

NZPM GROUP LIMITED

CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2016

	PAGE
Condensed consolidated interim statement of profit or loss and other comprehensive income	1
Condensed consolidated interim statement of financial position	2
Condensed consolidated interim statement of changes in equity	3
Condensed consolidated interim statement of cash flows	4
Notes to the condensed consolidated interim statements	5-8

NZPM GROUP LIMITED

Condensed consolidated interim statement of profit or loss and other comprehensive income

For the 6 months ended 30 September 2016

Six months ended	(Unaudited) Group	(Unaudited) Group	(Audited) Group
	30/09/2016	30/09/2015	year ended 31/03/2016
Note	\$'000	\$'000	\$'000
Continuing operations			
Revenue	104,151	92,735	183,380
Cost of sales	(74,818)	(65,685)	(129,900)
Gross profit	29,333	27,050	53,480
Other income	68	301	383
Depreciation and amortisation expenses	(1,110)	(2,300)	(4,375)
Other operating expenses	(25,480)	(24,186)	(47,769)
Profit before net finance costs, rebate dividends and dividends paid, and taxation	2,811	865	1,719
Net financing costs	(390)	(704)	(1,193)
Rebate dividends and dividends paid	2 (1,729)	(2,277)	(2,770)
Profit/(loss) before taxation	692	(2,116)	(2,244)
Taxation (expense)/credit	(642)	48	(21)
Profit/(loss) for the period from continuing operations	50	(2,068)	(2,265)
Discontinued operations:			
Loss for the period from discontinued operations	0	(4,271)	(4,392)
Profit/(loss) for the period	50	(6,339)	(6,657)
Other comprehensive income/(loss):			
<i>Items that may be reclassified subsequently to profit and loss:</i>			
Exchange differences on translation of foreign operations	3 0	4,271	4,271
Total other comprehensive income for the period, net of taxation	0	4,271	4,271
Total comprehensive income/(loss) for the period	50	(2,068)	(2,386)

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

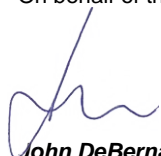
NZPM GROUP LIMITED

Condensed consolidated interim statement of financial position

As at 30 September 2016

As at	Note	(Unaudited) Group 30/09/2016 \$'000	(Unaudited) Group 30/09/2015 \$'000	(Audited) Group 31/03/2016 \$'000
ASSETS				
Current assets:				
Cash and cash equivalents		323	0	337
Trade and other receivables		26,385	27,932	29,290
Current tax assets		0	450	0
Inventories		29,803	26,867	29,474
Total current assets		56,511	55,249	59,101
Non-current assets:				
Property, plant and equipment		4,014	4,095	4,338
Intangible assets		9,113	8,835	8,733
Investments in associates		2,624	2,582	2,635
Deferred tax assets		2,084	1,514	2,084
Total non-current assets:		17,835	17,026	17,790
Total assets		74,346	72,275	76,891
LIABILITIES AND EQUITY				
Current liabilities:				
Bank overdraft		0	490	0
Trade and other payables		21,461	18,129	22,788
Loans and borrowings		977	9,026	1,032
Other liabilities		3,579	2,054	2,037
Current tax liabilities		263	0	188
Co-operative share capital	4	11	108	597
Total current liabilities:		26,291	29,807	26,642
Non-current liabilities:				
Loans and borrowings		6,244	1,721	9,703
Other liabilities		1,745	1,805	1,731
Co-operative share capital	4	26,680	25,288	25,479
Total non-current liabilities:		34,669	28,814	36,913
Total liabilities		60,960	58,621	63,555
Net assets		13,386	13,654	13,336
Equity:				
Retained earnings		13,386	13,654	13,336
Total equity		13,386	13,654	13,336

On behalf of the Board



John DeBernardo

DIRECTOR (Chair of the Board)

Authorised for issue on 3 November 2016



Linda Robertson

DIRECTOR (Chair of the Audit 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 2016

