

NZPM GROUP LIMITED

CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2017

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NZPM GROUP LIMITED**Condensed consolidated interim statement of profit or loss and other comprehensive income***For the 6 months ended 30 September 2017*

Six months ended		(Unaudited) Group 30/09/2017 \$'000	(Unaudited) Group 30/09/2016 \$'000	(Audited) Group year ended 31/03/2017 \$'000
	Note			
Revenue		109,234	104,151	200,474
Cost of sales		(77,466)	(74,818)	(141,592)
Gross profit		31,768	29,333	58,882
Other income		24	68	146
Depreciation and amortisation expenses		(945)	(1,110)	(1,891)
Other operating expenses		(26,503)	(25,480)	(49,976)
Profit before net finance costs, rebate dividends and dividends paid, and taxation		4,344	2,811	7,161
Net financing costs		(246)	(390)	(441)
Rebate dividends and dividends paid	2	(3,344)	(1,729)	(2,176)
Profit before taxation		754	692	4,544
Taxation expense		(1,088)	(642)	(2,237)
(Loss)/profit for the period		(334)	50	2,307
Total other comprehensive (loss)/income for the period, net of taxation		0	0	0
Total comprehensive (loss)/income for the period		(334)	50	2,307

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

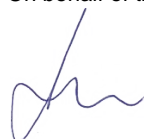
NZPM GROUP LIMITED

Condensed consolidated interim statement of financial position

As at 30 September 2017

As at	Note	(Unaudited) Group 30/09/2017 \$'000	(Unaudited) Group 30/09/2016 \$'000	(Audited) Group 31/03/2017 \$'000
ASSETS				
Current assets:				
Cash and cash equivalents		357	323	1,486
Trade and other receivables		24,548	26,385	28,353
Derivative financial instruments		46	0	61
Inventories		31,186	29,803	30,304
Total current assets		56,137	56,511	60,204
Non-current assets:				
Property, plant and equipment		4,826	4,014	4,118
Intangible assets		8,622	9,113	8,861
Investments in associates		2,610	2,624	2,627
Deferred tax assets		1,746	2,084	1,816
Total non-current assets:		17,804	17,835	17,422
Total assets		73,941	74,346	77,626
LIABILITIES AND EQUITY				
Current liabilities:				
Trade and other payables		21,544	21,461	23,887
Loans and borrowings		601	977	922
Other liabilities		2,474	3,579	2,594
Current tax liabilities		466	263	818
Co-operative share capital	3	0	11	0
Total current liabilities		25,085	26,291	28,221
Non-current liabilities:				
Loans and borrowings		5,658	6,244	6,781
Other liabilities		1,327	1,745	1,325
Co-operative share capital	3	26,562	26,680	25,656
Total non-current liabilities		33,547	34,669	33,762
Total liabilities		58,632	60,960	61,983
Net assets		15,309	13,386	15,643
Equity:				
Retained earnings		15,309	13,386	15,643
Total equity		15,309	13,386	15,643

On behalf of the Board,



John DeBernardo
DIRECTOR (Chair of the Board)
Authorised for issue on 8 November 2017



Linda Robertson
DIRECTOR (Chair of the Audit & Risk Committee)

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

NZPM GROUP LIMITED**Condensed consolidated interim statement of changes in equity***For the 6 months ended 30 September 2017*

	Note	Retained earnings \$'000	Total equity \$'000
Group 2017 (Unaudited)			
Balance at 1 April 2017		15,643	15,643
Loss for the period		(334)	(334)
Other comprehensive loss for the period		0	0
Total comprehensive loss for the period		(334)	(334)
Balance at 30 September 2017		15,309	15,309
Group 2016 (Unaudited)			
Balance at 1 April 2016		13,336	13,336
Profit for the year		50	50
Other comprehensive income for the period		0	0
Total comprehensive income for the period		50	50
Balance at 30 September 2016		13,386	13,386
Group 2017 (Audited)			
Balance at 1 April 2016		13,336	13,336
Profit for the year		2,307	2,307
Other comprehensive income for the year		0	0
Total comprehensive income for the year		2,307	2,307
Balance at 31 March 2017		15,643	15,643

