

**NZPM GROUP LIMITED**

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2022**

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**NZPM GROUP LIMITED**

**Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income**

For the six months ended 30 September 2022

		<b>Unaudited 6 months to 30 Sept 2022 \$'000</b>	Unaudited 6 months to 30 Sept 2021 \$'000	Audited 12 months to 31 Mar 2022 \$'000
	Note			
Sales revenue		169,743	144,294	305,436
Cost of goods sold		(119,505)	(101,761)	(214,556)
<b>Gross profit</b>		<b>50,238</b>	<b>42,533</b>	<b>90,880</b>
Other operating income	3	164	970	1,071
Share of results of associates		60	93	47
Administration expenses		(7,054)	(6,429)	(12,201)
Other operating expenses and ERP system transition costs	4	(31,294)	(27,904)	(56,043)
<b>Earnings before finance costs, dividends and tax</b>		<b>12,114</b>	<b>9,263</b>	<b>23,754</b>
<b>Net finance cost</b>		<b>(1,320)</b>	(1,337)	(2,692)
Rebate dividends and dividends	5	(11,321)	(9,240)	(9,648)
<b>(Loss)/profit before income tax</b>		<b>(527)</b>	<b>(1,314)</b>	<b>11,414</b>
Income tax expense		(3,210)	(2,227)	(5,937)
<b>(Loss)/profit for the period</b>		<b>(3,737)</b>	<b>(3,541)</b>	<b>5,477</b>
<b>Other comprehensive income/(loss) for the period</b>				
<i>Items that may be classified subsequently to profit and loss:</i>				
Gain/(loss) from foreign exchange differences on translation of foreign operations		147	1	(2)
<b>Other comprehensive gain/(loss) for the period</b>		<b>147</b>	<b>1</b>	<b>(2)</b>
<b>Total comprehensive (loss)/income for the period</b>		<b>(3,590)</b>	<b>(3,540)</b>	<b>5,475</b>

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

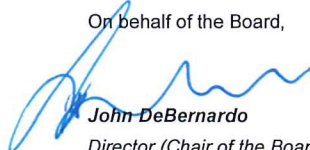
NZPM GROUP LIMITED

Consolidated Interim Balance Sheet

As at 30 September 2022

	Note	Unaudited 30 Sept 2022 \$'000	Unaudited 30 Sept 2021 \$'000	Audited 31 Mar 2022 \$'000
<b>Current assets</b>				
Cash and cash equivalents	6	2,083	1,365	438
Trade and other receivables		37,619	30,544	42,602
Right to returned goods asset		1,341	1,007	1,249
Derivative financial instruments		467	29	266
Inventories		57,898	50,617	58,018
<b>Total current assets</b>		<b>99,408</b>	<b>83,562</b>	<b>102,573</b>
<b>Non-current assets</b>				
Property, plant and equipment		20,285	18,108	19,213
Intangible assets		7,971	7,885	7,962
Investment in associate		905	826	698
Right-of-use assets		40,818	43,455	41,706
Derivative financial instruments		0	32	0
Deferred taxation		3,888	3,072	3,550
<b>Total non-current assets</b>		<b>73,867</b>	<b>73,378</b>	<b>73,129</b>
<b>Total assets</b>		<b>173,275</b>	<b>156,940</b>	<b>175,702</b>
<b>Current liabilities</b>				
Trade and other payables		35,473	31,836	36,595
Refund liability		1,940	1,449	1,805
Contract liabilities		1,874	1,839	1,639
Derivative financial instruments		0	0	101
Provisions		4,270	3,421	4,091
Lease liabilities		6,414	6,392	6,623
Taxation payable		2,159	1,657	4,413
<b>Total current liabilities</b>		<b>52,130</b>	<b>46,594</b>	<b>55,267</b>
<b>Non-current liabilities</b>				
Loans and borrowings	8	14,538	13,093	14,543
Provisions		856	675	1,013
Lease liabilities		38,767	40,636	39,110
Co-operative share capital	7	37,633	32,016	32,828
<b>Total non-current liabilities</b>		<b>91,794</b>	<b>86,420</b>	<b>87,494</b>
<b>Total liabilities</b>		<b>143,924</b>	<b>133,014</b>	<b>142,761</b>
<b>Net assets</b>		<b>29,351</b>	<b>23,926</b>	<b>32,941</b>
<b>Equity</b>				
Reserves		84	(60)	(63)
Retained earnings		29,267	23,986	33,004
<b>Total equity</b>		<b>29,351</b>	<b>23,926</b>	<b>32,941</b>

