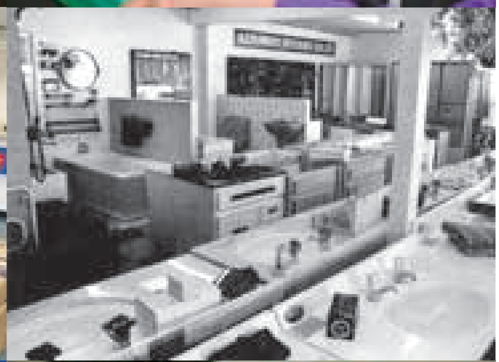
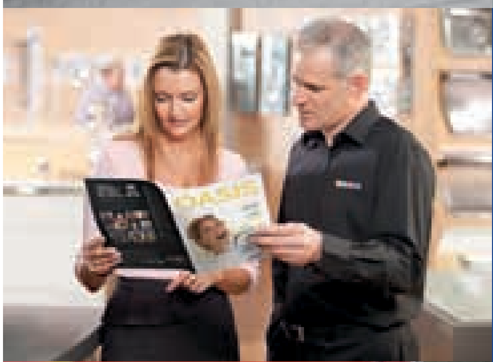
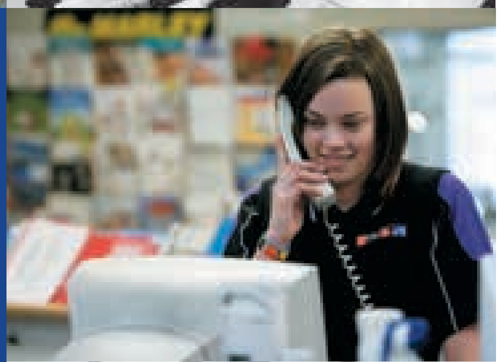




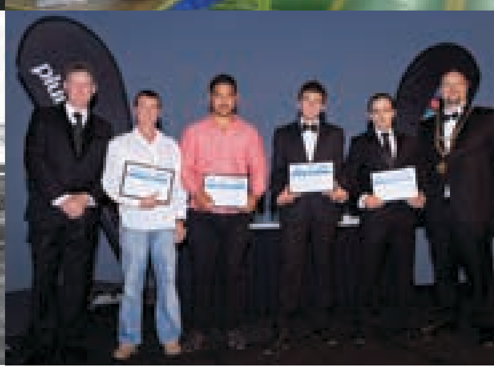
50 YEARS
EST - 1964
NZPM
GROUP

ANNUAL REPORT 2014







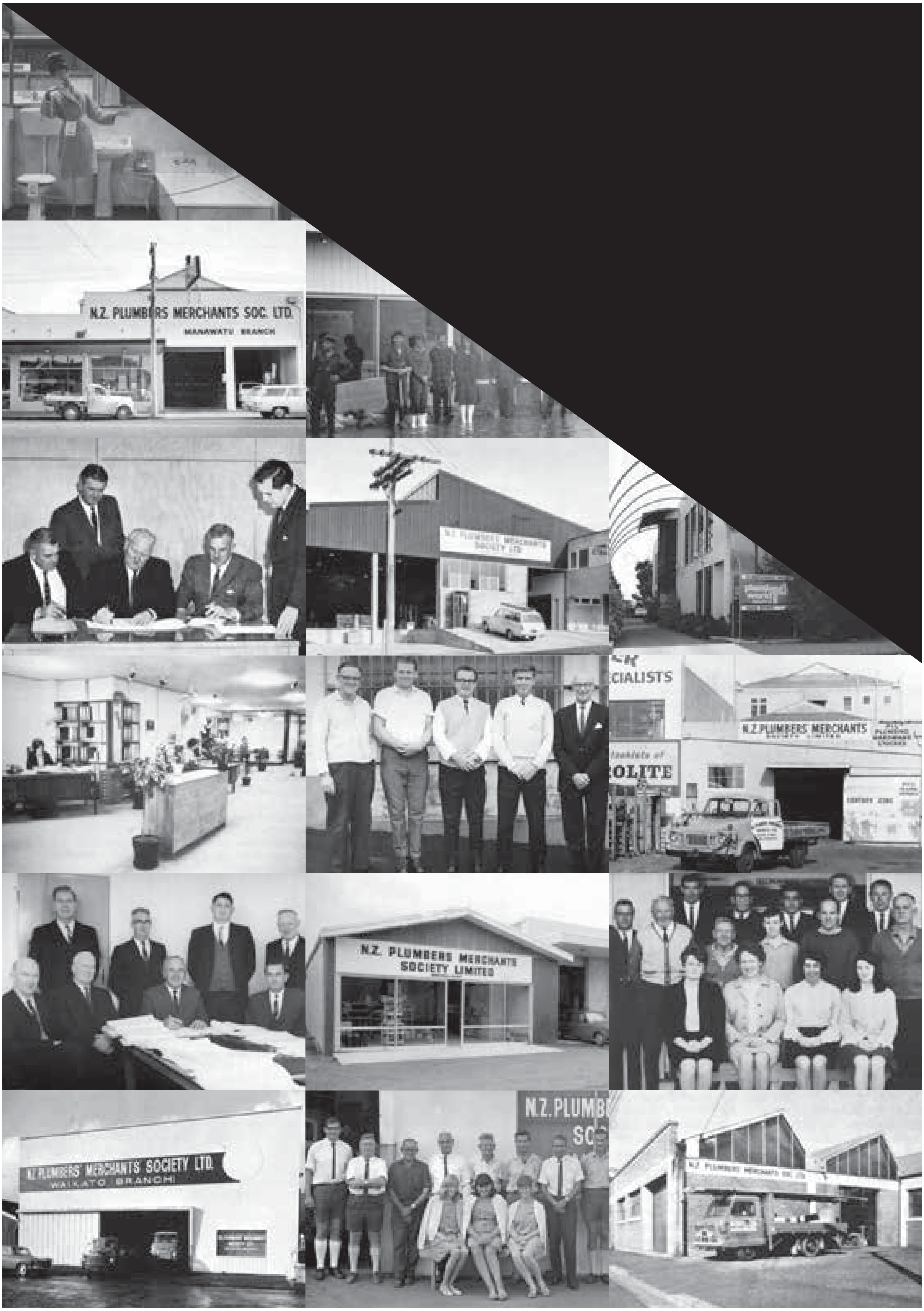
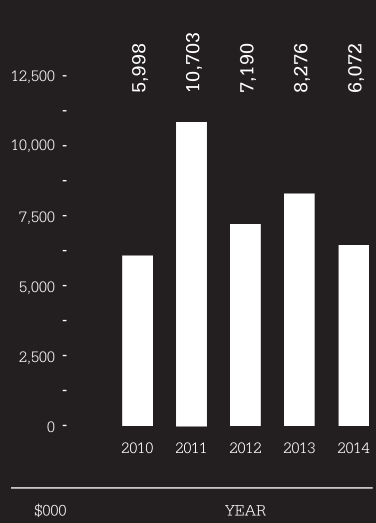


N.Z. PLUMBERS MERCHANTS SOC. LTD.
MANAWATU BRANCH
N.Z. PLUMBERS MERCHANTS
N.Z. PLUMBERS MERCHANTS SOCIETY LIMITED
N.Z. PLUMBERS' MERCHANTS SOCIETY LTD.
WAIKATO BRANCH

TABLE OF CONTENTS

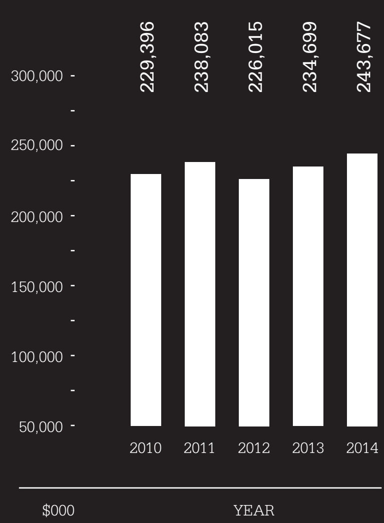
KEY HIGHLIGHTS

- > **Raised approximately $3.1m (net)** of share capital
- > Opened a **new Plumbing World branch** in Te Awamutu and moved Whangarei branch to a new location
- > Opened a **new Patton Australia Branch** in West Melbourne
- > Commenced **4 new sales satellite** locations in India
- > Relocated **Patton Aero** to a brand new, bigger factory within Bangkok

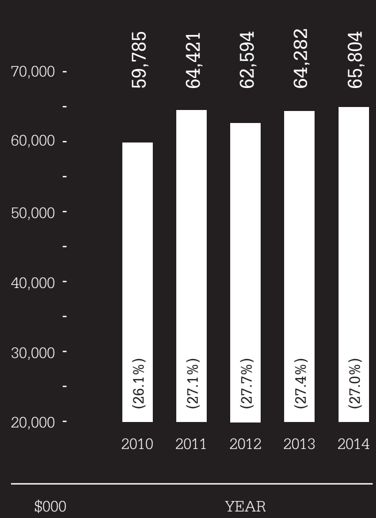
NORMALISED OPERATING PROFIT*



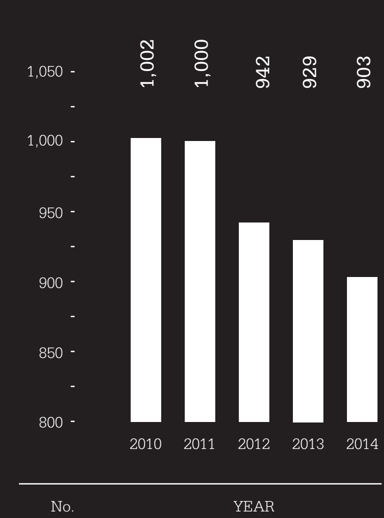
REVENUE



EXPENSES



ORDINARY SHAREHOLDERS



** Normalised Operating Profit is profit before financing costs and distributions and income tax per note 27.1 plus foreign exchange losses of ($182,000) (2013: $36,000) and abnormal portion of the onerous lease provision write back $0 (2013 $0).*

FIVE YEAR FINANCIAL REVIEW

	2014 $000	2013 $000	2012 $000	2011 $000	2010 $000
Sales	**243,677**	234,699	226,015	238,083	229,396
Profit before financing costs	**5,890**	8,312	7,674	10,331	6,321
Equity (plus paid-up capital)	**48,154**	50,007	44,180	46,031	45,809
Non-current liabilities	**37,880**	38,533	28,640	2,569	2,439
Current liabilities	**29,189**	35,339	30,948	68,353	64,328
	115,223	123,879	103,768	116,953	112,576
Non-current assets	**27,384**	27,397	24,528	25,308	25,351
Current assets	**87,839**	96,482	79,240	91,645	87,225
	115,223	123,879	103,768	116,953	112,576
DIVIDENDS					
Ordinary Shares					
Dividend rate (net%)	**0**	0	0	2.0	2.0
Dividend amount ($000)	**0**	0	0	167	160
Redeemable Preference Shares					
Dividend rate (net%)	**5.4**	5.4	5.5	5.5	5.5
Dividend amount ($000)	**642**	381	228	221	207
Shareholder Funds: total assets (%)	**41.8**	40.4	42.6	39.4	40.7
Current assets: current liabilities	**3.0:1**	2.7:1	2.6:1	1.3:1	1.4:1
Number employees	**603**	559	558	577	554
Number Ordinary shareholders	**903**	929	942	1000	1002

THE DIRECTORS

JOHN DEBERNARDO
Chairman

PAUL SMART
Deputy Chairman

KEITH AVERY
Director

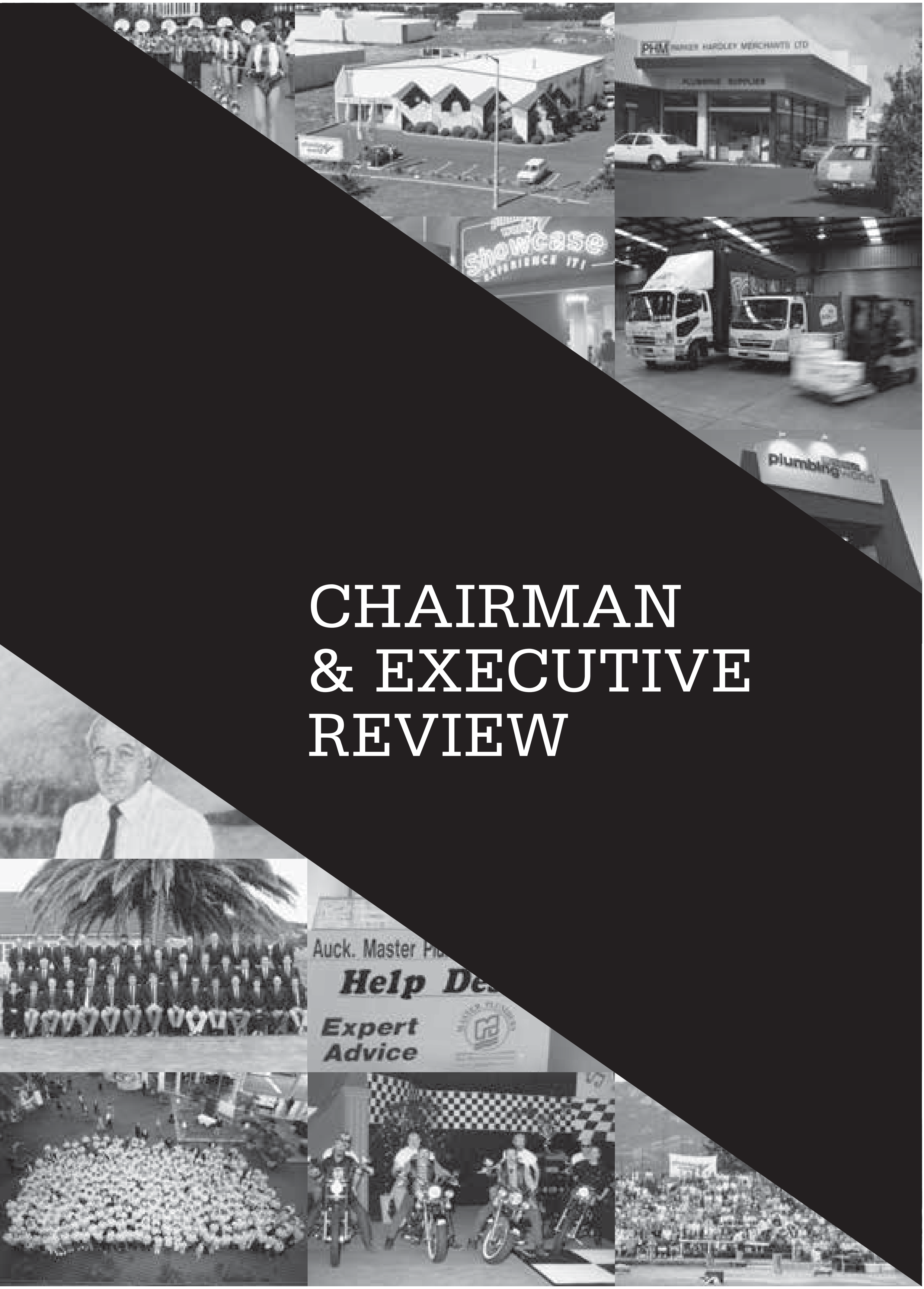
DAVE HENDERSON
Director

PETER JACKSON
Director

ALISTER LAWRENCE
Director

STU MCIVOR
Director

MARK WHITEHEAD
Director



CHAIRMAN & EXECUTIVE REVIEW

CHAIRMAN & EXECUTIVE REVIEW

Looking back over the last 12 months has provided a series of mixed results for the NZPM Group. Whilst our Patton and Metrix businesses have had a steady year, Plumbing World went through a period of significant turmoil during the first nine months of the financial year as the company introduced a new ERP system into the business.