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

NZPM GROUP LIMITED

Condensed consolidated interim statement of cash flows

For the 6 months ended 30 September 2017

Six months ended	(Unaudited) Group	(Unaudited) Group	(Audited) Group year ended
	30/09/2017	30/09/2016	31/03/2017
	\$'000	\$'000	\$'000
	Note		
Cash flows from operating activities:			
Cash receipts from customers	113,039	107,056	201,411
Interest received	21	25	48
Dividends received from associates	38	78	153
Other income received	3	1	1
Cash paid to suppliers and employees	(107,293)	(101,642)	(190,694)
Taxation paid	(1,365)	(561)	(1,339)
Interest paid	(293)	(431)	(756)
Rebate dividends and dividends paid	(2,823)	(166)	(1,423)
Net cash generated by operating activities	4	1,327	4,360
		7,401	
Cash flows from investing activities:			
Proceeds from sale of property, plant and equipment	23	15	126
Acquisition of intangibles	(20)	(638)	(643)
Acquisition of property, plant and equipment	(1,400)	(543)	(1,316)
Net cash used in investing activities	(1,397)	(1,166)	(1,833)
Cash flows from financing activities:			
Proceeds from issue of shares	1,469	1,966	3,025
Payment for share buy-back	(1,084)	(1,660)	(4,198)
Repayment of finance lease	(544)	(514)	(1,032)
Repayment of borrowings	(900)	(3,000)	(2,000)
Repayment of interest rate swap	0	0	(214)
Net cash used in financing activities	(1,059)	(3,208)	(4,419)
Net (decrease)/increase in cash and cash equivalents	(1,129)	(14)	1,149
Cash and cash equivalents at the beginning of year	1,486	337	337
Cash and cash equivalents at the end of the period	357	323	1,486

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

NZPM GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the 6 months ended 30 September 2017

1 ACCOUNTING POLICIES

Reporting entity

NZPM Group Limited (NZPM or 'the company'), is a co-operative. It is a profit-orientated company incorporated and domiciled in New Zealand. NZPM is registered in New Zealand under the Companies Act 1993 and the Co-operative Companies Act 1996 and is a FMC reporting entity under the Financial Markets Conduct Act 2013.

The condensed consolidated interim financial statements presented are those of NZPM Group (the 'Group') comprising NZPM Group Limited and its subsidiaries and the group's interests in associates as at and for the six months ended 30 September 2017.

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

Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with NZ IAS 34 Interim Financial Reporting and IAS 34 Interim Financial Reporting. The condensed consolidated interim financial statements do not include all of the information and disclosures required in the annual financial statements. The condensed consolidated interim financial statements should be read in conjunction with the Annual Report 2017.

The condensed consolidated interim financial statements were authorised by the Board of Directors on 8 November 2017.

Significant accounting policies

The accounting policies applied by the group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 March 2017.

2 REBATE DIVIDENDS AND DIVIDENDS PAID

	(Unaudited) Group six months 30/09/2017 \$'000	(Unaudited) Group six months 30/09/2016 \$'000	(Audited) Group year ended 31/03/2017 \$'000
Rebate dividends paid	2,924	1,254	1,254
Dividends paid	420	475	922
	<u>3,344</u>	<u>1,729</u>	<u>2,176</u>

In June, NZPM declared a gross rebate dividend to all ordinary shareholders that was the greater of \$300 or 4% of their Grade A cash. The rebate dividend was payable in cash in September 2017 to all ordinary shareholders on the share register at 31 March 2017 who were not in default of their monthly obligations. The rebate dividend was fully imputed for tax purposes.

NZPM GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the 6 months ended 30 September 2017