On behalf of the Board,



**John DeBernardo**

Director (Chair of the Board)

Authorised for issue on 25 November 2022



**Kathy Meads**

Director (Chair of the Audit & Risk Committee)

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

**NZPM GROUP LIMITED**

**Consolidated Interim Statement of Changes in Equity**

For the six months ended 30 September 2022

	Note	Foreign currency translation reserve \$'000	Retained earnings \$'000	Total equity \$'000
<b>Unaudited 2022</b>				
Balance at 1 April 2022		(63)	33,004	32,941
Loss for the period		0	(3,737)	(3,737)
Other comprehensive income for the period		147	0	147
Total comprehensive loss for the period		147	(3,737)	(3,590)
<b>Balance at 30 September 2022</b>		<b>84</b>	<b>29,267</b>	<b>29,351</b>
<b>Unaudited 2021</b>				
Balance at 1 April 2021		(61)	27,527	27,466
Loss for the period		0	(3,541)	(3,541)
Other comprehensive income for the period		1	0	1
Total comprehensive income / (loss) for the period		1	(3,541)	(3,540)
Balance at 30 September 2021		<b>(60)</b>	<b>23,986</b>	<b>23,926</b>
<b>Audited 2022</b>				
Balance at 1 April 2021		(61)	27,527	27,466
Profit for the year		0	5,477	5,477
Other comprehensive loss for the year		(2)	0	(2)
Total comprehensive (loss) / income for the year		(2)	5,477	5,475
Balance at 31 March 2022		<b>(63)</b>	<b>33,004</b>	<b>32,941</b>

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

**NZPM GROUP LIMITED**

**Consolidated Interim Statement of Cash Flows**

For the six months ended 30 September 2022

	Notes	Unaudited 6 months to 30 Sept 2022 \$'000	Unaudited 6 months to 30 Sept 2021 \$'000	Audited 12 months to 31 Mar 2022 \$'000
<b>Operating activities:</b>				
Receipts from customers		170,751	149,506	301,303
Receipts from 2021 COVID-19 Wage Subsidy and Resurgence Support Payment		0	706	718
Rent received		27	58	94
Interest received		38	6	7
Dividends received from associates		0	0	71
Other income		77	61	130
Payments to suppliers and employees		(149,325)	(138,977)	(284,921)
Payments for ERP system transition costs		(489)	0	0
Income tax paid		(5,801)	(4,505)	(5,937)
Interest paid on borrowings		(222)	(138)	(380)
Interest paid on lease liabilities		(1,258)	(1,341)	(2,687)
Interest received / (paid) on interest rate swaps		7	(97)	(100)
Dividends paid to shareholders	5	(10,560)	(8,575)	(8,709)
<b>Net cash inflows/(outflows) from operating activities</b>	<b>6</b>	<b>3,246</b>	<b>(3,296)</b>	<b>(411)</b>
<b>Investing activities:</b>				
Proceeds from sale of property, plant and equipment		27	0	27
Investment in associate		0	0	(157)
Purchase of intangible assets		(134)	(216)	(456)
Purchase of property, plant and equipment		(2,202)	(1,332)	(3,552)
<b>Net cash outflows from investing activities</b>		<b>(2,309)</b>	<b>(1,548)</b>	<b>(4,138)</b>
<b>Financing activities:</b>				
Issue of new shares	7	4,905	1,663	3,163
Proceeds from loans and borrowings		745	7,500	9,000
Share redemption payments	7	(861)	(1,068)	(2,031)
Loans and borrowings repayments		(750)	(50)	(100)
Lease liability payments		(3,331)	(2,961)	(6,170)
<b>Net cash inflows from financing activities</b>		<b>708</b>	<b>5,084</b>	<b>3,862</b>
<b>Net cash flows</b>		<b>1,645</b>	<b>240</b>	<b>(687)</b>
Cash and cash equivalents at beginning of year		438	1,125	1,125
<b>Cash and cash equivalents at end of period</b>		<b>2,083</b>	<b>1,365</b>	<b>438</b>

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

## **NZPM GROUP LIMITED**

### **Notes to the Consolidated Interim Financial Statements**

For the six months ended 30 September 2022

#### **1 Basis of preparation**

##### **Reporting entity and statutory base**

The condensed consolidated interim financial statements presented are for NZPM Group (the 'Group'), comprising NZPM Group Limited (NZPM or 'the company') and its subsidiaries and associate, as at 30 September 2022.

