

NZPM CO-OPERATIVE LIMITED

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2023**

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NZPM CO-OPERATIVE LIMITED

Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2023

		Unaudited	Unaudited	Audited
		6 months to	6 months to	12 months to
	Note	30 Sep 2023	30 Sep 2022	31 Mar 2023
		\$'000	\$'000	\$'000
Sales revenue		169,414	169,743	330,843
Cost of goods sold		(119,615)	(119,505)	(231,972)
Gross profit		49,799	50,238	98,871
Other operating income	2	482	164	675
Share of results of associates		51	60	69
Administration expenses		(7,308)	(7,054)	(13,903)
Other operating expenses and ERP system transition costs	3	(37,303)	(31,294)	(64,222)
Earnings before finance costs, dividends and tax		5,721	12,114	21,490
Finance income		179	166	234
Finance cost		(1,982)	(1,486)	(3,298)
Co-operative dividends and dividends	4	(8,222)	(11,321)	(11,969)
(Loss)/profit before income tax		(4,304)	(527)	6,457
Income tax expense		(1,193)	(3,210)	(5,285)
(Loss)/profit for the period		(5,497)	(3,737)	1,172
Other comprehensive income for the period				
<i>Items that may be classified subsequently to profit and loss:</i>				
Gain from foreign exchange differences on translation of foreign operations		40	147	73
Other comprehensive gain for the period		40	147	73
Total comprehensive (loss)/income for the period		(5,457)	(3,590)	1,245

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

NZPM CO-OPERATIVE LIMITED

Consolidated Interim Balance Sheet

As at 30 September 2023

	Note	Unaudited 30 Sep 2023 \$'000	Unaudited 30 Sep 2022 \$'000	Audited 31 Mar 2023 \$'000
Current assets				
Cash and cash equivalents	5	287	2,083	-
Trade and other receivables		36,975	37,619	43,912
Right to returned goods asset		1,739	1,341	1,506
Inventories		55,062	57,898	56,971
Derivative financial instruments		287	467	380
Total current assets		94,350	99,408	102,769
Non-current assets				
Property, plant and equipment		17,504	20,285	24,824
Intangible assets		7,825	7,971	7,879
Investment in associate		899	905	808
Right-of-use assets		44,823	40,818	44,407
Deferred taxation		5,849	3,888	4,797
Total non-current assets		76,900	73,867	82,715
Non-current asset classified as held for sale	6	10,063	-	-
Total assets		181,313	173,275	185,484
Current liabilities				
Bank overdraft	5	-	-	135
Trade and other payables		34,774	35,473	35,296
Refund liability		2,482	1,940	2,173
Contract liabilities		2,097	1,874	1,742
Provisions		4,241	4,270	4,837
Lease liabilities		6,664	6,414	6,626
Taxation payable		24	2,159	3,043
Total current liabilities		50,282	52,130	53,852
Non-current liabilities				
Loans and borrowings		17,583	14,538	14,076
Provisions		1,292	856	1,109
Lease liabilities		43,372	38,767	42,567
Co-operative share capital	7	40,055	37,633	39,694
Total non-current liabilities		102,302	91,794	97,446
Total liabilities		152,584	143,924	151,298
Net assets		28,729	29,351	34,186
Equity				
Reserves		50	84	10
Retained earnings		28,679	29,267	34,176
Total equity		28,729	29,351	34,186

On behalf of the Board,



Kathy Meads

Director (Chair of the Board)

Authorised for issue on 23 November 2023



Dean Carroll

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 CO-OPERATIVE LIMITED

Consolidated Interim Statement of Changes in Equity

For the six months ended 30 September 2023

	Note	Foreign currency translation reserve \$'000	Retained earnings \$'000	Total equity \$'000
Unaudited 2023				
Balance at 1 April 2023		10	34,176	34,186
Loss for the period		-	(5,497)	(5,497)
Other comprehensive income for the period		40	-	40
Total comprehensive loss for the period		40	(5,497)	(5,457)
Balance at 30 September 2023		50	28,679	28,729
Unaudited 2022				
Balance at 1 April 2022		(63)	33,004	32,941
Loss for the period		-	(3,737)	(3,737)
Other comprehensive income for the period		147	-	147
Total comprehensive loss for the period		147	(3,737)	(3,590)
Balance at 30 September 2022		84	29,267	29,351
Audited 2023				
Balance at 1 April 2022		(63)	33,004	32,941
Profit for the year		-	1,172	1,172
Other comprehensive loss for the year		73	-	73
Total comprehensive income for the year		73	1,172	1,245
Balance at 31 March 2023		10	34,176	34,186