The final three months of the year saw some levels of improvement as business conditions lifted and the ERP system settled in, and all of the group companies are now heavily focused on improving their sales and profitability as we move into a more positive economic environment in 2014.

The loyalty and support of our shareholders during this difficult year has been incredible, and has enabled NZPM Group to weather a very tough period as we have worked to implement both the operational and technological changes needed for the business to move forward.

We are confident these changes will continue to improve the performance of the business, and this will ultimately benefit our shareholders as the company continues to grow and prosper over the forthcoming years.

FINANCIALS

Group sales for the financial year grew 3.8% on the previous year to $244m, which was a solid result under difficult economic conditions. This reflected a slow but steady uplift in market activity in New Zealand, but a gradual softening of the Australian economy.

Margins however remained under extreme pressure in all sectors, and fell significantly in the plumbing segment during the second half of the year as a number of operational pricing and inventory management issues related to the new ERP system affected the business.

Operating expenses fell slightly as a percentage of sales but increased by $1.5m as the group expanded its physical locations and worked through the implementation costs of the ERP project.

Taking all the above items into account, a net profit before financing costs, dividends and rebates to co-operative shareholders and income tax of $5.9m was achieved, which is disappointingly $2.4m down on the previous year. Trade debtors and inventory reduced by $1.2m and $0.5m respectively.

Operating cashflow in the group was negative $6m after allowing for the payment of creditors, income tax, interest, dividends and rebates.

DISTRIBUTIONS

Distributions to shareholders during the financial year totalled $3.6m comprising the payment of rebates on ordinary shares, and dividends paid on development and redeemable preference shares.

The group also contributed significant sponsorship funds to Master Plumbers (both at society and local association level), the Skills ITO, the Apprenticeship Training Trust, Masterlink and to young kiwi athletes, and in doing this we believe the co-operative has made a significant contribution to society, the industry and, in particular to our shareholders.

ECONOMIC ENVIRONMENT

Global growth in 2014 is likely to be passable but unspectacular as a gradual rebalancing occurs, with prospects in the US and Europe slowly improving, however these will be at the expense of emerging markets.

With the outlook for the US economy still considered fragile in many quarters, a further tapering by the Federal Reserve is unlikely to proceed quite as smoothly as some anticipate. As the economy strengthens and artificial stimulus is removed, the US dollar could well appreciate, which may result in emerging market currencies falling. A strengthening US dollar will likely assist New Zealand exporters, however this will of course depend on a corresponding drop in the exchange rate.

Whilst there has been a general retraction in the Australian economy there have been pockets of improvement, and most notably low interest rates have been driving demand in the housing market and construction sector.

In New Zealand the economy continues to strengthen with GDP tracking at just under 3% on an annual basis, and some economists are predicting this may rise to between 4 and 4.5% within the next 1-2 years. If this does occur, GDP will be at its highest since 2008.

One of the main concerns for our company is what the building industry is doing. Building consent and corresponding building activity is now at almost the same levels as prior to the global financial crisis, however this is predominantly in the two locations of Auckland and Christchurch which together now represent approximately 55% of all New Zealand construction.

This provides challenges in other locations throughout the country including the migration of skilled labour to Auckland and Christchurch as we are progressively seeing, together with the expansion of some larger plumbing companies into the Canterbury region.

Auckland has a deficit of 13,640 houses and is currently building at a rate of 5,986 dwellings per year, however the region needs to be constructing over 9,000 houses each year to begin reducing the shortfall. Should the Reserve bank continue to increase the official cash rate, it is likely that trading banks will increase their lending rates accordingly, and this may have a corresponding impact on housing growth.

SHAREHOLDERS

Ordinary shareholder numbers for the year reduced by 26 and stood at 903 at the end of the financial year.

Your board is well aware of the need to develop shareholder numbers in the face of our ageing demographic, and our membership subcommittee is actively working with Plumbing World on a number of initiatives to both retain existing and recruit new shareholders for the co-operative.

One such initiative, the "Young Plumbers Club", proved very popular in its trial locations during 2013, and Plumbing World expect to commence a wider rollout of the programme later in this year. Feedback from the early events confirms that the collegial atmosphere and mentoring provided has proved beneficial to the current and potential future shareholders who have been involved.

The annual shareholder roadshow also continued to provide a successful forum for shareholders to provide feedback to both Plumbing World and the board, and whilst we reduced the number of branches visited in 2013 due to our overseas convention, we expect to visit all of the Plumbing World branches during 2014.

Our NZPM Extra shareholder benefits scheme was also continued and expanded throughout the year with the addition of another fuel supplier, further vehicle purchasing discount opportunities, and a new job software management programme designed specifically for plumbers, gasfitters and drainlayers.

The biennial Plumbing World overseas convention again proved to be a hugely successful event in 2013, with over 280 delegates travelling to New York for a week of spectacular entertainment and camaraderie. Many of our shareholders returned with lasting memories of their time spent together in the USA, and this reinforces the ethos of being part of a shareholder co-operative business.

Both the board and management wish to thank our shareholders for their ongoing loyalty and support over the previous year, and we look forward to continuing and growing those relationships as we work to build a stronger co-operative over the forthcoming year.

DIRECTORS

Your board has had a busy year having to hold a number of additional meetings due to the expanded range of issues the group is experiencing. The board has had to deal with a number of activities outside "business as usual" including a new prospectus and investment statement each six months, continued oversight for the ERP project, adoption of new health and safety obligations for the group, and continued support for development of both the Patton and Plumbing World business operations.

The board's subcommittees comprising Audit, Compliance, Health & Safety, Master Plumbers Liaison, Membership and Remuneration meet regularly outside of scheduled board meetings, and report to the full board on a monthly basis.

CHAIRMAN & EXECUTIVE REVIEW

This year, current directors John DeBernardo and Mark Whitehead retire from the board by rotation and, being eligible, have both offered themselves for re-election.

PLUMBING WORLD

Plumbing World undoubtedly had a very difficult year following the introduction of their new ERP system. The first six months of the year saw the company working hard to complete implementation of the system under extremely challenging conditions, and it took until the latter half of the year to achieve a satisfactory level of stability with the customer facing components.

Whilst we have made significant progress over the last few months with bedding in the system, we still have a number of adjustments and improvements to carry out during the remainder of 2014. This work will be critical to ensure that our technology is performing effectively, and providing its intended cost benefits to the business.

During the course of the year Plumbing World opened a new branch in Te Awamutu to better service our shareholders and customers in the southern Waikato area, and also relocated their Whangarei branch into larger premises corresponding to their increased level of business in the northern region. Both of these outlets are modern, well-stocked facilities that are branded in the new corporate black colour recently introduced nationwide, and they set the benchmark for our future branches and upgrades being planned throughout the country.

Good progress has been made with the introduction of more exclusive brands to the Plumbing World product range, and these will result in improved margins for the forthcoming year. These brands sit alongside our valued local suppliers who will continue to form the backbone of the company's offering.

Competitive pressure in the plumbing segment continues to be intense with some competitors operating at little or no margin to secure sales. Plumbing World works very hard to be close to market rates, but is equally conscious not to be leading market quality or pricing downward in any category.

PATTON

Patton New Zealand had a reasonably successful year whilst still working under the difficult economic conditions we have experienced emerging from the global financial crisis. Both the dairy and kiwifruit markets appear to be picking up again, and with at least 2 to 3 new kiwifruit cool stores planned for construction in 2014, there is clear evidence that particular segment is rebounding.

As part of the NZPM Group's overall health and safety strategy, Patton have been working hard to develop the health and safety systems in their business, and they have recently been accredited to ACC Workplace Safety Management Practices tertiary level.

Patton Australia has also had a solid year, with continued growth in the business despite the obvious slowdown in the Australian economy in the latter half of 2013. The company now has 13 outlets across Australia, with further new branch opportunities under study, and our former joint venture operation in the Gold Coast recently being converted to a wholly owned Patton branch.

In February this year we relocated our Thailand joint venture manufacturing facility to a new 3700m2 factory in Bangkok, not far from the original site. This new plant now allows the company to produce a wider range of Patton refrigeration equipment including the larger sized condensing units and complete rack systems.

Aside from growing sales into both the traditional and new Asian markets, a significant proportion of the equipment produced in Thailand will be exported to Patton New Zealand and Australia, thereby enabling us to deliver high quality and competitively priced products to our core Australasian businesses.

The last 12 months have seen a change in the Patton India business with a shift in the business focus from being a supplier of tools and components, to the more mainstream business of supplying commercial refrigeration. Patton India now operates from 8 locations with 24 staff, and with approximately 70% of products being distributed from the Mumbai warehouse.

At this stage India is still a relatively small operation, however significant future growth opportunities exist in the cold chain market, where over 40% of the country's total food production goes to waste due to a lack of refrigeration.

METRIX

Metrix experienced a steady but unspectacular year as the market for high-end bathroomware products remained relatively flat during 2013. Improvements in the New Zealand economy saw a rise in activity in the final quarter of the financial year, and we see this growth continuing as the market lifts further during 2014.

The company continues to focus on its key brands including Duravit, Inda, Kaldewei, Paini and Valsir, both through direct sales from its architectural showrooms and outlets, and through its inter-company sales agreement with Plumbing World.

Metrix' access to these high quality European brands positions the company well for the future as a leading supplier in the premium bathroomware category, and this will ultimately translate into increased returns for the co-operative.

ASSOCIATES

AQUATHERM

Aquatherm continued to perform well during the last financial year with sales in line with market expectations. In early 2014 Plumbing World and Aquatherm collectively arrived at an agreement that would allow Aquatherm to sell its products to other plumbing distributors, which in turn would provide greater returns for both Aquatherm and the NZPM Group.

Aquatherm has an increasing number of project opportunities in the pipeline as the market continues to lift, particularly in the Auckland and Christchurch regions.

CMS

Revenues for CMS were in line with the previous year, however there was an increase in profitability resulting in a higher level of dividends being paid to Plumbing World.

As a result of a number of market initiatives the business had an increase in new clients and trade customers joining during the year, and these initiatives continue to attract more product partners and specifiers every month.

STAFF

In December our group CIO Tofigh Alizadeh left the company following the initial development and implementation of our new ERP system, and the CIO role was not renewed.

Following Tofigh's departure the ERP implementation plan was reviewed, and it was decided that the project would not be rolled out to the other NZPM Group business units for the foreseeable future. In January the project was transitioned from the NZPM Group to Plumbing World as the primary ERP user, and a contract project manager was engaged to complete implementation of the system for that business.

Both NZPM Group and its business units experienced an extremely challenging year with the ERP project and difficult economic conditions, and we were again supported by our dedicated and hardworking staff and executive team who deserve the recognition and thanks of both our board and shareholders for their effort and dedication throughout the year.

LOOKING FORWARD

Whilst we expect better trading conditions across all our business units in the forthcoming year, we are equally cognisant of the numerous macroeconomic conditions that influence our various market sectors. Our challenge for the forthcoming year will be to ensure that we maintain a balanced capital structure within this environment as both the plumbing and refrigeration segments continue to evolve.

Completion of our ERP project to a "business as usual" state, and continued development and improvement of our core plumbing business will remain a significant focus for your board, who are committed to working with our shareholders to achieve what is best for the future prosperity of the company.

2014 represents the 50th year of business for the NZPM Group, and it has come a long way from its humble beginnings in 1964. The ethos of the shareholder co-operative has been fundamental to the success of the business, and those core values of ethical and orderly trading for the benefit of the shareholder will continue, as we look forward to our next fifty years of "transforming the ordinary into the extraordinary".

JOHN DEBERNARDO
Chairman and on behalf of the executive

THE EXECUTIVE TEAM

STEPHEN DEY
Group Chief
Financial Officer

GARRY IVILL
Metrix
General Manager

ROB KIDD
Plumbing World
General Manager

SAMEER HANDA
Patton
Chief Executive Officer

CORPORATE GOVERNANCE

NZPM Group Limited is a co-operative company and was established in 1964.

The board has adopted a formal corporate governance programme, which identifies the functions and accountabilities of the board and prescribes the objectives and standards by which the board's performance is measured. The board is fully committed to excellence in corporate governance and has adopted a board charter.

BOARD COMPOSITION

There are eight directors, all of whom are non–executive directors. Six directors are elected by the shareholders with two retiring by rotation each year. This year at the Annual General Meeting, John DeBernardo and Mark Whitehead retire by rotation and being eligible offer themselves for re-election. Two independent directors may be appointed by the board and they do not come up for re-election by rotation. The two independent directors are Paul Smart and Keith Avery.

BOARD MEETINGS

Eleven board meetings are scheduled each year with extra meetings if required. The board also meets on other occasions for strategic planning and hold conference calls as required. 18 meetings were held during the financial year.

AUDIT COMMITTEE

The primary role for the Audit Committee is to review the accounting policies and financial statements for the group, to liaise with the auditors and to review the internal controls and related matters of the group. The committee met twice with the auditors during the year. Members of the Audit Committee are Paul Smart (Chair), Peter Jackson, Stu McIvor and Alister Lawrence.

COMPLIANCE COMMITTEE

The role of the Compliance Committee is to regularly review compliance with non-financial statutory and regulatory requirements. Members of the Compliance Committee are Peter Jackson (Chair), Dave Henderson, John DeBernardo and Mark Whitehead.

CONFLICTS COMMITTEE

The committee reviews and approves a proposed external position or board appointment for a director where a conflict could arise. Members are Paul Smart and John DeBernardo.

HEALTH AND SAFETY COMMITTEE

The role of the Health and Safety Committee is to assist the Board to fulfil its responsibilities and to ensure compliance with all legislative and regulatory requirements in relation to the health and safety practices of the Group as those activities affect employees and contractors. Members of the Health and Safety Committee are Dave Henderson (Chair), Peter Jackson and John DeBernardo.

LIAISON COMMITTEE – MASTER PLUMBERS, GASFITTERS & DRAINLAYERS NZ

This committee is the formal liaison with MPGDNZ on behalf of the company. It advises and keeps the board informed on MPGDNZ matters and is to foster good two way communication and strong relationships. Members are Dave Henderson (Chair) and Stu McIvor.

MEMBERSHIP COMMITTEE

The Membership Committee reviews shareholder prerequisites and benefits. Members of the Membership Committee are Stu McIvor (Chair) and Dave Henderson.