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

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

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

The condensed consolidated interim financial statements have been authorised for issue by the Board of Directors on 24 November 2022 and have not been audited.

##### **Statement of compliance**

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

The condensed consolidated interim financial statements do not include all the notes and disclosures set out in the 2022 Annual Report. As a result, these statements should be read in conjunction with the annual report for the year ended 31 March 2022, (2022 Annual Report), which has been prepared in accordance with New Zealand Generally Accepted Accounting Practice ('NZ GAAP').

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

All significant accounting policies adopted in the preparation of these condensed consolidated interim financial statements are consistent with those used in the audited 2022 financial statements of the Group.

##### **Critical accounting estimates and judgments**

The Group makes estimates and judgments concerning the future. The resulting accounting estimates may, by definition, not equal the related actual results. The estimates and judgments used in the preparation of these unaudited condensed interim financial statements are consistent with those used in the 2022 Annual Report.

#### **2 Changes to accounting standards and significant accounting policies**

##### **Implementation of IFRIC agenda decision and new accounting policy**

During the year, the Group entered into a contract with Capgemini to procure, integrate and configure Microsoft's Dynamics 365 product. The Group adopted a new accounting policy in relation to upfront configuration and customisation costs incurred in implementing Software-as-a-Service arrangements in line with the IFRIC agenda decision clarifying its interpretation of how current accounting standards apply to these types of arrangements. The new accounting policy is presented below.

##### **Software-as-a-Service (SaaS) arrangements**

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received.

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

## NZPM GROUP LIMITED

### Notes to the Consolidated Interim Financial Statements

For the six months ended 30 September 2022

#### 3 Other operating income

	<b>Unaudited 6 months to 30 Sept 2022 \$'000</b>	Unaudited 6 months to 30 Sept 2021 \$'000	Audited 12 months to 31 Mar 2022 \$'000
Government grant - COVID-19 Wage subsidy and Resurgence Support Payment	0	718	718
COVID-19 related rent concessions (i)	0	133	129
Operating rental income	27	58	94
Other	137	61	130
<b>Total operating income</b>	<b>164</b>	<b>970</b>	<b>1,071</b>

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

#### 4 Other operating expenses and ERP system transition costs

	<b>Unaudited 6 months to 30 Sept 2022 \$'000</b>	Unaudited 6 months to 30 Sept 2021 \$'000	Audited 12 months to 31 Mar 2022 \$'000
<i>Other operating expenses and ERP system transition costs include the following:</i>			
Employee expense	24,429	22,077	44,069
Depreciation and amortisation expense	4,936	4,787	9,712
ERP system transition costs	489	0	0

NZPM has commenced the process of replacing the core business software with Microsoft Dynamics 365. This implementation is expected to take 12 to 18 months and cost an estimated \$8 million including both internal and external costs. NZPM is currently in the Analysis and Design phase with costs incurred to 30 September 2022 of \$489,000. NZPM expects to commit to the next build phase prior to year end.

#### 5 Rebate dividends and dividends

	<b>Unaudited 6 months to 30 Sept 2022 \$'000</b>	Unaudited 6 months to 30 Sept 2021 \$'000	Audited 12 months to 31 Mar 2022 \$'000
<i>Amounts recognised as distributions to shareholders in the period:</i>			
Rebate dividends on ordinary shares	10,829	8,870	8,870
Dividends on redeemable preference shares	492	370	778
<b>Total rebate dividends and dividends</b>	<b>11,321</b>	<b>9,240</b>	<b>9,648</b>

On 6 July 2022, NZPM declared a final rebate dividend for the year ended 31 March 2022 to all ordinary shareholders that was the greater of \$300 or 8.0% per annum of ordinary shareholder Grade-A cash. The rebate dividend was paid in cash on 27 September 2022 to all ordinary shareholders on the share register as at the date of payment who were not in default of their monthly obligations. The rebate dividend was fully imputed for tax purposes.