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

NZPM CO-OPERATIVE LIMITED

Consolidated Interim Statement of Cash Flows

For the six months ended 30 September 2023

	Notes	Unaudited 6 months to 30 Sep 2023 \$'000	Unaudited 6 months to 30 Sep 2022 \$'000	Audited 12 months to 31 Mar 2023 \$'000
Operating activities:				
Receipts from customers		172,561	170,751	330,323
Receipts from Insurance Claim		393	-	195
Rent received		32	27	59
Interest received		83	38	65
Interest received on interest rate swaps		96	7	92
Dividends received from associates		-	-	32
Other income		46	77	479
Payments to suppliers and employees		(153,384)	(149,814)	(300,732)
Income tax paid		(5,264)	(5,801)	(7,902)
Interest paid on borrowings		(530)	(222)	(675)
Interest paid on lease liabilities		(1,428)	(1,258)	(2,623)
Dividends paid to shareholders	4	(7,455)	(10,560)	(10,815)
Net cash inflows from operating activities	5	5,150	3,245	8,498
Investing activities:				
Proceeds from sale of property, plant and equipment		42	27	33
Purchase of intangible assets		(113)	(134)	(274)
Purchase of property, plant and equipment		(4,346)	(2,202)	(7,363)
Net cash outflows from investing activities		(4,417)	(2,309)	(7,604)
Financing activities:				
Issue of new shares	7	1,455	4,905	7,807
Proceeds from loans and borrowings		3,507	745	2,633
Share redemption payments	7	(1,861)	(861)	(2,095)
Loans and borrowings repayments		-	(750)	(3,100)
Lease liability payments		(3,412)	(3,331)	(6,712)
Net cash (outflows) / inflows from financing activities		(311)	708	(1,467)
Net increase / (decrease) in cash and cash equivalents		422	1,645	(573)
Cash and cash equivalents at beginning of year		(135)	438	438
Cash and cash equivalents at end of period		287	2,083	(135)

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

NZPM CO-OPERATIVE LIMITED

Notes to the Consolidated Interim Financial Statements

For the six months ended 30 September 2023

1 Basis of preparation

Reporting entity and statutory base

The condensed Consolidated Interim Financial Statements presented are for NZPM Group (the 'Group'), comprising NZPM Co-operative Limited (NZPM or 'the company') and its subsidiaries and associate, as at 30 September 2023.

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. During the period, the co-operative changed address of its registered office from Metrix Building, 155 The Strand, Parnell, Auckland 1010 to Level 2, 65 Parnell Rise 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 23 November 2023 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 2023 Annual Report. As a result, these statements should be read in conjunction with the annual report for the year ended 31 March 2023, (2023 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 2023 financial statements of the Group.

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 Consolidated Interim Financial Statements are consistent with those used in the 2023 Annual Report.

NZPM CO-OPERATIVE LIMITED

Notes to the Consolidated Interim Financial Statements

For the six months ended 30 September 2023

2 Other operating income

	Unaudited 6 months to 30 Sep 2023 \$'000	Unaudited 6 months to 30 Sep 2022 \$'000	Audited 12 months to 31 Mar 2023 \$'000
Operating rental income	32	27	59
Insurance proceeds	393	-	195
License of pwGO application	-	-	332
Other	57	137	89
Total operating income	482	164	675

3 Other operating expenses and ERP system transition costs

	Unaudited 6 months to 30 Sep 2023 \$'000	Unaudited 6 months to 30 Sep 2022 \$'000	Audited 12 months to 31 Mar 2023 \$'000
<i>Other operating expenses and ERP system transition costs include the following:</i>			
Employee expense	24,967	24,429	48,832
Employee expense incurred for the ERP system transition	848	160	518
ERP system transition costs (excluding internal wages and salaries)	3,045	329	1,719
Depreciation and amortisation expense	5,239	4,936	10,025

NZPM has commenced the process of replacing its current technology platform with Microsoft Dynamics 365. The implementation is expected to take a further 8 months and cost a further estimated \$6.7 million including both internal and external costs. The design and build phases of this project are substantially complete and testing has commenced on the system.