REMUNERATION COMMITTEE

The Remuneration and Appointments Committee makes recommendations to the board in respect of the terms of employment of and the remuneration policies and arrangements for the members of the senior executive group. Members of the Remuneration Committee are Keith Avery (Chair), Paul Smart, John DeBernardo and Mark Whitehead.

CORPORATE GOVERNANCE

REMUNERATION OF DIRECTORS

During the year the directors received the following remuneration:

GROUP & PARENT	$
J DeBernardo	57,875
P Smart	92,375*
K Avery	36,250
D Henderson	36,250
R Houghton	58,713**
P Jackson	36,250
A Lawrence	21,000***
S McIvor	36,250
M Whitehead	36,250

* Includes $36,000 of supplemental compensation in relation to work undertaken as provided for in the company's constitution and approved by the board.

** Includes a retiring allowance of $43,463 for 9.5 years service. Retiring allowances are paid in accordance with the constitution and take into account length of service.

*** Excludes remuneration paid in a former employee role, which is included in the following section "Remuneration of Employees"

REMUNERATION OF EMPLOYEES

$	GROUP	PARENT
100,001-110,000	14	-
110,001-120,000	4	1
120,001-130,000	9	-
130,001-140,000	11	-
140,001-150,000	8	-
160,001-170,000	1	-
170,001-180,000	1	-
180,001-190,000	1	-
190,001-200,000	1	-
270,001-280,000	1	-
300,001-310,000	1	1
340,001-350,000	1	-
370,001-380,000	1	-
470,001-480,000	1	1
500,001-510,000	1	1

DIRECTORS' SHAREHOLDING INTERESTS

	1 Apr 2013	Movement	31 Mar 2014	Movement	1 June 2014
VK & MJ AVERY (AVERY, K)					
New RPS	20,805	1,148	21,953	297	22,250
DEBERNARDO, J					
New RPS	5,207	290	5,497	75	5,572
PADOVA PROPERTIES LTD (DEBERNARDO, J)					
Ordinary	10,000	-	10,000	-	10,000
Development	5,000	-	5,000	-	5,000
New RPS	29,356	4,102	33,458	452	33,910
Rebate	2,279	-2,279	0	-	0
HENDERSON, D					
New RPS	1,088	62	1,150	16	1,166
H W COYLE LTD (HENDERSON, D)					
Ordinary	10,000	-	10,000	-	10,000
Development	5,000	-	5,000	-	5,000
New RPS	855	48	903	13	916
Rebate	49,959	-18,567	31,392	-	31,392
STEVENS PLUMBING SERVICES LTD (LAWRENCE, A)					
Ordinary	-	10,000	10,000	-	10,000
Development	-	5,000	5,000	-	5,000
New RPS	-	9,873	9,873	134	10,007
Rebate	-	1,069	1,069	-	1,069
LAWRENCE, A J					
New RPS	253	10,334	10,587	143	10,730
H20 DESIGN LTD (JACKSON, P)					
Ordinary	10,000	-	10,000	-	10,000
Development	5,000	-	5,000	-	5,000
New RPS	1,477	1,791	3,268	246	3,514
GP & CA JACKSON (JACKSON, P)					
New RPS	343,087	470,919	814,006	-289,010	524,996
Rebate	8,746	-3,367	5,379	-	5,379

MCIVOR PLUMBERS & GAS FITTERS WANAKA LTD (MCIVOR, S)					
Ordinary	10,000	-	10,000	-	10,000
Development	5,000	-	5,000	-	5,000
New RPS	1,051	7,052	8,103	110	8,213
Rebate	19,718	-6,746	12,972	-	12,972
WHITEHEAD PLUMBING & GAS LTD (WHITEHEAD, M)					
Ordinary	10,000	-	10,000	-	10,000
Development	5,000	-	5,000	-	5,000
New RPS	30,752	3,729	34,481	466	34,947
Rebate	5,949	-1,960	3,989	-	3,989
BELLBIRD TRUST (SMART, P)					
New RPS	25,000	-	25,000	-	25,000
SADDLEBACK TRUST (SMART, P)					
New RPS	25,000	-	25,000	-	25,000
	645,582	492,498	1,138,080	-287,058	851,022

DIRECTORS' INTERESTS

John DeBernardo, Dave Henderson, Alister Lawrence, Peter Jackson, Stu McIvor, Paul Smart and Mark Whitehead are directors of companies which regularly trade with Plumbing World on normal trading terms.

Stu McIvor has an interest in a property that is leased to Plumbing World. A formal lease agreement is in place and rent is paid at commercial rates.

USE OF THE COMPANY INFORMATION

During the year the group received no notice from the directors requesting to use company information received in their capacity as directors which would not otherwise have been available to them.

DONATIONS

During the year the group made donations of $6,410 (parent $0) (2013 $32,956, parent $32,323).

INSURANCE OF DIRECTORS

The group has arranged directors and officers liability insurance that covers directors and the executive for personal liability as permitted by the Companies Act 1993. The group has provided an indemnity to each of the directors and the Group CFO.

AUDITORS

It is proposed that Deloitte continue in office in accordance with Section 200 of the Companies Act 1993.

ANNUAL RESOLUTION BY DIRECTORS OF CO-OPERATIVE COMPANY

Pursuant to Section 10 of the Co-operative Companies Act 1996 on May 29 2014, the directors resolved:

That in the opinion of the board of directors, NZPM Group Ltd has throughout the financial year ended 31 March 2014 been a co-operative company as defined by Section 3 of the Co-operative Companies Act 1996.

The reasons for this opinion are that the company has:

a) Supplied their voting shareholders with goods and services via a subsidiary company;
b) Retained the one vote per transacting shareholder rule and;
c) Continued to promote the principles of the co-operative enterprises.

DIRECTORS' DECLARATION

In the opinion of the directors of NZPM Group Ltd, the financial statements and notes on pages 20 to 61:

- Comply with New Zealand generally accepted accounting practice and give a true and fair view of the financial position of the company and group as at 31 March 2014 and the results of their operations and cash flows for the year ended on that date;
- Have been prepared using appropriate accounting policies, which have been consistently applied and supported by reasonable judgments and estimates.

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 the group and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

The directors consider that they have taken adequate steps to safeguard the assets of the company and the group, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide a reasonable assurance as to the integrity and reliability of the financial statements.

The directors are pleased to present the financial statements of NZPM Group Ltd for the year ended 31 March 2014.

For and on behalf of the board of directors.

JOHN DEBERNARDO, DIRECTOR
21 July 2014

PAUL SMART, DIRECTOR
21 July 2014

INDEPENDENT AUDITOR'S REPORT

To the shareholders of NZPM Group Limited

Deloitte.

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of NZPM Group Limited and group on pages 20 to 61, which comprise the consolidated and separate statements of financial position of NZPM Group Limited, as at 31 March 2014, the consolidated and separate statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

BOARD OF DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board of Directors are responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the Board of Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITIES

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates, as well as the overall presentation of the financial statements.

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

Other than in our capacity as auditor and the provision of IT project peer review services and taxation advice, we have no relationship with or interests in NZPM Group Limited or any of its subsidiaries.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of NZPM Group Limited

OPINION

In our opinion, the financial statements on pages 20 to 61:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the financial position of NZPM Group Limited and group as at 31 March 2014, and their financial performance and cash flows for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We also report in accordance with section 16 of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 31 March 2014:

- we have obtained all the information and explanations we have required; and
- in our opinion proper accounting records have been kept by NZPM Group Limited as far as appears from our examination of those records.

Deloitte

CHARTERED ACCOUNTANTS
21 July 2014
Auckland, New Zealand

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2014

		GROUP		PARENT	
	Notes	2014 $'000	2013 $'000	2014 $'000	2013 $'000
ASSETS					
Current assets					
Cash and cash equivalents (excluding bank overdraft)	11	0	3,965	0	0
Trade and other receivables	12	37,559	42,931	32	93
Current income tax assets	8.3	753	0	808	0
Inventories	13	49,092	49,586	0	0
Non-current assets classified as held for sale	14	435	0	0	
Total current assets		87,839	96,482	840	93
Non-current assets					
Investments in equity accounted associates	15	2,110	1,851	900	900
Investments in subsidiaries	16.1	0	0	31,713	31,713
Related party receivables	32.1	0	0	24,661	28,466
Work in progress		206	0	0	0
Property, plant and equipment	17	6,207	7,807	129	1,598
Deferred income tax assets	9	1,958	2,529	163	269
Goodwill	18	11,675	12,274	0	0
Other intangible assets	18	5,228	2,936	0	2,755
Total non-current assets		27,384	27,397	57,566	65,701
TOTAL ASSETS		115,223	123,879	58,406	65,794
LIABILITIES					
Current liabilities					
Bank overdraft	11	3,411	0	2,465	5,280
Trade and other payables	19	20,800	29,313	934	1,142
Related party payables	32.1	0	0	514	1,242
Borrowings	20	1,244	735	1,236	735
Derivative financial instruments	21	8	12	0	0
Provisions for other liabilities and charges	22	3,726	4,091	302	1,018
Co-operative share capital	23	2,141	1,298	2,141	1,298
Current income tax liabilities	8.3	0	1,188	0	663
Total current liabilities		31,330	36,637	7,592	11,378
Non-current liabilities					
Borrowings	20	35,709	35,310	35,684	35,310
Derivative financial instruments	21	1,503	2,511	0	0
Provisions for other liabilities and charges	22	668	712	227	186
Co-operative share capital	23	20,938	18,653	20,938	18,653
Total non-current liabilities		58,818	57,186	56,849	54,149
TOTAL LIABILITIES		90,148	93,823	64,441	65,527
NET ASSETS/(LIABILITES)		25,075	30,056	(6,035)	267
EQUITY					
Other reserves	24	(3,381)	(251)	0	0
Retained earnings/(deficit)	25	25,886	27,816	(6,035)	267
Total equity/(deficit) attributable to equity holders of the parent		22,505	27,565	(6,035)	267
Non-controlling interests	26	2,570	2,491	0	0
TOTAL EQUITY/(DEFICIT)		25,075	30,056	(6,035)	267
TOTAL MEMBERS' INTERESTS					
Co-operative share capital*	23	23,079	19,951	23,079	19,951
Other reserves	24	(3,381)	(251)	0	0
Retained earnings/(deficit)	25	25,886	27,816	(6,035)	267
		45,584	47,516	17,044	20,218

* Co-operative share capital is recognised as a current and non-current liability in the statement of financial position.

These statements should be read in conjunction with the notes to the financial statements on pages 24 to 61.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2014

		GROUP		PARENT	
	Notes	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Revenue	27.1	243,677	234,699	0	0
Cost of sales		(172,010)	(162,291)	0	0
Gross profit		71,667	72,408	0	0
Other income	4	292	757	3,382	14,698
Net exchange (loss)/gain		(182)	36	0	0
Share of profit from associates	15	381	194	0	0
(Impairment of assets)/reversal of impairment	7	(464)	(801)	0	5,546
Operating expenses	5	(65,804)	(64,282)	(5,586)	(7,032)
Profit/(loss) before financing costs, dividends and rebates paid to co-operative shareholders, and income tax		5,890	8,312	(2,204)	13,212
Financial income	6	1,046	210	1,641	1,359
Financial expenses	6	(2,879)	(2,409)	(2,952)	(2,794)
Net financing expenses		(1,833)	(2,199)	(1,311)	(1,435)
Dividends paid to co-operative shareholders		(642)	(381)	(642)	(381)
Rebates paid to co-operative shareholders	10	(3,671)	(3,062)	(3,671)	(3,062)
(Loss)/profit before income tax expense		(256)	2,670	(7,828)	8,334
Income tax (expense)/credit	8.2	(1,111)	(1,862)	1,526	1,330
(LOSS)/PROFIT FOR THE YEAR		(1,367)	808	(6,302)	9,664
Attributable to:					
Co-operative shareholders of the Parent	25	(1,930)	251	(6,302)	9,664
Non-controlling interests	26	563	557	0	0
		(1,367)	808	(6,302)	9,664
Other comprehensive (expense)/income					
Items that will not be reclassified subsequently to profit and loss:					
Loss on revaluation of land and buildings, net of tax	24.1	(166)	0	0	0
Items that may be reclassified subsequently to profit and loss:					
(Loss)/gain on foreign currency translation reserve	24.2	(3,313)	408	0	0
Other comprehensive (expense)/income for the year		(3,479)	408	0	0
TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR		(4,846)	1,216	(6,302)	9,664
Attributable to:					
Co-operative shareholders of the Parent		(5,409)	659	(6,302)	9,664
Non-controlling interests	26	563	557	0	0
		(4,846)	1,216	(6,302)	9,664

SUPPLEMENTARY DISCLOSURE				
(Loss)/profit for the year	(1,367)	808	(6,302)	9,664
Dividends paid to co-operative shareholders	642	381	642	381
Rebates paid to co-operative shareholders	3,671	3,062	3,671	3,062
Profit/(loss) before distributions to co-operative shareholders	2,946	4,251	(1,989)	13,107

These statements should be read in conjunction with the notes to the financial statements on pages 24 to 61.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2014

	Property revaluation reserve $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
GROUP						
Balance at 1 April 2012	531	(1,191)	27,565	26,905	2,082	28,987
Profit for the year	0	0	251	251	557	808
Other comprehensive income for the year, net of tax	0	408	0	408	0	408
Total comprehensive income for the year	0	408	251	659	557	1,216
Dividends paid to non-controlling interests shareholders	0	0	0	0	(249)	(249)
Capital contribution to subsidiary	0	0	0	0	102	102
Transfer from non-controlling interests to foreign currency translation reserve	0	1	0	1	(1)	0
Balance at 31 March 2013	531	(782)	27,816	27,565	2,491	30,056
GROUP						
Balance at 1 April 2013	531	(782)	27,816	27,565	2,491	30,056
(Loss)/profit for the year	0	0	(1,930)	(1,930)	563	(1,367)
Other comprehensive expense for the year net of tax	(166)	(3,313)	0	(3,479)	0	(3,479)
Total comprehensive (expense)/income for the year	(166)	(3,313)	(1,930)	(5,409)	563	(4,846)
Dividends paid to non-controlling interests shareholders	0	0	0	0	(89)	(89)
Movement in share capital	0	0	0	0	(46)	(46)
Transfer from non-controlling interests to foreign currency translation reserve	0	349	0	349	(349)	0
Balance at 31 March 2014	365	(3,746)	25,886	22,505	2,570	25,075

	Retained earnings $'000	Total equity $'000
PARENT		
Balance at 1 April 2012	(9,197)	(9,197)
Profit for the year	9,664	9,664
Total comprehensive income for the year	9,664	9,664
Loss on amalgamation	(200)	(200)
Balance at 31 March 2013	267	267
PARENT		
Balance at 1 April 2013	267	267
Loss for the year	(6,302)	(6,302)
Total comprehensive expense for the year	(6,302)	(6,302)
Balance at 31 March 2014	(6,035)	(6,035)

The Parent has negative equity as at 31 March 2014. Positive net equity can be restored by subsidiaries paying a dividend to NZPM – which was not requested in the financial year just ended.