	<b>Unaudited 6 months to 30 Sept 2022 \$'000</b>	Unaudited 6 months to 30 Sept 2021 \$'000	Audited 12 months to 31 Mar 2022 \$'000
<i>The below figures reconcile to the amount of cash shown in the consolidated interim statement of cash flows at the end of the period as follows:</i>			
Total rebate dividends and dividends	11,321	9,240	9,648
less non-cash rebate dividends and dividends	(761)	(665)	(940)
Balance as per the consolidated interim statement of cash flows	<b>10,560</b>	<b>8,575</b>	<b>8,708</b>

**NZPM GROUP LIMITED**

**Notes to the Consolidated Interim Financial Statements**

For the six months ended 30 September 2022

**6 Notes to the consolidated interim statement of cash flows**

	<b>Unaudited 6 months to 30 Sept 2022 \$'000</b>	Unaudited 6 months to 30 Sept 2021 \$'000	Audited 12 months to 31 Mar 2022 \$'000
<b>Cash and cash equivalents</b>			
Cash at bank or on hand	2,083	1,365	438
<b>Total cash and cash equivalents</b>	<b>2,083</b>	<b>1,365</b>	<b>438</b>

Cash and cash equivalents comprises cash net of outstanding bank overdrafts.  
The total also includes any foreign currency held by the Group as at 30 September 2022.

	<b>Unaudited 6 months to 30 Sept 2022 \$'000</b>	Unaudited 6 months to 30 Sept 2021 \$'000	Audited 12 months to 31 Mar 2022 \$'000
<b>Cash generated from operations</b>			
<b>Profit / (loss) for the period</b>	<b>(3,737)</b>	<b>(3,541)</b>	<b>5,477</b>
<i>Non-cash items:</i>			
Depreciation of property, plant and equipment	1,101	1,077	2,180
Amortisation of intangible assets	169	122	285
Depreciation of right-of-use assets	3,667	3,588	7,247
Non-cash share of net profit of associate	(60)	(93)	24
Net foreign exchange gain / (loss)	(152)	1	(51)
Movement in deferred tax	(338)	(430)	(908)
Net gains / (losses) on financial liabilities at fair value	(115)	(216)	(467)
Non-cash rebate dividends and dividends	761	665	940
	<b>5,033</b>	<b>4,714</b>	<b>9,250</b>
<i>Items classified as investing or financing adjustments:</i>			
Gain on disposal of property, plant and equipment	1	(10)	(23)
Rent concessions received	0	(133)	(129)
	<b>1</b>	<b>(143)</b>	<b>(152)</b>
<i>Movement in working capital:</i>			
Decrease / (Increase) in trade and other receivables	4,983	7,746	(4,312)
(Increase) / Decrease in right to returned goods asset	(92)	81	(161)
Decrease / (Increase) in inventories	120	(9,396)	(16,797)
(Decrease) / increase in taxation payable	(2,254)	(1,848)	908
(Decrease) / increase in trade and other payables	(1,201)	(1,365)	3,756
Increase / (Decrease) in refund liability	135	(117)	239
Increase in contract liabilities	235	307	107
Increase in provisions	23	266	1,274
	<b>1,949</b>	<b>(4,326)</b>	<b>(14,986)</b>
<b>Net cash inflows / (outflows) from operating activities</b>	<b>3,246</b>	<b>(3,296)</b>	<b>(411)</b>



**NZPM GROUP LIMITED**

**Notes to the Consolidated Interim Financial Statements**

For the six months ended 30 September 2022

**7 Co-operative share capital**

	<b>Unaudited 6 months to 30 Sept 2022 \$'000</b>	Unaudited 6 months to 30 Sept 2021 \$'000	Audited 12 months to 31 Mar 2022 \$'000
<i>The movements in shares by class for the Group are as follows:</i>			
On issue at the beginning of the year	32,828	30,756	30,756
Net issues/(redemptions/transfers):			
Ordinary shares	342	266	412
'New' redeemable preference shares (New RPS)	4,463	994	1,660
On issue at the end of the period	<b>37,633</b>	<b>32,016</b>	<b>32,828</b>