4 Co-operative dividends and dividends

	Unaudited 6 months to 30 Sep 2023 \$'000	Unaudited 6 months to 30 Sep 2022 \$'000	Audited 12 months to 31 Mar 2023 \$'000
<i>Amounts recognised as distributions to shareholders in the period:</i>			
Dividends on redeemable preference shares	721	492	1,140
Co-operative dividends on ordinary shares	7,501	10,829	10,829
Total co-operative dividends and dividends	8,222	11,321	11,969

On 29 June 2023, NZPM declared an interim co-operative dividend for the year ended 31 March 2023 to all ordinary shareholders that was the greater of \$300 or 5.0% per annum of ordinary shareholder Grade-A cash. The co-operative dividend was paid in cash on 26 September 2023 to all ordinary shareholders on the share register as at the date of payment who were not in default of their monthly obligations. The co-operative dividend was fully imputed for tax purposes.

	Unaudited 6 months to 30 Sep 2023 \$'000	Unaudited 6 months to 30 Sep 2022 \$'000	Audited 12 months to 31 Mar 2023 \$'000
<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 dividends and dividends	8,222	11,321	11,969
less non-cash co-operative dividends and dividends	(767)	(761)	(1,154)
Balance as per the Consolidated Interim Statement of Cash Flows	7,455	10,560	10,815

NZPM CO-OPERATIVE LIMITED
Notes to the Consolidated Interim Financial Statements
For the six months ended 30 September 2023

5 Notes to the Consolidated Interim Statement of Cash Flows

	Unaudited 6 months to 30 Sep 2023 \$'000	Unaudited 6 months to 30 Sep 2022 \$'000	Audited 12 months to 31 Mar 2023 \$'000
Cash and cash equivalents			
Cash at bank or on hand	287	2,083	-
Bank overdraft	-	-	(135)
Total cash and cash equivalents	287	2,083	(135)

Cash at bank or on hand comprises cash net of outstanding bank overdrafts.
The total also includes any foreign currency held by the Group as at 30 September 2023.

	Unaudited 6 months to 30 Sep 2023 \$'000	Unaudited 6 months to 30 Sep 2022 \$'000	Audited 12 months to 31 Mar 2023 \$'000
Cash generated from operations			
(Loss) / Profit for the period	(5,497)	(3,737)	1,172
<i>Non-cash items:</i>			
Depreciation of property, plant and equipment	1,227	1,101	2,196
Amortisation of intangible assets	167	169	358
Depreciation of right-of-use assets	3,845	3,667	7,471
Non-cash share of net profit of associate	(51)	(60)	(37)
Net foreign exchange loss / (gain)	10	(152)	19
Movement in deferred tax	(1,052)	(338)	(1,247)
Net (gains) / losses on financial liabilities at fair value	92	(115)	(214)
Property retentions and non-cash adjustments	349	-	(476)
Non-cash co-operative dividends and dividends	767	761	1,154
	5,354	5,033	9,224
<i>Items classified as investing or financing adjustments:</i>			
(Gain) / loss on disposal of property, plant and equipment	(20)	1	-
	(20)	1	-
<i>Movement in working capital:</i>			
Decrease / (Increase) in trade and other receivables	6,937	4,983	(1,310)
(Increase) in right to returned goods asset	(233)	(92)	(257)
Decrease in inventories	1,909	120	1,047
Decrease in taxation payable	(3,019)	(2,254)	(1,369)
Decrease in trade and other payables	(532)	(1,201)	(1,321)
Increase in refund liability	309	135	368
Increase in contract liabilities	355	235	102
(Decrease) / Increase in provisions	(413)	23	842
	5,313	1,949	(1,898)
Net cash inflows from operating activities	5,150	3,246	8,498

NZPM CO-OPERATIVE LIMITED

Notes to the Consolidated Interim Financial Statements

For the six months ended 30 September 2023

6 Non-Current asset held for sale

In 2021, NZPM purchased land in Drury, Auckland and developed the property by constructing two separate buildings to establish a new branch for Plumbing World and a separate warehouse. As at 30 September 2023, these properties are classified as Non-Current Asset Held for Sale.