These statements should be read in conjunction with the notes to the financial statements on pages 24 to 61.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2014

	Notes	GROUP 2014 $'000	GROUP 2013 $'000	PARENT 2014 $'000	PARENT 2013 $'000
Cash flows from operating activities					
Cash was provided from:					
Receipts from customers		245,871	228,433	0	0
Interest received		34	210	0	2
Other income received		290	755	0	1
Other dividends received		2	2	60	60
Cash was disbursed to:					
Payments to suppliers and employees		(243,231)	(224,876)	(5,420)	(5,879)
Interest paid		(2,879)	(2,397)	(2,828)	(2,338)
Income taxes paid		(2,481)	(1,504)	(1,473)	(1,254)
Foreign exchange (loss)/gains		(182)	36	0	0
Dividends received from associates		123	135	0	0
Dividends and rebates paid		(3,542)	(2,733)	(3,542)	(2,733)
Net cash (used in)/generated by operating activities	34	(5,995)	(1,939)	(13,203)	(12,141)
Cash flows from investing activities					
Cash was provided from:					
Proceeds from sale of property, plant and equipment		119	432	0	45
Non-controlling investors investing in subsidiaries		0	102	0	0
Cash was disbursed to:					
Purchase of intangible assets		(3,091)	(2,743)	(1,755)	(2,656)
Purchase of property, plant and equipment		(1,539)	(2,419)	(25)	(1,392)
Non-controlling investors leaving the subsidiaries		(46)	0	0	0
Net cash used in investing activities		(4,557)	(4,628)	(1,780)	(4,003)
Cash flows from financing activities					
Cash was provided from:					
Proceeds from issues of shares		5,509	7,460	5,509	7,460
Proceeds from finance lease		2,358	1,828	2,325	1,828
Advances from subsidiaries		0	0	14,566	1,457
Cash was disbursed to:					
Proceeds/(repayment) of borrowings		(1,450)	8,750	(1,450)	8,750
Payment for share buy-back		(3,152)	(3,412)	(3,152)	(3,412)
Dividends paid to non-controlling interests		(89)	(249)	0	0
Net cash generated by financing activities		3,176	14,377	17,798	16,083
Net (decrease)/increase in cash and cash equivalents		(7,376)	7,810	2,815	(61)
Cash and cash equivalents at the beginning of the year		3,965	(3,845)	(5,280)	(5,219)
Cash and cash equivalents at end of year	11	(3,411)	3,965	(2,465)	(5,280)

Other significant non-cash transactions recognised in the Parent's intercompany accounts with subsidiaries include:

	PARENT 2014 $'000	PARENT 2013 $'000
Dividends from subsidiaries	0	11,000
Management fees from subsidiaries	475	515
Shared service fees from subsidiaries	2,847	3,122
Net interest received from subsidiaries	1,517	901
Transfer of provision for tax balances from subsidiaries	1,843	2,244
Transfer of PPE and intangibles at book value	4,807	0

These statements should be read in conjunction with the notes to the financial statements on pages 24 to 61.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

1 REPORTING ENTITY

NZPM Group Limited (NZPM), formerly NZ Plumbers' Merchants Limited, is a company domiciled in New Zealand and is a co-operative. It is registered under the Companies Act 1993 and the Co-operative Companies Act 1996. The company is an issuer in terms of the Financial Reporting Act 1993.

The consolidated financial statements of NZPM Group as at and for the year ended 31 March 2014 comprise NZPM and its subsidiaries and the group's interests in associates, (together referred to as the "Group").

NZPM Group is primarily involved in the provision of plumbing and refrigeration supplies.

2 SUMMARY OF SIGINIFCANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ('NZ GAAP'). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable New Zealand Financial Reporting Standards as appropriate for profit oriented entities. The consolidated financial statements also comply with International Financial Reporting Standards.

The significant NZ IFRS accounting policies are set out below and have been applied consistently to all periods presented in these consolidated financial statements. There have been no changes to accounting policies apart from the application of new standards adopted by the Group during the year as disclosed.

Basis of preparation

The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

The reporting currency used in the preparation of these consolidated financial statements is New Zealand dollars ($), rounded to the nearest thousand.

The accounting principles recognised as appropriate for the measurement and reporting of profit and loss and financial position on a historical cost basis have been applied, with the exception of the following:

- derivative financial instruments are measured at fair value through profit and loss, and
- land and buildings are measured at fair value through an asset revaluation reserve account.

To ensure consistency with the current period, comparative figures have been restated where appropriate. Any adjustments are to ensure the correct classification of financial statement line items.

These financial statements were authorised for issue by the Board of Directors on 14 July 2014. The Board does not have the power to amend the financial statements after issue.

Basis of consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Where subsidiaries have different reporting dates to the Parent, additional financial statements, as of the same date as the Parent company company, are prepared for consolidation purposes.

Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with NZ IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the amount of any non-controlling interests and the fair value of the acquirer's previously held interest (if any) over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Intercompany transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Changes in the Group's ownership interests in subsidiaries that do not result in loss of control are accounted for as equity transactions. The carrying amount of the Group's interest and the non-controlling interests are adjusted to reflect the changes in the relative interests in the subsidiaries. The difference between fair value of any consideration paid or received and the amount by which the non-controlling interest is adjusted is recorded in equity.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

In the Parent financial statements investments in subsidiaries, associates and joint ventures are recorded at cost less impairment.

Associates and joint ventures
Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results, assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate or joint venture is initially recognised in the balance sheet at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with NZ IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

Non-controlling interests
Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein.The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interest's proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, non-controlling interests consist of the amount attributed to such interests at initial recognition and the non-controlling interest's share of changes in equity since the date of the combination. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Amalgamation transactions
Under a business combination where entities under common control are amalgamated, the carrying values of the assets and liabilities of the entities are combined, with any gain or loss on amalgamation recognised in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2014

Foreign currencies

Functional and presentation currency
Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the functional currency). The consolidated financial statements are presented in New Zealand dollars (the presentation currency), which is the functional currency of the Parent.

Foreign currency transactions
Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance date are translated to the New Zealand dollars at the foreign exchange rate ruling at that date. Foreign currency differences arising on translation are recognised in the foreign currency translation reserve.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to New Zealand dollars at foreign exchange rates ruling at the dates that the fair value was determined.

Foreign operations
The assets and liabilities of all of the Group companies that have a functional currency that differs from the presentation currency, including goodwill and fair value adjustments arising on consolidation, are translated to New Zealand dollars at foreign exchange rates ruling at the balance date. The revenues and expenses of these foreign operations are translated to New Zealand dollars at rolling average exchange rates. Exchange differences arising from the translation of foreign operations are recognised in other comprehensive income and accumulated, as a separate component of equity, in the foreign currency translation reserve (FCTR).

When a foreign operation is disposed, in part or in full, the relevant amount in the FCTR is reclassified from equity to profit or loss (as a reclassification adjustment), in the period in which the foreign operation is disposed of.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers, who are responsible for allocating resources, assessing performance of the operating segments and making strategic decisions for the Group, have been identified as the Group Chief Financial Officer and the Board of Directors.

Information regarding the Group's reportable segments is presented in note 27.

Property, plant and equipment

Recognition and measurement
Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, except where certain assets have been revalued (land and buildings). The cost of purchased property, plant and equipment is the value of the consideration given to acquire the asset plus the value of other directly attributable costs, which have been incurred in bringing the assets to the location and condition necessary for their intended service. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent costs
The Group recognises in the carrying amount of an item of property, plant and equipment, the cost of replacing part of such an item when that cost is incurred, if it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

Revaluations
Land and buildings are shown at fair value, (less subsequent depreciation for buildings), based on valuations by external independent registered valuers, based on the price that would be received to sell the asset in an orderly transaction between market participants under current market conditions at the measurement date. The revaluations are conducted on a systematic basis across the Group so that the asset revaluations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at balance date. Any increase in value that offsets a previous decrease in value of the same asset is charged to the income statement. Any other increase in value is recognised directly in other comprehensive income and accumulated in the asset revaluation reserve. Any decrease in value that offsets a previous increase in value of the same asset is charged against the revaluation reserve. Any other decrease in value is charged to the income statement. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the re-valued amount of the asset.

Depreciation
Land is not depreciated. Depreciation of other property, pant and equipment, is calculated on a straight-line basis so as to expense the cost of the assets, or the revalued amounts, to their expected residual values over their estimated useful lives as follows:

- Buildings	40-50 years
- Plant and equipment	4-10 years
- Leasehold improvements	10 years
- Motor vehicles	4-6 years
- Computer equipment	3-5 years

The useful lives and residual value of the assets are, at the end of each accounting period, reassessed and adjusted if significant.

Lease assets

The Group is the lessee

The Group leases certain plant, equipment and land and buildings. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Leased assets are depreciated on a straight-line basis over the shorter of the lease term and their useful lives, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. Payments are charged to the income statement.

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance lease. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and is recognised as an intangible asset at the date of acquisition. Goodwill represents the excess of the consideration transferred and the amount of any non-controlling interests and the fair value of acquired previously held interests (if any) over the fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree. If, after assessment, the group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously-held equity interest (if any) in the acquiree, the excess is recognised immediately in profit or loss as a bargain purchase price.

Goodwill is recorded at cost less any accumulated impairment losses.

Other intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Software assets, licences and capitalised costs of developing systems are recorded as intangible assets unless they are directly related to a specific item of hardware and recorded as property, plant and equipment. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

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

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Amortisation

Amortisation is charged to the income statement on a straight line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each balance date.

Computer software development costs recognised as assets are amortised over their estimated useful lives as follows:

Software	3 years
ERP software	10 years

The useful lives and residual values of intangible assets, excluding goodwill, are at the end of each accounting period, reassessed and adjusted if significant.

Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is based on either the weighted average cost principle or the first-in, first-out (FIFO) method. Cost includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work inprogress, cost includes an appropriate share of production overheads based on normal operating capacity.Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2014

Trade and other receivables
Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Evidence of impairment may include indication that the debtors or group of debtors is experiencing significant financial difficulty, default in repayments, the probability that they will enter bankruptcy or receivership or liquidation and observable data indicating a measurable decrease in the estimated future cash flows. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

Impairment losses on an individual basis are determined by an evaluation of the exposures on a receivable-by-receivable basis. All individual instruments that are considered significant are subject to this approach. For trade receivables which are not significant on an individual basis, collective impairment is assessed on a portfolio basis based on numbers of days overdue, and taking into account the historical loss experience in portfolios with a similar amount of days overdue.

The carrying amount of the asset is reduced through the use of a provision account and the amount of the loss is recognised in the income statement within 'other operating expenses'. When a trade receivable is uncollectible, it is written off against the provision account for trade receivables. Subsequent recoveries of amounts previously written off are credited against the provision account.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included in current liabilities in the balance sheet unless there is a right of offset and included as a component of cash and cash equivalents in the statement of cash flows.

Impairment of non-financial assets
Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that have a finite life and are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, (if any). An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or group of cash-generating units, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level with the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value-in-use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

The discount rate used for the purposes of goodwill impairment testing is based on a calculated weighted average cost of capital, adjusted for risks specific to the cash flows expected from the goodwill assets. The weighted average cost of capital is based on the cost of debt and cost of equity weighted accordingly between the relative percentages of debt and equity. The cost of debt is the actual cost of debt and the cost of equity is calculated using the capital asset pricing model.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis.

Recoverable amount
The recoverable amount of assets is the greater of their net selling price and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

An impairment loss in respect of a receivable is reversed if the subsequent increase in the recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

An impairment loss in respect of goodwill is not reversed.

Interest bearing borrowings
Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for the intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs, except where otherwise stated, are recognised in the income statement in the period in which they are incurred.

Employee benefits
Long-term employee benefits
The Group's net obligation in respect of long service leave is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

Short-term employee benefits
Employee entitlements to salaries, wages, bonuses and annual leave, to be settled within twelve months of the reporting date, represent present obligations resulting from employees' services provided up to the reporting date, calculated at undiscounted amounts.

Dividends
Dividend distribution to the Company's shareholders is recognised as a liability in the Company's and the Group's financial statements in the period in which the dividends are approved by the Board of Directors and notified to the Company's shareholders.

Provisions
A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined at the present value of the expenditure expected to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the obligation.

Warranties
A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities and is reviewed annually.

Trade and other payables
Trade and other payables are initially recognised at fair value and then subsequently measured at amortised cost.

Investments and other financial assets
The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at the initial recognition and re-evaluates this designation at every reporting date.

Financial assets at fair value through profit or loss
This category has two sub-categories: financial assets held-for-trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Derivatives are also categorised as held-for-trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held-for-trading or are expected to be realised within twelve months of the balance date.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than twelve months after the balance date which are classified as non-current assets. Loans and receivables are included in 'trade and other receivables' in the balance sheet.

The Group assesses at each balance date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Derivatives and hedging activities
From time to time the Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities.

In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for speculative purposes.

The Group is party to the following financial derivatives:

– Forward foreign exchange rate contracts

– Interest rate swaps

The Group does not apply hedge accounting and so derivatives are accounted for as held for trading. Derivative financial instruments are recognised initially at fair value and transaction costs are expensed immediately. Subsequent to initial recognition, derivative financial instruments are stated at fair value. Changes to fair value are recognised immediately in the income statement.

Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable, net of returns and allowances and trade discounts and Goods and Services Tax (GST). The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met as described below.

Sale of goods
Revenue comprises amounts received and receivable by the Group for goods and services supplied in the ordinary course of business. Revenue is stated net of GST collected from customers. Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2014

Sale of services
Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the balance date.

Finance income
Finance income comprises interest income on funds invested and on loans to related parties. Interest income is recognised in the income statement as it accrues, using the effective interest method.

Dividend income
Dividend income is recognised on the date when the Group's right to receive payment is established.

Expenses

Net financing expenses
Net financing expenses comprise interest payable on borrowings calculated using the effective interest rate method, effective interest on long-term receivables, the interest element on finance lease liabilities, and interest receivable on funds invested.

Income tax

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or in equity, respectively.

Current tax charge is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Goods and Services Tax (GST)

The income statement, statement of comprehensive income and statement of cash flows have been presented with all items exclusive of GST. All items in the balance sheet are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

Non-current assets held for sale

Non-current assets and disposal groups are classified as 'held for sale' if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification as 'held for sale'. In addition the asset must be actively marketed for sale at a reasonable price in relation to its current fair value.

Immediately before classification as 'held for sale', the measurement of the assets (and all assets and liabilities in a disposal group) is brought up to date in accordance with applicable NZ IFRS. Then, on initial classification as 'held for sale', non-current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell.

Impairment losses on initial classification as 'held for sale' are included in the corresponding revaluation reserve for that particular asset. The same applies to gains and losses on subsequent remeasurement.

Standards, amendments, and interpretations effective in 2014

There are no standards or interpretations that are effective for the first time this year that have had a material impact on the Group. The following standards and amendments have been adopted by the Group in the current year:

- **NZ IAS 27, 'Separate financial statements' (Revised).** The revised standard prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures, and associates where an entity elects to present separate financial statements. Application of this standard by the Group did not impact any of the amounts in the financial statements as the standard only deals with separate financial statements of the Parent. There was no impact on the Parent's financial statements.

