:</i>			
Total co-operative share capital	32,016	29,700	30,756
less non-cash rebate dividends and dividend payments	(665)	(601)	(849)
less opening balance	(30,756)	(29,932)	(29,932)
Net balance as per the consolidated interim statement of cash flows	<u>595</u>	<u>(833)</u>	<u>(25)</u>

The Group has several classes of shares. Each class has different rights attached.

Ordinary shares

Ordinary shares may be surrendered at the option of the shareholder, directors or Group according to the Constitution at the nominal value of \$1 per fully paid share. Consideration for the surrender is subject to the directors' right to postpone payment for up to five years. Ordinary shares carry certain rights as to voting and rebate dividends.

Redeemable preference shares

NZPM has issued various classes of redeemable preference shares. Redeemable preference shares issued at different times and with different terms each constitute a separate class of redeemable preference shares. Redeemable preference shares are redeemable at the option of the shareholder at the nominal value of \$1 per share. Redeemable preference shares carry certain rights to receive dividends. Redeemable preference shares carry no voting rights (except as required by section 117 of the Companies Act 1993) or rights to rebate dividends. The directors are able to postpone repayment for up to 5 years. As at 30 September 2021, the quarterly dividend rate was 4.5% (Sept 2020: 4.5%, Mar 2021: 4.5%) per annum.

NZPM GROUP LIMITED

Notes to the consolidated interim financial statements

For the six months ended 30 September 2021

8 Co-operative share capital continued

General

All shares carry equal rights on any winding up of NZPM to be repaid the paid-up capital, in proportion to the capital paid-up on each share. Each ordinary share also carries the further right to share equally in the distribution of any further residual assets of NZPM following repayment of the paid-up capital. The Constitution and the Companies Act 1993 gives the directors the discretion to pay different rates of dividend, (if any), to different classes of shares. All share capital is classified as a liability as it is redeemable on a specific date or at the option of the shareholders.

9 Contingent liabilities

There were no contingent liabilities as at 30 September 2021 (Sept 2020: nil, Mar 2021: nil).

10 Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities are as follows:

	Unaudited 6 months to 30 Sept 2021 \$'000	Unaudited 6 months to 30 Sept 2020 \$'000	Audited 12 months to 31 Mar 2021 \$'000
Upgrade to leased and owned premises	151	50	87
Motor vehicles	1,471	0	1,838
Software	50	38	40
Computer equipment	10	27	16
	1,682	115	1,981

11 Events after the reporting period

There were no significant events after the reporting date.