On 5 July 2023, the Group entered into an unconditional sale and purchase agreement to sell the property that is tenanted by Plumbing World Limited. The agreement is expected to settle in December 2023. Plumbing World will continue to lease back this property from the buyer for an initial lease term of 12 years.

The separate warehouse is expected to be sold or tenanted by a third party, with the view to then sell the property to an investor.

7 Co-operative share capital

	Unaudited 6 months to 30 Sep 2023 \$'000	Unaudited 6 months to 30 Sep 2022 \$'000	Audited 12 months to 31 Mar 2023 \$'000
<i>The movements in shares by class for the Group are as follows:</i>			
On issue at the beginning of the year	39,694	32,828	32,828
Net issues and redemptions for the period:			
Ordinary shares	230	342	237
'New' redeemable preference shares (New RPS)	131	4,463	6,629
On issue at the end of the period	40,055	37,633	39,694
	Unaudited 6 months to 30 Sep 2023 \$'000	Unaudited 6 months to 30 Sep 2022 \$'000	Audited 12 months to 31 Mar 2023 \$'000
<i>Ordinary shares</i>			
Issued capital			
11,014,931 (Sept 2022: 10,690,000 Mar 2023: 10,624,931) ordinary shares of \$1 each less uncalled and unpaid capital	11,015 (1,956)	10,690 (1,756)	10,625 (1,796)
	9,059	8,934	8,829
<i>Redeemable preference shares (RPS)</i>			
16,564 (Sept 2022: 16,564 Mar 2023: 16,564) redeemable preference shares of \$1 each fully paid	17	17	17
<i>'New' redeemable preference shares (New RPS)</i>			
30,346,028 (Sept 2022: 27,913,485 Mar 2023: 30,197,522) new redeemable preference shares of \$1 each fully paid	30,346	27,913	30,197
252,058 (Sept 2022: 332,397 Mar 2023: 228,205) FR24 redeemable preference shares of \$1 each fully paid	252	332	228
328,669 (Sept 2022: 335,543 Mar 2023: 324,583) FR36 redeemable preference shares of \$1 each fully paid	328	335	325
53,077 (Sept 2022: 101,770 Mar 2023: 98,474) FR48 redeemable preference shares of \$1 each fully paid	53	102	98
Total co-operative share capital	40,055	37,633	39,694
<i>Classified as:</i>			
Non-current	40,055	37,633	39,694

NZPM CO-OPERATIVE LIMITED

Notes to the Consolidated Interim Financial Statements

For the six months ended 30 September 2023

7 Co-operative share capital continued

	Unaudited 6 months to 30 Sep 2023 \$'000	Unaudited 6 months to 30 Sep 2022 \$'000	Audited 12 months to 31 Mar 2023 \$'000
<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	40,055	37,633	39,694
less non-cash co-operative dividends and dividend payments	(767)	(761)	(1,154)
less opening balance	(39,694)	(32,828)	(32,828)
Net balance as per the Consolidated Interim Statement of Cash Flows	(406)	4,044	5,712

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 co-operative 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 co-operative dividends. The directors are able to postpone repayment for up to 5 years. As at 30 September 2023, the quarterly dividend rate was 7.00% (Sept 2022: 5.75%, Mar 2023: 6.5%) per annum.

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.

8 Contingent liabilities

There were no contingent liabilities as at 30 September 2023 (Sept 2022: nil, Mar 2023: nil).

9 Capital commitments

	Unaudited 6 months to 30 Sep 2023 \$'000	Unaudited 6 months to 30 Sep 2022 \$'000	Audited 12 months to 31 Mar 2023 \$'000
<i>Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities are as follows:</i>			
Upgrade to leased and owned premises	177	22	319
Motor vehicles	-	366	641
Software	-	33	18
Computer equipment	21	73	41
Buildings	-	4,751	1,165
Equipment	79	-	-
	277	5,245	2,184

10 Events after the reporting period

On 8 November 2023, the Co-operative extended the maturity of the Westpac banking facilities by one year to 31 December 2025.

In November 2023, the Board resolved not to pay a further and final dividend for the year ended 31 March 2023.

There were no other significant events after the reporting date.