- **NZ IAS 28, 'Investments in associates and joint ventures'.** Amendments to NZ IAS 28 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. Application of this standard by the Group did not impact any of the amounts in the financial statements.

- **NZ IFRS 10, 'Consolidated financial statements'.** NZ IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the Parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. Application of this standard by the Group did not impact any of the amounts in the financial statements.

- **NZ IFRS 12, 'Disclosures of interests in other entities'.** NZ IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities, and other off balance sheet vehicles. Application of this standard by the Group did not impact on any amounts in the financial statements but has resulted in more extensive disclosures in the consolidated financial statements.

- **NZ IFRS 13, 'Fair value measurement'.** NZ IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across NZ IFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within NZ IFRS.

  NZ IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under NZ IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, NZ IFRS13 includes extensive disclosure requirements. Other than the additional disclosures required by NZ IFRS 13, the application of this standard has not had any material impact on the amounts recognised in the financial statements.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 April 2013 and not early adopted
New standards, amendments and interpretations issued by the International Accounting Standards Board (IASB) and the External Reporting Board in New Zealand (XRB) have been published that will be mandatory for the Group's accounting periods beginning on or after 1 April 2014. None of these standards have been early adopted by the Group. The relevant new standards, amendments and interpretations include:

- **NZ IFRS 9 'Financial Instruments'.** This addresses the classification, measurement and recognition of financial assets and financial liabilities. NZ IFRS 9 was issued in November 2009 and updated in October 2010. It replaces the parts of NZ IAS 39 that relate to the classification and measurement of financial instruments. NZ IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the NZ IAS 39 requirements. The main change is that in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement unless this creates an accounting mismatch.

  NZ IFRS 9 was also updated in 2013 amending the hedge accounting model. The key changes are:

  – a broadening of the risks eligible for hedge accounting

  – changes in the way forward contracts and derivative options are accounted for when in a hedge accounting relationship, which reduces profit or loss volatility

  – the effectiveness test has been replaced with the principle of an 'economic relationship' and retrospective assessment of effectiveness is no longer required

  – enhanced disclosures regarding an entity's risk management activities.

  The Group is yet to assess the full impact of NZ IFRS 9. NZ IFRS 9 is applicable for financial reporting periods beginning on or after 1 April 2017.

- **IFRS 15 'Revenue from contracts with customers'.** The standard is not yet effective and the impact on adoption of IFRS 15 has not been assessed.

There are no other standards or interpretations that are not yet effective that would be expected to have a material impact on the Group.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a potential risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Goodwill
The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates as to future profitability of the relevant business units to which goodwill has been allocated and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The Board of Directors believe the carrying amount of goodwill is supportable.

Determination of fair values
A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where appropriate, further information about the assumptions made in determining fair values is disclosed in note 21.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2014

- Land and buildings
The fair value of land and buildings is recognised based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

- Goodwill
The fair value of intangible assets, which is used in determining whether an impairment has occurred, is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

- Derivatives
The fair value of other financial assets and liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

- Non-derivative financial liabilities
Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

4 OTHER INCOME

	GROUP		PARENT	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Other dividend income	2	2	60	60
Dividends from subsidiaries	0	0	0	11,000
Other	290	755	0	1
Management fee received from subsidiaries	0	0	475	515
Shared services fee received from subsidiaries	0	0	2,847	3,122
	292	757	3,382	14,698

5 OPERATING EXPENSES

(Loss)/profit for the year has been arrived at after charging/(crediting):

		GROUP		PARENT	
	Notes	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Donations		6	33	0	32
Remuneration of auditors					
Auditors of the Parent company and Group - Deloitte					
Audit of the financial statements		230	143	24	40
Taxation services		69	120	35	22
Project Peer Review Services		174	37	70	0
Depreciation and amortisation expense					
Depreciation of property, plant and equipment	17	2,280	2,048	653	625
Amortisation of intangible assets	18	665	186	425	85
Employee benefits expenses					
Wages and salaries and other benefits		35,890	32,686	1,816	2,221
Directors' remuneration		388	275	388	275
Directors' retiring allowance		78	65	78	65
KiwiSaver		588	346	35	22
Rental expense		8,168	8,114	313	343
Credit on provision release for onerous leases					
Davis Crescent		(39)	(34)	0	0
Carbine Road		(167)	(325)	0	0
Other net (gains)/losses					
Net loss on disposal of plant, property and equipment and intangible assets		66	91	0	0
Other operating expenses		17,408	20,497	1,749	3,302
		65,804	64,282	5,586	7,032

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2014

6 NET FINANCING EXPENSES

	GROUP		PARENT	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Financial expenses				
Net fair value loss on interest rate swap	0	12	0	0
Interest expense on bank borrowings	2,521	2,273	2,470	2,214
Interest on finance lease liabilities	358	124	358	124
Interest expense on intercompany balances	0	0	124	456
	2,879	2,409	2,952	2,794
Financial income				
Net fair value gain on interest rate swap	(1,008)	0	0	0
Net fair value gain on forward exchange contracts	(4)	0	0	0
Interest income	(34)	(210)	0	(2)
Interest income on intercompany balances	0	0	(1,641)	(1,357)
	(1,046)	(210)	(1,641)	(1,359)
Net financing expenses	1,833	2,199	1,311	1,435

7 (REVERSAL OF IMPAIRMENT)/IMPAIRMENT OF ASSETS

		GROUP		PARENT	
	Notes	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Non-financial assets:					
Impairment of goodwill	18	0	600	0	0
Financial assets:					
Reversal of impairment of intercompany debtor		0	0	0	(5,546)
Provision for receivables impairment		464	201	0	0
		464	801	0	(5,546)

8 INCOME TAX EXPENSE

Taxation on profit/(loss) before tax

8.1 RECONCILIATION OF EFFECTIVE TAX RATE

	GROUP		PARENT	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
(Loss)/profit before tax	(256)	2,670	(7,828)	8,334
Income tax at 28% (2013: 28%)	(72)	748	(2,192)	2,334
Effect of expenses that are not deductible in determining taxable profit	1,355	1,152	625	977
Non-taxable items - intercompany dividends	0	(62)	0	(3,080)
Non-taxable items - impairment of investment in subsidiary	0	0	0	(1,553)
Non-taxable items - impairment losses on goodwill	0	168	0	0
(Under)/over statement of prior year's provision	(172)	(144)	41	(8)
Income tax expense/(credit)	1,111	1,862	(1,526)	(1,330)

8.2 INCOME TAX EXPENSE

	GROUP		PARENT	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Current tax	540	1,906	(1,632)	(1,283)
Deferred tax	571	(44)	106	(47)
Income tax expense/(credit)	1,111	1,862	(1,526)	(1,330)

8.3 CURRENT INCOME TAX (ASSETS)/LIABILITIES

	GROUP		PARENT	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Current tax (receivables)/payables	(753)	1,188	(808)	663

8.4 IMPUTATION CREDIT ACCOUNT

	GROUP		PARENT	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Imputation credits available for use in subsequent reporting periods	12,000	12,140	10,791	11,067

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2014

9 DEFERRED TAXATION

Balance of temporary differences:

	Assets		Liabilities		Net	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000
GROUP						
Property, plant and equipment and intangibles	166	609	(25)	(157)	141	452
Debtors	203	218	0	0	203	218
Inventory	372	270	0	0	372	270
Provisions and accruals	1,164	1,560	0	0	1,164	1,560
Other items	78	29	0	0	78	29
	1,983	2,686	(25)	(157)	1,958	2,529
PARENT						
Property, plant and equipment and intangibles	7	0	0	(69)	7	(69)
Provisions and accruals	156	338	0	0	156	338
	163	338	0	(69)	163	269

Movement in temporary differences during the year:

	Balance 01 April 2012 $'000	Recognised in income $'000	Balance 31 March 2013 $'000	Recognised in income $'000	Recognised in equity $'000	Balance 31 March 2014 $'000
GROUP						
Property, plant and equipment and intangibles	525	(73)	452	(311)	0	141
Debtors	216	2	218	(15)	0	203
Inventory	247	23	270	102	0	372
Provisions and accruals	1,126	434	1,560	(396)	0	1,164
Other items	371	(342)	29	49	0	78
	2,485	44	2,529	(571)	0	1,958
PARENT						
Property, plant and equipment and intangibles	3	(72)	(69)	76	0	7
Provisions and accruals	219	119	338	(182)	0	156
	222	47	269	(106)	0	163

10 REBATES

	GROUP		PARENT	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Rebates approved to be paid to co-operative shareholders	3,671	3,062	3,671	3,062

The total amount of rebate has been approved by the directors on a basis consistent with that used in the previous year. The rebate is only paid to ordinary shareholders of NZPM Group Limited and is calculated according to the promptness of payments and total amounts received by Plumbing World Limited. The rebate is fully imputed for tax purposes (including dividend withholding tax). Rebates are paid out of tax paid profits and are therefore deemed to be dividends for tax purposes.

11 CASH AND CASH EQUIVALENTS

	GROUP		PARENT	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Bank deposits and cash	0	3,965	0	0
Bank overdraft - secured	(3,411)	0	(2,465)	(5,280)
	(3,411)	3,965	(2,465)	(5,280)

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks, and investments in fixed deposits, net of bank overdrafts. Cash and cash equivalents at 31 March can be reconciled to the related items in the statements of financial position as shown above.

12 TRADE AND OTHER RECEIVABLES

		GROUP		PARENT	
	Notes	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Trade receivables	28.4	33,669	34,955	0	0
less provision for impairment of trade receivables		(723)	(777)	0	0
Total trade receivables - net		32,946	34,178	0	0
Prepaid expenses and other receivables		4,613	8,753	32	93
		37,559	42,931	32	93

All trade receivables are related to the plumbing, refrigeration and related trades.

Analysis of movements in provision for irrecoverable trade and other receivables:

Balance at 1 April	(777)	(797)	0	0
Provision for receivables impairment	(464)	(201)	0	0
Receivables written off during the year as uncollectable	741	332	0	0
Receivables recovered during the year	(223)	(111)	0	0
Balance at 31 March	(723)	(777)	0	0

13 INVENTORIES

Inventories comprised finished goods, raw materials and work in progress.

	GROUP		PARENT	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Finished goods and goods for sale	48,672	49,529	0	0
Raw materials and work in progress	1,705	1,014	0	0
Provision for obsolete inventory	(1,285)	(957)	0	0
	49,092	49,586	0	0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2014

14 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

		GROUP		PARENT	
	Notes	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Land and buildings	17	435	0	0	0

4 Lake Okareka Loop Road, Lake Okareka, Rotorua.

In September 2012, at the AGM, the Board committed to sell the property at 4 Lake Okareka. The decision to sell arose due to the requirement for capital to expand the business.

The property has since been sold, with a settlement date of 18 July 2014.

The property is carried as part of the "other" segment in note 27.

15 INVESTMENTS IN ASSOCIATES

Set out below are the associates of the Group as at 31 March 2014.

The associates have share capital consisting solely of ordinary shares, which are held directly by the Group; the country of incorporation or registration is also their principal place of business.

Name of entity	Place of business/ country of incorporation	Percentage of ownership held	Principal activity	Measurement method
Aquatherm NZ Limited	New Zealand	30.0%	Plumbing Supplies Importer	Equity
Construction Marketing Services Limited	New Zealand	12.5%	Building Services Consultancy	Equity

Although Plumbing World Limited only holds 12.5% of the equity shares in Construction Marketing Services Limited, the Group holds significant influence by virtue of its contractual rights to appoint one director (of three) to the board of directors of that company.

The balance date of both associates is 31 March.

Summarised financial information

Set out below is the summarised financial information for Aquatherm NZ Limited and Construction Marketing Services Limited. The aggregate information for the associates is shown as they are not individually material. The information below reflects the amounts presented in the financial statements of the associate (and not the Group's share of those amounts).

	2014 $'000	2013 $'000
Summarised balance sheet		
Total current assets	3,681	2,556
Total current liabilities	(1,334)	(1,484)
Total non-current assets	1,436	1,449
Total non-current liabilities	(200)	0
Net assets	3,583	2,521
Summarised income statements		
Revenue	9,103	8,190
Depreciation and amortisation	(183)	(178)
Interest expense	(7)	(10)
Profit and comprehensive income, after tax	1,816	1,006

	GROUP	
	2014 $'000	2013 $'000
Group's share of profit from continuing operations	381	194

15 INVESTMENTS IN ASSOCIATES (CONTINUED)

Reconciliation of the above summarised information to the carrying amount of the Group's interest in associates recognised in the financial statements:

	GROUP		PARENT	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Balance at 1 April	1,851	1,792	900	900
Share of profit	381	194	0	0
Share of dividends paid	(123)	(135)	0	0
Balance at 31 March	2,110	1,851	900	900

16 INVESTMENTS IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2.

			Interest held by Group		
Name of entity	Principal activity	Location	2014	2013	Balance date
Plumbing World Limited	Wholesale and Retail Plumbing Supplier	New Zealand	100%	100%	31 March
Metrix Imports Limited	Wholesale and Retail Plumbing Supplier	New Zealand	100%	100%	31 March
Plumbing World Properties Limited	Property Management	New Zealand	100%	100%	31 March
Patton Limited	Refrigeration Equipment Supplier	New Zealand	100%	100%	31 March
Patton Australia Pty Limited	Refrigeration Equipment Supplier	Australia	100%	100%	31 March
Metjak Pty Limited	Refrigeration Equipment Supplier	Australia	60%	60%	31 March
Air Conditioning & Refrigeration Parts CQ Pty Limited	Refrigeration Equipment Supplier	Australia	60%	60%	31 March
OZCOLD Pty Limited	Refrigeration Equipment Supplier	Australia	60%	60%	31 March
Mcdalea Pty Limited	Refrigeration Equipment Supplier	Australia	60%	60%	31 March
Catpri Pty Limited*	Non Trading	Australia	0%	75%	30 June
Patton Aero Company Limited	Refrigeration Equipment Supplier	Thailand	60%	60%	31 December
Patton Refrigeration India Pvt Limited	Refrigeration Equipment Supplier	India	100%	100%	31 March

Subsidiaries who have a balance dates that are different to NZPM Group Limited is due to the regulatory environment in the country of incorporation.
There are no significant restrictions (e.g. resulting from borrowing arrangements or regulatory requirements) on the ability of subsidiaries to transfer funds to the Parent in the form of cash dividends or to repay loans or advances.

*Catpri Pty Limited ceased trading on 1 August 2012; the company was deregistered on the 14 May 2014.