	<b>Unaudited 6 months to 30 Sept 2022 \$'000</b>	Unaudited 6 months to 30 Sept 2021 \$'000	Audited 12 months to 31 Mar 2022 \$'000
<i>Ordinary shares</i>			
Issued capital			
10,690,000 (Sept 2021: 10,090,000 Mar 2022: 9,548,709) ordinary shares of \$1 each less uncalled and unpaid capital	10,690 (1,756) 8,934	10,090 (1,644) 8,446	9,549 (957) 8,592
<i>Redeemable preference shares (RPS)</i>			
16,564 (Sept 2021: 16,564 Mar 2022: 16,564) redeemable preference shares of \$1 each fully paid	17	17	17
<i>'New' redeemable preference shares (New RPS)</i>			
27,913,485 (Sept 2021: 22,788,501 Mar 2022: 23,364,210) new redeemable preference shares of \$1 each fully paid	27,913	22,788	23,364
332,397 (Sept 2021: 273,996 Mar 2022: 283,114) FR24 redeemable preference shares of \$1 each fully paid	332	274	283
333,543 (Sept 2021: 385,904 Mar 2022: 478,204) FR36 redeemable preference shares of \$1 each fully paid	335	386	478
101,770 (Sept 2021: 104,939 Mar 2022: 94,470) FR48 redeemable preference shares of \$1 each fully paid	102	105	94
<b>Total co-operative share capital</b>	<b>37,633</b>	<b>32,016</b>	<b>32,828</b>

*Classified as:*

Non-current	<b>37,633</b>	<b>32,016</b>	<b>32,828</b>
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	<b>Unaudited 6 months to 30 Sept 2022 \$'000</b>	Unaudited 6 months to 30 Sept 2021 \$'000	Audited 12 months to 31 Mar 2022 \$'000
<i>The below figures reconcile to the amount of cash shown in the consolidated interim statement of cash flows at the end of the period as follows:</i>			
Total co-operative share capital	37,633	32,016	32,828
less non-cash rebate dividends and dividend payments	(761)	(665)	(940)
less opening balance	(32,828)	(30,756)	(30,756)
Net balance as per the consolidated interim statement of cash flows	<b>4,044</b>	<b>595</b>	<b>1,132</b>

## NZPM GROUP LIMITED

### Notes to the Consolidated Interim Financial Statements

For the six months ended 30 September 2022

#### 7 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 rebate dividends.

##### Redeemable preference shares

NZPM has issued various classes of redeemable preference shares. Redeemable preference shares issued at different times and with different terms each constitute a separate class of redeemable preference shares. Redeemable preference shares are redeemable at the option of the shareholder at the nominal value of \$1 per share. Redeemable preference shares carry certain rights to receive dividends. Redeemable preference shares carry no voting rights (except as required by section 117 of the Companies Act 1993) or rights to rebate dividends. The directors are able to postpone repayment for up to 5 years. As at 30 September 2022, the quarterly dividend rate was 5.75% (Sept 2021: 4.5%, Mar 2022: 4.5%) per annum.

##### General

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

#### 8 Loans and Borrowings

In April 2022, the limit on the Multi Option Credit Line Facility increased to \$18 million. In June 2022, the Group signed an agreement to access an additional Wholesale Development Facility to the value of \$3.44 million partially to support the development costs for the Dury property. As at 30 September 2022, the drawn down value on this facility is \$0.7 million.

#### 9 Contingent liabilities

There were no contingent liabilities as at 30 September 2022 (Sept 2021: nil, Mar 2022: nil).

#### 10 Capital commitments

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

	<b>Unaudited 6 months to 30 Sept 2022 \$'000</b>	Unaudited 6 months to 30 Sept 2021 \$'000	Audited 12 months to 31 Mar 2022 \$'000
Upgrade to leased and owned premises	22	151	64
Motor vehicles	366	1,471	435
Software	33	50	104
Computer equipment	73	10	61
Buildings	4,751	-	6,441
	<b>5,245</b>	<b>1,682</b>	<b>7,105</b>

#### 11 Events after the reporting period

There were no significant events after the reporting date.