3 CO-OPERATIVE SHARE CAPITAL

	(Unaudited) Group six months 30/09/2017 \$'000	(Unaudited) Group six months 30/09/2016 \$'000	(Audited) Group year ended 31/03/2017 \$'000
The movements in shares by class for the Group is as follows:			
On issue at the beginning of the year	25,656	26,076	26,076
Net (redemptions/transfers)/issues:			
Ordinary shares	10	(190)	(211)
Development shares	(17)	(599)	(683)
Redeemable preference shares (RPS)	(7)	(45)	(46)
New redeemable preference shares (New RPS)	835	1,908	2,841
Redeemable preference rebate shares	0	(551)	(2,316)
Subscriptions in advance	85	92	(5)
On issue at the end of the period	<u>26,562</u>	<u>26,691</u>	<u>25,656</u>
<i>Ordinary shares</i>			
Issued capital			
8,560,516 (Sept 2016: 7,935,314 Mar 2017: 8,143,497) ordinary shares of \$1 each less uncalled and unpaid capital	8,561 <u>(1,216)</u> 7,345	7,935 <u>(579)</u> 7,356	8,143 <u>(808)</u> 7,335
<i>Development shares</i>			
Issued capital			
0 (Sept 2016: 306,499 Mar 2017: 77,250) development shares of \$1 each less uncalled and unpaid capital	0 <u>0</u> 0	306 <u>(205)</u> 101	77 <u>(60)</u> 17
<i>Redeemable preference shares (RPS)</i>			
112,398 (Sept 2016: 120,001 Mar 2017: 118,951) redeemable preference shares of \$1 each fully paid	112	120	119
<i>New redeemable preference shares (New RPS)</i>			
19,014,965 (Sept 2016: 17,247,116 Mar 2017: 18,180,253) redeemable preference shares of \$1 each fully paid	19,015	17,247	18,180
<i>Redeemable preference rebate shares</i>			
2014 redeemable preference rebate shares	0	11	0
2015 redeemable preference rebate shares	<u>0</u>	<u>1,754</u>	<u>0</u>
	0	1,765	0
<i>Share subscriptions in advance</i>	90	102	5
Total paid-up co-operative capital	<u>26,562</u>	<u>26,691</u>	<u>25,656</u>

NZPM GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3 CO-OPERATIVE SHARE CAPITAL continued

	(Unaudited) Group six months 30/09/2017 \$'000	(Unaudited) Group six months 30/09/2016 \$'000	(Audited) Group year ended 31/03/2017 \$'000
<i>Classified as:</i>			
Current	0	11	0
Non-current	26,562	26,680	25,656
	<u>26,562</u>	<u>26,691</u>	<u>25,656</u>

The current portion of co-operative share capital represents the value of share subscriptions in advance as at 31 March and shares due to be paid out within 12 months of balance sheet date.

The Group has different classes of shares with different rights attached to all:

Ordinary shares

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

Development shares

In January 2016, NZPM amended the development shares requirement from 5,000 shares of \$1 per share to nil and resolved to allow existing shareholders to redeem their Development shares for cash and cancel any unpaid portion of their development shares.

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 rebate dividends. The directors are able to postpone repayment. As at 30 September 2017, the dividend rate was 6.00% (March 2017: 6.25%, September 2016: 6.50%).

2014 Redeemable preference rebate shares (2014 rebate shares)

On 7 June 2016 the company resolved to redeem the 2014 rebate shares for cash payment on 4 August 2016. This required the approval of individual shareholders.

2015 Redeemable preference rebate shares (2015 rebate shares)

On 30 September 2016, one third of the 2015 rebate shares were converted into new redeemable preference shares. The second and third conversions were redeemed early for cash payment on 29 March 2017. This required the approval of individual shareholders.

General

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

NZPM GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the 6 months ended 30 September 2017

4 RECONCILIATION OF (LOSS)/PROFIT TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	(Unaudited) Group six months 30/09/2017 \$'000	(Unaudited) Group six months 30/09/2016 \$'000	(Audited) Group year ended 31/03/2017 \$'000
(Loss)/profit for the period	(334)	50	2,307
<i>Adjustments for:</i>			
Depreciation and amortisation of non-current assets	945	1,110	1,891
Movement in deferred tax through income statement	70	0	268
Share of loss of associates	17	11	8
Net gain on financial liabilities designated as at fair value	(11)	(16)	(368)
Rebate dividends and dividends not paid in cash	521	1,563	753
(Gain)/loss on disposal of property, plant and equipment and intangible assets	(17)	0	34
Impairment loss recognised on trade receivables	221	211	117
	<u>1,746</u>	<u>2,879</u>	<u>2,703</u>
<i>Movement in working capital :</i>			
Decrease in trade and other receivables	3,584	2,694	820
Decrease/(increase) in inventories	(882)	(329)	(830)
(Decrease)/increase in taxation payable	(352)	75	630
(Decrease)/increase in trade and other payables	(2,343)	(1,327)	1,099
Increase in provisions	(92)	318	672
	<u>(85)</u>	<u>1,431</u>	<u>2,391</u>
Net cash generated by operating activities	<u>1,327</u>	<u>4,360</u>	<u>7,401</u>

5 CONTINGENCIES

The Group is subject to a small number of claims which are not considered significant. The directors believe based on legal advice that the actions can be successfully defended.

6 SUBSEQUENT EVENTS

There are no subsequent events.