16.1 INTERESTS IN SUBSIDIARIES

	PARENT	
	2014 $'000	2013 $'000
Plumbing World Limited	13,134	13,134
Metrix Imports Limited	11,400	11,400
Patton Limited	7,179	7,179
	31,713	31,713

The Parent's investment in subsidiaries comprises shares at cost less impairment.
There has been no impairment in the investment of subsidiaries (2013: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2014

17 PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings $'000	Leasehold Improvements $'000	Plant, Property and Equipment $'000	Motor Vehicles $'000	Computer Equipment $'000	Total $'000
GROUP						
Balance at 1 April 2012						
Cost or valuation	620	3,381	21,697	1,191	6,273	33,162
Accumulated depreciation and impairment	(6)	(1,748)	(16,947)	(827)	(5,749)	(25,277)
Carrying amounts	614	1,633	4,750	364	524	7,885
Movements during the year						
Acquisitions	0	30	873	81	1,435	2,419
Disposals	0	(23)	(333)	(51)	(36)	(443)
Movements in foreign exchange	0	0	(5)	0	(1)	(6)
Depreciation charge	(7)	(316)	(1,105)	(84)	(536)	(2,048)
Balance at 31 March 2013						
Cost or valuation	620	3,302	18,663	1,106	3,416	27,107
Accumulated depreciation and impairment	(13)	(1,978)	(14,483)	(796)	(2,030)	(19,300)
Carrying amounts	607	1,324	4,180	310	1,386	7,807
GROUP						
Balance at 1 April 2013						
Cost or valuation	**620**	**3,302**	**18,663**	**1,106**	**3,416**	**27,107**
Accumulated depreciation and impairment	**(13)**	**(1,978)**	**(14,483)**	**(796)**	**(2,030)**	**(19,300)**
Carrying amounts	**607**	**1,324**	**4,180**	**310**	**1,386**	**7,807**
Movements during the year						
Acquisitions	**0**	**557**	**588**	**56**	**132**	**1,333**
Revaluations	**(166)**	**0**	**0**	**0**	**0**	**(166)**
Reclassification to assets held for sale	**(434)**	**0**	**0**	**0**	**0**	**(434)**
Reclassification at carrying amount	**0**	**2,016**	**(2,104)**	**0**	**88**	**0**
Disposals	**0**	**26**	**(38)**	**(39)**	**8**	**(43)**
Movements in foreign exchange	**0**	**(6)**	**(4)**	**0**	**0**	**(10)**
Depreciation charge	**(7)**	**(665)**	**(749)**	**(96)**	**(763)**	**(2,280)**
Balance at 31 March 2014						
Cost or valuation	**0**	**7,425**	**14,942**	**909**	**4,146**	**27,422**
Accumulated depreciation and impairment	**0**	**(4,173)**	**(13,069)**	**(678)**	**(3,295)**	**(21,215)**
Carrying amounts	**0**	**3,252**	**1,873**	**231**	**851**	**6,207**

The Directors have determined that the property for sale has a market value of $500,000 ($434,783 excluding GST) and this value is shown in the note above. The Directors have reached this view after assessing the feedback from the marketing program for the property which has been underway since late 2013 and feedback from the real estate agent acting for the sale. This value compares to the latest available ratings valuation of $785,000 (including GST) set in July 2011. The historic cost of the land and buildings subject to a revaluation accounting policy is $158,000.

Secured borrowing facilities are secured over the assets of NZPM Group Limited and certain subsidiaries by way of a General Security Agreement (GSA). Expiry date 31 July 2015.

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Plant, Property and Equipment $'000	Computer Equipment $'000	Total $'000
PARENT			
Balance at 1 April 2012			
Cost	822	253	1,075
Accumulated depreciation and impairment	(181)	(62)	(243)
Carrying amounts	641	191	832
Movements during the year			
Acquisitions	3	1,389	1,392
Disposals	0	(1)	(1)
Depreciation charge	(231)	(394)	(625)
Balance at 31 March 2013			
Cost	806	1,638	2,444
Accumulated depreciation and impairment	(393)	(453)	(846)
Carrying amounts	413	1,185	1,598
PARENT			
Balance at 1 April 2013			
Cost	806	1,638	2,444
Accumulated depreciation and impairment	(393)	(453)	(846)
Carrying amounts	413	1,185	1,598
Movements during the year			
Acquisitions	0	25	25
Disposals	0	0	0
Transfers	(88)	(753)	(841)
Depreciation charge	(196)	(457)	(653)
Balance at 31 March 2014			
Cost	173	3	176
Accumulated depreciation and impairment	(44)	(3)	(47)
Carrying amounts	129	0	129

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2014

18 INTANGIBLE ASSETS

	Goodwill $'000	Software $'000	Total $'000
GROUP			
Balance at 1 April 2012			
Cost	14,980	4,837	19,817
Accumulated amortisation and impairment	(3,066)	(4,385)	(7,451)
Carrying amounts	11,914	452	12,366
Movements during the year			
Acquisitions	0	2,743	2,743
Disposals	0	(74)	(74)
Movements in foreign exchange	960	1	961
Impairment	(600)	0	(600)
Amortisation charge	0	(186)	(186)
Balance at 31 March 2013			
Cost	15,940	4,460	20,400
Accumulated amortisation and impairment	(3,666)	(1,524)	(5,190)
Carrying amounts	12,274	2,936	15,210
GROUP			
Balance at 1 April 2013			
Cost	**15,940**	**4,460**	**20,400**
Accumulated amortisation and impairment	**(3,666)**	**(1,524)**	**(5,190)**
Carrying amounts	**12,274**	**2,936**	**15,210**
Movements during the year			
Acquisitions	**0**	**3,091**	**3,091**
Disposals	**0**	**(136)**	**(136)**
Movements in foreign exchange	**(599)**	**2**	**(597)**
Amortisation charge	**0**	**(665)**	**(665)**
Balance at 31 March 2014			
Cost	**15,341**	**7,430**	**22,771**
Accumulated amortisation and impairment	**(3,666)**	**(2,202)**	**(5,868)**
Carrying amounts	**11,675**	**5,228**	**16,903**

18 INTANGIBLE ASSETS (CONTINUED)

	Software $'000	Total $'000
PARENT		
Balance at 1 April 2012		
Cost	262	262
Accumulated amortisation	(34)	(34)
Carrying amounts	228	228
Movements during the year		
Acquisitions	2,656	2,656
Disposals	(44)	(44)
Amortisation charge	(85)	(85)
Balance at 31 March 2013		
Cost	2,842	2,842
Accumulated amortisation	(87)	(87)
Carrying amounts	2,755	2,755
PARENT		
Balance at 1 April 2013		
Cost	**2,842**	**2,842**
Accumulated amortisation	**(87)**	**(87)**
Carrying amounts	**2,755**	**2,755**
Movements during the year		
Acquisitions	**1,755**	**1,755**
Disposals	**(119)**	**(119)**
Transfers	**(3,966)**	**(3,966)**
Amortisation charge	**(425)**	**(425)**
Balance at 31 March 2014		
Cost	**162**	**162**
Accumulated amortisation	**(162)**	**(162)**
Carrying amounts	**0**	**0**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2014

18 INTANGIBLE ASSETS (CONTINUED)

Impairment tests for goodwill
Management reviews the business performance based on geography and type of business. Goodwill is monitored at the operating segment level. Goodwill is allocated to the following cash-generating units (CGU) for the purpose of impairment testing:

GROUP 2014	Opening $'000	Impairment $'000	Other adjustments $'000	Closing $'000
New Zealand Refrigeration CGU	902	0	0	902
Australian Refrigeration CGU	4,381	0	(599)	3,782
Indian Refrigeration CGU	101	0	0	101
Plumbing CGU	6,890	0	0	6,890
	12,274	0	(599)	11,675

GROUP 2013	Opening $'000	Impairment $'000	Other adjustments $'000	Closing $'000
New Zealand Refrigeration CGU	902	0	0	902
Australian Refrigeration CGU	4,021	(600)	960	4,381
Indian Refrigeration CGU	101	0	0	101
Plumbing CGU	6,890	0	0	6,890
	11,914	(600)	960	12,274

The impairment test for goodwill assesses the estimated value in use of the above entities and compares this to the carrying value. The value in use was determined by discounting the future cash flows generated from the continuing use of the CGUs. Key assumptions with respect to the value in use calculations include:

Australian refrigeration CGU
- Growth rates ranging from 4.5% to 11.4% during the 5 year forecast period, (2013: 3% to 22%)
- Terminal growth rate of 3%, (2013: 3%)
- Post tax weighted average cost of capital (WACC) ranging from 11.6% to 12.4% (2013: 10.35% to 11.65%)

At year end the carrying amount of CGU, including goodwill, was determined to be lower than the recoverable amounts; as such no impairment loss has arisen. There is adequate headroom in the Australian refrigeration CGU impairment test, (approximately $4.6m), but the calculation for this goodwill is sensitive to relatively small movements in the key assumptions, particularly the forecast growth rate and cash flows during the 5 year forecast period and the WACC.

Sensitivity analysis
In relation to the goodwill attached to the Australian refrigeration CGUs, it is estimated that a +/- 1% movement in the terminal growth rate used in the calculation would result in a corresponding movement in the recoverable amount of +/- $1.0m. Similarly a +1% movement in the discount rate would alter the recoverable amount by - $2.3m and a -1% movement in the discount rate would alter the recoverable amount by + $3.0m. There is more than adequate headroom in the plumbing segment CGU impairment test.

19 TRADE AND OTHER PAYABLES

	GROUP		PARENT	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Trade payables	16,466	21,326	0	0
Other payables and accrued liabilities	4,334	7,987	934	1,142
	20,800	29,313	934	1,142

20 BORROWINGS

		GROUP		PARENT	
	Notes	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Current					
Finance lease liabilities	20.2	1,244	735	1,236	735
Non-current					
Secured bank loans		32,300	33,750	32,300	33,750
Finance lease liabilities	20.2	3,409	1,560	3,384	1,560
		35,709	35,310	35,684	35,310
		36,953	36,045	36,920	36,045

Total borrowings
The Group minimises interest risk by using short and long term borrowing as well as interest rate swaps. There were no defaults during the period of principal, interest or terms of the loans payable.

20.1 INTEREST BEARING LOANS

Security
Secured borrowing facilities are secured over the assets of NZPM Group Limited and certain subsidiaries by way of a General Security Agreement (GSA). Cross guarantees exist between the various entities of the charging group.

Bank facilities
The banking facilities in place are as follows:

Facility type	Amount	Expiry date
Term debt facility	$22m	31 July 2015
Money market facility	$13m	31 July 2015
Overdraft facility	$5m	31 July 2015

As at 31 March 2014 $32,300,000 was drawn down in loans (2013: $33,750,000).

Interest rates
Secured bank loans 4.57% - 7.55% (2013: 4.45% - 7.55%)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2014

20.2 FINANCE LEASE LIABILITIES

	Commitment in relation to minimum lease payments		Present value of minimum lease payments	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
GROUP				
Not later than one year	1,592	903	1,244	735
Later than one year and not later than five years	3,872	1,787	3,409	1,560
Minimum future lease payments	5,464	2,690	4,653	2,295
less future finance charges	(811)	(395)	0	0
	4,653	2,295	4,653	2,295
Classified as:				
Current			1,244	735
Non-current			3,409	1,560
			4,653	2,295

Security
Finance lease liabilities are secured by the assets leased. Finance leases relate to hardware and software equipment and telephone equipment.

Facility type
The hardware and the software have lease terms of 3 years and 6 years respectively. The interest rate for the hardware is 6.00% and for software 9.90%. At settlement date of the rental facility agreement, NZPM sold the equipment to Quadrent Limited and agreed to rent the same back from Quadrent. At the conclusion of the lease agreement the equipment is returned to the lessor.

The Telecom New Zealand equipment has two leases both with lease terms of 3 years. The interest rate for one lease is 4.85% (2013: 4.85%) and the other is 7.34% (2013: 7.34%).

21 DERIVATIVE FINANCIAL INSTRUMENTS

	GROUP		PARENT	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Financial liabilities carried at fair value:				
Interest rate swaps	1,503	2,511	0	0
Forward foreign exchange contracts	8	12	0	0
	1,511	2,523	0	0
Classified as:				
Current	8	12	0	0
Non-current	1,503	2,511	0	0
	1,511	2,523	0	0

Forward foreign exchange contracts
In order to protect against exchange rate movements, the Group has entered into forward exchange contracts to purchase AUD, USD, THB and EUR currencies for the payment of imports.

Interest rate swaps
The Group has entered into interest rate swaps to protect against the effect of interest rate movements on the interest expense associated with a portion of its long-term borrowings. The Group has contracted to pay a fixed rate of interest in return for receiving payments based on a variable rate of interest.

22 PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	Onerous leases $'000	Other $'000	Employee Entitlements $'000	Warranties $'000	Directors' Retiring Allowance $'000	TOTAL $'000
GROUP						
Balance at 1 April 2012	600	205	3,211	203	120	4,339
Additional provisions made during the year	0	10	3,007	0	66	3,083
Provisions used during the year	(359)	0	(2,207)	(53)	0	(2,619)
Balance at 31 March 2013	241	215	4,011	150	186	4,803
Current	208	100	3,633	150	0	4,091
Non-current	33	115	378	0	186	712
	241	215	4,011	150	186	4,803
GROUP						
Balance at 1 April 2013	241	215	4,011	150	186	4,803
Additional provisions made during the year	0	0	2,298	50	84	2,432
Provisions used during the year	(206)	0	(2,592)	0	(43)	(2,841)
Balance at 31 March 2014	35	215	3,717	200	227	4,394
Current	35	100	3,391	200	0	3,726
Non-current	0	115	326	0	227	668
	35	215	3,717	200	227	4,394
PARENT						
Balance at 1 April 2012	0	100	557	0	120	777
Additional provisions made during the year	0	0	539	0	66	605
Provisions used during the year	0	0	(178)	0	0	(178)
Balance at 31 March 2013	0	100	918	0	186	1,204
Current	0	100	918	0	0	1,018
Non-current	0	0	0	0	186	186
	0	100	918	0	186	1,204
PARENT						
Balance at 1 April 2013	0	100	918	0	186	1,204
Additional provisions made during the year	0	0	160	0	84	244
Provisions used during the year	0	0	(876)	0	(43)	(919)
Balance at 31 March 2014	0	100	202	0	227	529
Current	0	100	202	0	0	302
Non-current	0	0	0	0	227	227
	0	100	202	0	227	529

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2014

22 PROVISIONS FOR OTHER LIABILITIES AND CHARGES (CONTINUED)

Provision for employee entitlements

The provision for employee entitlements relates to employee benefits such as accrued annual leave, long service leave, employee bonuses and sick leave. Most of the liability is expected to be incurred over the next twelve months.

Other - site restoration provision and key man provision

An obligation exists to restore certain valued sites to their original condition. The estimated future obligations include the cost of removing the fixtures and restoring the affected areas.

A provision has been established for financial exposure in the event of key staff leaving the organisation.

Directors' retiring allowancea

A provision is maintained for the payment of a retiring allowance for directors in accordance with the Constitution.

Warranties

Provisions for warranty costs are recognised at the date of sale of the relevant product at management's best estimate of the expenditure required to settle the group's obligations.

Onerous leases

Provision has been made for the rental cost for the remaining lease term on a discounted cash flow basis for two property leases which are no longer occupied by the Group.

23 CO-OPERATIVE SHARE CAPITAL

	GROUP		PARENT	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Ordinary shares				
Issued capital				
9,244,283 (2013: 9,613,649) ordinary shares of $1 each	9,244	9,613	9,244	9,613
less uncalled and unpaid capital	(849)	(1,182)	(849)	(1,182)
	8,395	8,431	8,395	8,431
Development shares				
Issued capital				
1,050,000 (2013: 505,000) development shares of $1 each	1,050	505	1,050	505
less uncalled and unpaid capital	(422)	(31)	(422)	(31)
	628	474	628	474
Redeemable preference shares				
1,429,430 (2013: 2,011,782) redeemable preference shares of $1 each fully paid	1,429	2,012	1,429	2,012
New redeemable preference shares				
10,486,393 (2013: 6,323,005) redeemable preference shares of $1 each fully paid	10,486	6,323	10,486	6,323
Redeemable preference rebate shares				
2007 redeemable preference rebate shares	0	933	0	933
2008 redeemable preference rebate shares	1,413	1,413	1,413	1,413
	1,413	2,346	1,413	2,346
Share subscriptions in advance	728	365	728	365
Total paid-up co-operative capital	23,079	19,951	23,079	19,951

Share subscriptions in advance	728	365	728	365
2008 redeemable preference rebate shares	1,413	933	1,413	933
Current co-operative share capital	2,141	1,298	2,141	1,298
Non-current co-operative share capital	20,938	18,653	20,938	18,653

23 CO-OPERATIVE SHARE CAPITAL (CONTINUED)

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 rebates.

Development shares

Development shares will be redeemed at NZPM's option according to the Constitution at the nominal value of $1 per fully paid share. Consideration for the redemption is subject to the directors' right to postpone payment. Development shares can only be redeemed in conjunction with the surrender of the ordinary shares held by that shareholder. Development shares carry certain rights to receive dividends. Development shares carry no voting rights' (except as required by section 117 of the Companies Act 1993), or rights to rebates.

Redeemable preference shares

NZPM has issued various 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 rebates. The directors are able to postpone repayment.

Redeemable preference rebate shares (rebate shares)

Rebate shares are redeemed six years from the date of issue, unless otherwise determined by the directors, at the nominal value of $1 per share. Rebate shares carry no rights to dividends, rebates or rights to vote (except as required by section 117 of the Companies Act 1993).

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 and development 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2014

23.1 MOVEMENT IN CO-OPERATIVE SHARE CAPITAL

	GROUP and PARENT Capital attributable to co-operative shareholders $'000
Group and Parent	
Balance at 1 April 2012	15,193
Shares issued	7,945
Shares redeemed	(2,538)
Share subscriptions in advance (previous year)	(140)
Share subscriptions in advance	365
2006 redeemable preference rebate shares paid	(874)
Balance at 31 March 2013	19,951
Current	1,298
Non-current	18,653
	19,951
Group and Parent	
Balance at 1 April 2013	19,951
Shares issued	5,917
Shares redeemed	(2,219)
Share subscriptions in advance (previous year)	(365)
Share subscriptions in advance	728
2007 redeemable preference rebate shares paid	(933)
Balance at 31 March 2014	23,079
Current	2,141
Non-current	20,938
	23,079

The current portion of co-operative share capital represents the 2008 (2013: 2007) redeemable preference rebate shares that will be paid out in July 2014 (2013: July 2013) and the value of share subscriptions in advance as at 31 March. Co-operative shares have a face value of $1 per share.

24 OTHER RESERVES

	GROUP		PARENT	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Property revaluation reserve	365	531	0	0
Foreign currency translation reserve	(3,746)	(782)	0	0
	(3,381)	(251)	0	0

24.1 PROPERTY REVALUATION RESERVE

	GROUP		PARENT	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Balance at 1 April	531	531	0	0
Land and buildings revaluation, net of tax	(166)	0	0	0
Balance at 31 March	365	531	0	0

24.2 FOREIGN CURRENCY TRANSLATION RESERVE

	GROUP		PARENT	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Balance at 1 April	(782)	(1,191)	0	0
Exchange difference on translation of foreign operations, before non-controlling interests	(3,313)	408	0	0
Exchange difference on translation of foreign operations on non-controlling interests	349	1	0	0
Balance at 31 March	(3,746)	(782)	0	0

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the consolidated financial statements of foreign operations into Group currency.

25 RETAINED EARNINGS/(DEFICIT)

	GROUP		PARENT	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Balance at 1 April	27,816	27,565	267	(9,197)
Profit/(loss) before distributions to co-operative shareholders	2,946	4,251	(1,989)	13,107
Dividends provided for and paid	(642)	(381)	(642)	(381)
Rebates provided for and paid	(3,671)	(3,062)	(3,671)	(3,062)
Non-controlling interests	(563)	(557)	0	0
Net (loss)/profit attributable to shareholders of the Parent entity	(1,930)	251	(6,302)	9,664
Loss on amalgamation	0	0	0	(200)
Balance at 31 March	25,886	27,816	(6,035)	267

26 NON-CONTROLLING INTERESTS

	GROUP		PARENT	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Balance at 1 April	2,491	2,082	0	0
Profit attributable to non-controlling interests	563	557	0	0
Dividends paid to non-controlling interests shareholders	(89)	(249)	0	0
Movement in share capital	(46)	102	0	0
Transfer to foreign currency translation reserve	(349)	(1)	0	0
Balance at 31 March	2,570	2,491	0	0

27 SEGMENT INFORMATION

Segment information is presented in respect of the Group's business.

The Group does not have reliance on any single external customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2014

27.1 OPERATING SEGMENTS

The Group comprises the following main operating segments:

Refrigeration segment - manufactures and supplies refrigeration and air conditioning equipment to the industry. It includes the Patton group of companies plus Mcdalea Pty Ltd, Metjak Pty Ltd, OZCOLD Pty Ltd and Air Conditioning & Refrigeration Parts CQ Ltd.

Plumbing segment - supplies everything from basic trade products to top fashion bathroom fittings from the best brands in New Zealand and the world. It includes Metrix Ltd and Plumbing World Ltd.

Other segment - includes the parent of the NZPM Group, and Plumbing World Properties Limited, which owns a residential property.

Information regarding the Group's reportable segments is as follows:

	Plumbing $'000	Refrigeration $'000	Other $'000	Total $'000
Year ended 31 March 2014				
Total segment revenue	179,072	64,971	0	244,043
Inter-segment revenue	(7)	(359)	0	(366)
Revenue	179,065	64,612	0	243,677
Depreciation	1,310	310	660	2,280
Amortisation	161	79	425	665
Impairment	149	315	0	464
Operating profit/(loss) by reportable segment	3,163	4,861	(2,219)	5,805
Total operating profit/(loss)	3,163	4,861	(2,219)	5,805
Inter-segment items	(63)	9	(60)	(114)
Share of profit in associates (note 15)	118	0	263	381
Foreign exchange loss - net	(1)	(181)	0	(182)
Profit/(loss) before financing costs, distributions and income tax	3,217	4,689	(2,016)	5,890
Net financing income/(expenses)	544	(1,066)	(1,311)	(1,833)
Distributions to shareholders	0	0	(4,313)	(4,313)
Profit/(loss) before income tax	3,761	3,623	(7,640)	(256)
Year ended 31 March 2013				
Total segment revenue	175,066	60,048	0	235,114
Inter-segment revenue	(17)	(398)	0	(415)
Revenue	175,049	59,650	0	234,699
Depreciation	1,200	216	632	2,048
Amortisation	67	34	85	186
Impairment	201	600	0	801
Operating profit by reportable segment	6,862	4,888	2,067	13,817
Inter-segment elimination (Inovo Limited)	(5,546)	0	0	(5,546)
Total operating profit	1,316	4,888	2,067	8,271
Inter-segment items	(70)	(59)	(60)	(189)
Share of profit in associates (note 15)	77	0	117	194
Foreign exchange gain - net	0	36	0	36
Profit before financing costs and distributions and income tax	1,323	4,865	2,124	8,312
Net financing income/(expenses)	165	(929)	(1,435)	(2,199)
Distributions to shareholders	0	0	(3,443)	(3,443)
Profit/(loss) before income tax	1,488	3,936	(2,754)	2,670

27.1 OPERATING SEGMENTS (CONTINUED)

Revenue reported above represents revenue generated from external customers less any intercompany sales within the segment.
The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2. Items that eliminate on consolidation such as intercompany dividends and intercompany balances have not been included in thefigures. Segment operating profit/(loss) represents the earnings of each segment before interest, tax, the share of profit/(loss) of associates, foreign exchange gain/(loss), and dividends and rebates paid to co-operative shareholders. Operating profit/(loss) is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

27.2 SEGMENT ASSETS AND LIABILITIES

The following is an analysis of the Group's assets and liabilities by reporting segment:

	Plumbing $'000	Refrigeration $'000	Other $'000	Total $'000
Year ended 31 March 2014				
Total assets	**68,052**	**41,470**	**5,701**	**115,223**
Total liabilities	**24,945**	**6,910**	**58,293**	**90,148**
Year ended 31 March 2013				
Total assets	70,556	44,805	8,518	123,879
Total liabilities	27,002	7,817	59,004	93,823

For the purposes of monitoring segment performance and allocating resources between segments, the chief operating decision maker monitors tangible, intangible, financial assets and liabilities attributable to each segment. All assets are allocated to reportable segments.

27.3 GEOGRAPHICAL INFORMATION

The Group operates in two principal geographical areas: New Zealand (country of domicile) and Australia.

The Group's revenue from external customers and information about its segment non-current assets (excluding deferred tax assets and items that eliminate on consolidation) by geographical location are detailed below:

	Revenue from external customers		Non-current assets	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
GROUP				
New Zealand	**206,207**	199,632	**20,527**	21,868
Australia	**34,779**	33,156	**4,610**	5,242
Other	**2,691**	1,911	**289**	287
Total	**243,677**	234,699	**25,426**	27,397

The basis for attributing revenues from external customers to geographical areas is aligned to the country of incorporation of the companies in the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2014

28 FINANCIAL RISK MANAGEMENT

The Group is subject to a number of financial risks which arise as a result of its activities, including importing and domestic trading. Exposure to credit, interest rate, foreign currency, and liquidity risks arises in the normal course of the Group's business. The Group manages commodity price risks through negotiated supply contracts and forward physical contracts. These contracts are for the purpose of the receipt in accordance with the Group's expected usage requirements only and are accounted for as financial instruments.

Treasury activities are performed by a central Treasury function and are governed by Group policies approved by the Board of Directors. The Group's treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks in relation to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risk.

28.1 CAPITAL RISK MANAGEMENT

The main objective of capital risk management is to ensure the Group operates as a going concern, meeting debts as they fall due, maintaining the best possible capital structure and reducing the cost of capital. Group capital consists of other reserves and retained earnings. To maintain or alter the capital structure, the Group has the ability to review the size of the dividends paid to shareholders, return capital or issue new shares, reduce or increase debt or sell assets.

The Group's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and sustain future development of the business.

The Group's policy in respect of capital management and allocation are regularly reviewed by the Board of Directors. There have been no material changes in the Group's management of capital during the year.

There are a number of externally imposed bank financial covenants required as part of term debt facilities. These covenants are calculated monthly and reported to the bank quarterly.

The key covenants are as follows:

- Funding cost cover ratio

- Quasi Equity Ratio

28.2 FINANCIAL INSTRUMENTS BY CATEGORY

		GROUP		PARENT	
	Notes	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Financial assets					
Cash and cash equivalents		0	3,965	0	0
Loans and receivables		37,559	42,931	24,693	28,559
		37,559	46,896	24,693	28,559
Financial liabilities					
Bank overdrafts		3,411	0	2,465	5,280
Fair value through profit or loss:					
- Held for trading derivatives		1,511	2,523	0	0
At amortised cost					
- Trade payables		20,800	29,313	934	1,142
- Related party payables		0	0	514	1,242
- Borrowings	20	36,953	36,045	36,920	36,045
- Co-operative share capital	23	23,079	19,951	23,079	19,951
		85,754	87,832	63,912	63,660

28.3 FAIR VALUE OF FINANCIAL INSTRUMENTS

The directors consider that the carrying amounts of loans and receivables, cash and cash equivalents, and financial liabilities at amortised cost in the financial statements approximate their fair values.

The following assumptions were used to estimate the fair values for each class of financial instrument:

- Forward exchange contracts are measured using observable market forward rates and yield curves derived from observable market interest rates matching maturities of the contracts,

- Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from observable market interest rates.

Fair value measurement hierarchy
The following table presents the Group and Parent's financial instruments that are measured, subsequent to initial recognition, at fair value at 31 March 2014 and 2013.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: Inputs, other than quoted prices included within level 1, that are observable for the assets or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices);
Level 3: Inputs for assets or liabilities that are not based on observable market data (that is, unobservable inputs).

All financial instruments measured at fair value, are classified as level 2.

	GROUP		PARENT	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Level 2:				
Derivative financial liabilities at fair value through profit or loss	1,511	2,523	0	0

Derivatives
Fair value of derivative instruments is calculated using quoted market prices where applicable. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instrument.

There were no transfers between categories in the period.

28.4 CREDIT RISK

Credit risk is the potential risk for loss arising from the failure of a debtor to meet their repayment obligations. The objective of the group is to minimize the risk through evaluation and monitoring of the credit quality of customers and through control over credit in accordance with the credit policy. The potential risk is further minimized by having a spread of customers with no significant concentration of credit risk.

The Group considers its maximum exposure to credit risk to be as follows:

	Gross Receivable		Impairment	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
GROUP				
Trade receivables				
Current	17,215	20,666	0	0
30 days	8,634	9,290	0	0
60 days	2,780	2,877	0	0
90+ days	5,040	2,122	(723)	(777)
Total	33,669	34,955	(723)	(777)

All trade receivables are individually reviewed regularly for impairment as part of normal operating procedures and provided for where appropriate, refer note 7.

Trade receivables that are less than three months past due are not considered impaired. Overdue amounts that have not been provided for relate to customers that have a credit history of more than twelve months and have no recent history of default or they are on an existing payment plan.

Other receivables
All balances are part of normal business practice. No balances are impaired in the Group or Parent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2014

28.5 LIQUIDITY RISK

The Group manages liquidity risk by continuously monitoring cash flows and forecasts and matching maturity profiles of financial assets and liabilities. The Group also maintains adequate headroom on its loan facilities.

Policies are established to ensure all obligations are met within a timely and cost effective manner. The secured bank facility with Westpac imposes various undertakings on NZPM and requires compliance with several covenants. All undertakings and covenants have been met, under the new facility arrangements, at year end and during the year.

The table below analyses the Group’s financial liabilities into relevant contractual maturity groupings based on the remaining period at the reporting date to the contractual maturity date. For the purposes of this table, it is assumed that year end interest rates applicable to the term loan will apply through to expiry of the term loan facility.

	Notes	Balance Sheet $'000	Contractual Cash flows $'000	Less than 6 months $'000	Between 6 months and one year $'000	Between one and two years $'000	Over two years $'000
GROUP 2014							
Bank overdraft	11	3,411	3,411	3,411	0	0	0
Trade and other payables	19	20,800	20,800	20,800	0	0	0
Finance lease liabilities	20	4,653	5,464	796	796	1,404	2,468
Interest bearing loans	20	32,300	35,507	802	802	33,903	0
Co-operative share capital	23	23,079	23,079	2,141	0	0	20,938
Derivative financial instruments	21	1,511	2,319	290	290	580	1,159
Total financial liabilities		85,754	90,580	28,240	1,888	35,887	24,565
GROUP 2013							
Trade and other payables		29,313	29,313	29,313	0	0	0
Finance lease liabilities		2,295	2,690	452	452	709	1,077
Interest bearing loans		33,750	36,904	789	789	35,327	0
Co-operative share capital		19,951	19,951	1,298	0	0	18,653
Derivative financial instruments		2,523	2,899	290	290	580	1,739
Total financial liabilities		87,832	91,757	32,142	1,531	36,616	21,469
PARENT 2014							
Bank overdraft	11	2,465	2,465	2,465	0	0	0
Trade and other payables	19	934	934	934	0	0	0
Finance lease liabilities	20	4,620	5,464	796	796	1,404	2,468
Interest bearing loans	20	32,300	35,507	802	802	33,903	0
Co-operative share capital	23	23,079	23,079	2,141	0	0	20,938
Balance owing to subsidiaries	32.1	514	514	514	0	0	0
Total financial liabilities		63,912	67,963	7,652	1,598	35,307	23,406
PARENT 2013							
Bank overdraft		5,280	5,726	5,726	0	0	0
Trade and other payables		1,142	1,142	1,142	0	0	0
Finance lease liabilities		2,295	2,690	452	452	709	1,077
Interest bearing loans		33,750	36,904	789	789	35,327	0
Co-operative share capital		19,951	19,951	1,298	0	0	18,653
Balance owing to subsidiaries		1,242	1,242	1,242	0	0	0
Total financial liabilities		63,660	67,655	10,649	1,241	36,036	19,730

28.6 MARKET RISK

28.6.1 FOREIGN CURRENCY EXCHANGE RISK

The Group operates internationally and has exposure to foreign currency risk as a result of transactions denominated in foreign currencies from normal trading activities. Major trading currencies include the Australian Dollar, US Dollar, Euro, Indian Rupee and Thai Baht.

Exchange rate exposures greater than NZD$50,000, for a period of up a year, are managed under the foreign exchange policy approved by the NZPM Board of Directors.

The Group uses the following to reduce foreign exchange risk:
- foreign exchange contracts
- foreign exchange bank accounts
- spot purchases of foreign currency
- historic rate rollovers of foreign exchange contracts

	GROUP		PARENT	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
At balance date the Group had the following forward exchange contracts (notional amounts):				
United States Dollar (USD)	1,325	1,036	0	0
European Community Euro (EUR)	1,037	1,088	0	0
Thailand Baht (THB)	643	333	0	0
Australian Dollar (AUD)	336	334	0	0
	3,341	2,791	0	0

Foreign currency exchange sensitivity analysis
At year end the Group has foreign currency exposures relating to cash and external/intercompany debtors and creditors.

The carrying amount of foreign currency denominated monetary assets and liabilities at 31 March are as follows:

	GROUP		PARENT	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Cash				
Thailand Baht (THB)	(178)	1,175	0	0
Australian Dollar (AUD)	1,966	3,834	0	0
India Rupee (INR)	(134)	(51)	0	0
European Community Euro (EUR)	0	0	0	0
United States Dollar (USD)	0	0	0	0
Trade payables				
Thailand Baht (THB)	718	1,136	0	0
Australian Dollar (AUD)	2,994	2,727	0	0
India Rupee (INR)	80	67	0	0
European Community Euro (EUR)	5	46	0	0
United States Dollar (USD)	108	102	0	0
Swiss Franc (CHF)	1	2	0	0
Trade receivables				
Thailand Baht (THB)	689	755	0	0
Australian Dollar (AUD)	6,746	7,455	0	0
India Rupee (INR)	530	419	0	0

10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible movement in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in foreign exchange rates

The impact of a +/- 10% movement in foreign exchange rates would not have a material impact on the profit after tax, as the Group utilises foreign exchange risk management products over a six to twelve month period, and has the ability to manage selling prices as very little of the imported product range is subject to locally manufactures substitution.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2014

28.6.2 INTEREST RATE

The Group is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. Interest rate risk is the potential for a change in interest rates to change funding costs. Interest rate risk is identified by forecasting cash flow requirements, short-term through to long-tem. Short term funding is provided by the bank. The Group has term floating rate borrowings used to fund on-going activities, which are repriced at the option of the borrower on roll-over dates.

The Parent lends to and borrows from its subsidiary companies. Interest is calculated at the end of each month on the outstanding total, at an interest rate of 8%.

Interest rate swap

Under the interest rate swap contract for $12,000,000 (2013: $12,000,000), the Group agrees to exchange the difference between fixed and floating exchange rate interest amounts calculated on agreed notional principal amounts. The fixed interest rate is 7.55% (2013: 7.55%). The interest rate swap is settled on a quarterly basis. The floating rate on the interest rate swap is the local interbank rate in New Zealand. The Group will settle the difference between the fixed and floating interest rate on a net basis.

Interest rate sensitivity

At 31 March 2014 it is estimated that a general increase of one (2013: one) percentage point in interest rates would decrease the Group's profit before income tax by approximately $369,530 (2013: $337,500); a general decrease of one (2013: one) percentage point in interest rates would increase the Group's profit before income tax by approximately $369,530 (2013: $337,500).

29 LEASE COMMITMENTS

The following amounts have been committed to by the Group or Parent, but are not recognised in the financial statements:

	GROUP		PARENT	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Within one year	7,795	8,072	0	0
One to two years	6,554	5,901	0	0
Two to three years	5,214	4,123	0	0
Three to four years	3,192	3,253	0	0
Four to five years	2,595	2,481	0	0
Over five years	2,862	0	0	0

The Group and Parent leases a number of warehouse and office facilities under operating leases. Operating leases held over the properties give the Group and Parent the right, in most cases, to renew the lease subject to a redetermination of the lease rental by the lessor. The leases typically run for a period of up to 12 years.

During the year ended 31 March 2014 $7,962,000 was recognised as an expense in the statement of comprehensive income in respect of operating leases, (2013: $7,755,000). This total includes a credit of $206,000 (2013: $359,000) reflecting use of the provision for onerous leases.

30 CAPITAL COMMITMENTS

The Parent and Group have capital commitments of nil (2013: nil).

31 CONTINGENCIES

Astivita Limited (Astivita), an Australian public company, has issued legal proceedings against Plumbing World Limited (Plumbing World), a subsidiary of NZPM. The proceedings relate to an agreement between Astivita and Plumbing World regarding the trade mark ASTIVITA in New Zealand (Agreement). After entering into the Agreement, Plumbing World registered the trade mark ASTIVITA in New Zealand on 25 October 2007 under registration No. 767155 (Trade Mark). Astivita has purported to terminate the Agreement and has issued proceedings against Plumbing World alleging breach of contract, breach of the Fair Trading Act and rights arising from equitable estoppel. Astivita has sought a number of remedies including an injunction requiring Plumbing World to transfer ownership of the Trade Mark to Astivita and an injunction preventing Plumbing World, its directors, servants or agents from importing, producing, or offering for sale or selling plumbing supplies under or by reference to the trade mark ASTIVITA. Astivita has also sought an enquiry as to damages or, at its election, an account of profits.

Plumbing World has filed a defence to the claims and intends to vigorously defend the proceedings. If found liable, Plumbing World could be required to transfer ownership of the Trade Mark to Astivita and to cease selling plumbing supplies under the Astivita name, and damages or an account of profits could be awarded against Plumbing World.

32 RELATED PARTY TRANSACTIONS

Identity of related parties
The Parent and Group have related party relationships with its subsidiaries (refer note 16), associates (refer note 15), Board of Directors and executive officers.

The Group is a co-operative and therefore transacts with its shareholders. Sale of goods to shareholders are made at market prices. The amounts outstanding at balance date are on normal trade terms and will be settled in cash or by application of rebates to outstanding debts.

No shareholder has any sufficient influence that they could be deemed to be a risk to the Group.

32.1 TRANSACTIONS INVOLVING THE PARENT ENTITY

	PARENT	
	2014 $'000	2013 $'000
The Parent received the following from subsidiaries and associates:		
Interest expense from subsidiaries on intercompany balances	(124)	(456)
Interest income from subsidiaries on intercompany balances	1,641	1,357
Dividends from subsidiaries	0	11,000
Dividends from associates	60	60
Management fees from subsidiaries	475	515
Shared service fees from subsidiaries	2,847	3,122
Transfer of provision for tax balances from subsidiaries (included in the New Zealand tax group)	1,843	2,244
Transfer of PPE and intangibles at book value	4,807	0
The Parent was due from /(owed to) the subsidiaries at balance date.		
Related party receivables	24,661	28,466
Related party payables	(514)	(1,242)

There is no set date for the repayment of the debts to subsidiaries and they are treated as current liabilities. Balances owing by subsidiaries are treated as current assets if they are trading balances and non-current assets if they are in substance part of the net investment in the related party/subsidiary.

The interest rate on related party balances is 8% (2013: 8%) payable on the last day of each month. No related party debts have been written off or forgiven during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2014

32.2 OTHER RELATED PARTY TRANSACTIONS

	Transaction Value 2014 $'000	Balance Outstanding 2014 $'000	Transaction Value 2013 $'000	Balance Outstanding 2013 $'000
Sale of goods				
From associate to the Group	5,608	0	4,424	392
From the Group to associate	454	101	376	3

Loans
Patton Australia has a loan to a joint venture partner, T Corbett, at Ozcold Pty Ltd AUD 25,765 (2013: AUD 27,624). The loan is over a period of 8 years commencing 1 September 2012.

32.3 BOARD OF DIRECTORS AND EXECUTIVE OFFICERS

There are no executive directors.

Directors Messer's Lawrence, Smart, Jackson, De Bernardo, Henderson, Whitehead and McIvor, are also directors of companies which regularly trade with Plumbing World Limited on normal trading terms. In total the companies associated with the directors purchased $2.370m (2013: $2.619m) during the year from Plumbing World Limited. The outstanding balance as at 31 March 2014 was $398k.

Director S McIvor has an interest in a property that is leased to Plumbing World Limited at Wanaka. A formal lease agreement is in place and rent is based on commercial rates.

As at the date of this annual report there are no outstanding loans to directors.

Key management personnel compensation
Key management personnel compensation comprised short term benefits for the 12 months ended 31 March 2014 of $2,844,540 (2013: $2,812,509). There are no post employment, termination, or other long term benefits, other than part of a normal incentive scheme for a few senior executives that is earned over several years and paid in cash.

No key management personnel or their related parties hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

33 SUBSEQUENT EVENTS

On 9 July 2014 Westpac New Zealand Ltd advised NZPM (with effect from pre 30 June 2014) that it has either lowered or removed the threshold applying to several covenents and undertakings until 31 March 2015.

34 NET CASH FLOW FROM OPERATING ACTIVITIES

	GROUP		PARENT	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
(Loss)/profit for the year	(1,367)	808	(6,302)	9,664
Adjusted for non-cash items:				
Depreciation expense and amortisation of intangibles	2,945	2,234	1,078	710
Movement in deferred tax through income statement	571	(44)	106	(47)
Share of profits of associates	(258)	(59)	0	0
Fair value (gain)/loss on financial liabilities	(1,012)	12	0	0
Rebates and dividends not paid in cash	771	710	771	710
Assets expensed	0	0	119	0
Management fees from subsidiaries	0	0	(475)	(515)
Shared services fee from subsidiaries	0	0	(2,847)	(3,122)
Dividends from subsidiaries	0	0	0	(11,000)
Net loss on the sale of property, plant and equipment and intangible assets	66	91	0	0
Net interest from subsidiaries	0	0	(1,517)	(901)
Movement in provision for receivables impairment/ (reversal of impairment of receivables)	464	801	0	(5,546)
	3,547	3,745	(2,765)	(19,711)
Items classified as investing activities:				
Provision for tax movement via intercompany account	0	0	(1,843)	(2,244)
	0	0	(1,843)	(2,244)
Impact of changes in working capital items:				
(Increase)/decrease in trade and other receivables	4,908	(5,804)	61	(61)
(Increase)/decrease in inventories	494	(7,674)	0	0
(Decrease)/increase in taxation payable	(1,941)	402	(1,471)	(293)
(Decrease)/increase in trade and other payables	(8,513)	6,691	(208)	77
(Decrease)/increase in provisions	(409)	446	(675)	427
Net foreign exchange movements relating to working capital	(2,714)	(553)	0	0
	(8,175)	(6,492)	(2,293)	150
Net cash (used in)/generated by operating activities	(5,995)	(1,939)	(13,203)	(12,141)

DIRECTORY

AUDITOR

DELOITTE. *Auckland*

BANKERS

WESTPAC BANKING CORPORATION

LEGAL ADVISORS

LOWNDES ASSOCIATES. *Auckland*
FITZHERBERT ROWE. *Palmerston North*
BUDDLE FINDLAY. *Auckland*
M+K LAWYERS. *Sydney, Australia*

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BOARD OF DIRECTORS

JOHN DEBERNARDO. *Chairman, Wellington*
PAUL SMART. *Deputy Chairman, Auckland*
KEITH AVERY. *Auckland*
DAVE HENDERSON. *Auckland*
PETER JACKSON. *Queenstown*
ALISTER LAWRENCE. *Auckland*
STU MCIVOR. *Wanaka*
MARK WHITEHEAD. *Christchurch*

MANAGEMENT REPRESENTATIVES

STEPHEN DEY. *Group Chief Financial Officer*

PLUMBING WORLD LTD

ROB KIDD. *General Manager*

PATTON LTD

SAMEER HANDA. *Chief Executive Officer*

METRIX IMPORTS LTD

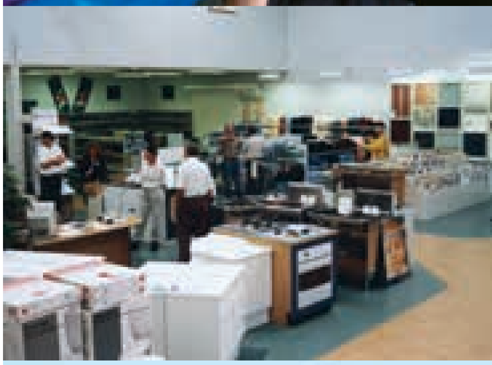
GARRY IVILL. *General Manager*

GROUP TRADING LOCATIONS



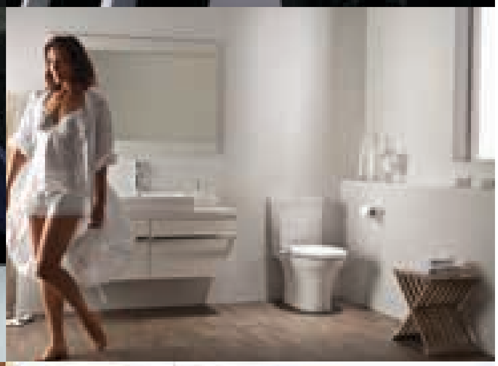

PATTON


caroma





plumbing world






PATTON