	Note	Foreign currency translation reserve \$'000	Retained earnings \$'000	Attributable to owners of the Parent \$'000	Non- controlling interests \$'000	Total equity \$'000
Group 2016 (Unaudited)						
Balance at 1 April 2016		0	13,336	13,336	0	13,336
Profit for the period		0	50	50	0	50
Total comprehensive income for the period		0	50	50	0	50
Balance at 30 September 2016		0	13,386	13,386	0	13,386
Group 2015 (Unaudited)						
Balance at 1 April 2015		(4,271)	19,993	15,722	2,583	18,305
Loss for the period		0	(6,339)	(6,339)	0	(6,339)
Other comprehensive income for the period		4,271	0	4,271	0	4,271
Total comprehensive income/(loss) for the period		4,271	(6,339)	(2,068)	0	(2,068)
Disposal of non-controlling interests in Patton Group		0	0	0	(2,583)	(2,583)
Balance at 30 September 2015		0	13,654	13,654	0	13,654
Group 2016 (Audited)						
Balance at 1 April 2015		(4,271)	19,993	15,722	2,583	18,305
Loss for the year		0	(6,657)	(6,657)	0	(6,657)
Other comprehensive income for the year		4,271	0	4,271	0	4,271
Total comprehensive income/(loss) for the year		4,271	(6,657)	(2,386)	0	(2,386)
Disposal of non-controlling interests		0	0	0	(2,583)	(2,583)
Balance at 31 March 2016		0	13,336	13,336	0	13,336

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 2016

Six months ended	(Unaudited) Group	(Unaudited) Group	(Audited) Group year ended
	30/09/2016	30/09/2015	31/03/2016
Note	\$'000	\$'000	\$'000
Cash flows from operating activities:			
Cash receipts from customers	107,056	90,488	177,760
Interest received	25	2	14
Dividends received from associates	78	108	137
Other income received	1	2	2
Cash paid to suppliers and employees	(101,642)	(85,325)	(171,318)
Taxation paid	(561)	0	0
Interest paid	(431)	(685)	(1,188)
Rebate dividends and dividends paid	(166)	(340)	(519)
Net cash generated by operating activities	5	4,250	4,888
Cash flows from investing activities:			
Proceeds from sale of property, plant and equipment	15	57	63
Acquisition of intangibles	(638)	(532)	(1,738)
Acquisition of property, plant and equipment	(543)	(812)	(1,794)
Cash paid on disposal of subsidiaries	0	0	(1,948)
Net cash inflow on disposal of subsidiaries	0	27,756	29,798
Net cash (used in)/generated by investing activities	(1,166)	26,469	24,381
Cash flows from financing activities:			
Proceeds from issue of shares	1,966	1,884	2,791
Payment for share buy-back	(1,660)	(1,631)	(2,173)
Repayment of finance lease	(514)	(637)	(1,149)
Repayment of borrowings	(3,000)	(27,000)	(26,500)
Repayment of interest rate swap	0	(524)	(548)
Net cash used in financing activities	(3,208)	(27,908)	(27,579)
Net (decrease)/increase in cash and cash equivalents	(14)	2,811	1,690
Cash and cash equivalents at the beginning of year	337	(3,301)	(1,353)
Cash and cash equivalents at the end of the period	323	(490)	337

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 2016

1 ACCOUNTING POLICIES

Reporting entity

NZPM Group Limited (NZPM), ("the company"), is domiciled in New Zealand. It is registered under the Companies Act 1993 and the Co-operative Companies Act 1996 as a limited co-operative company. The company is a FMC reporting entity under the Financial Market Conduct Act 2013 and is a Tier 1 for-profit entity as defined in the External Reporting Board (XRB) Standard A1.

The condensed consolidated interim financial statements of the company as at and for the six months ended 30 September 2016 include the results and financial position of the company and its subsidiaries (together referred to as the "group") and the group's interests in associates. 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 2016. The condensed consolidated interim financial statements were authorised by the Board of Directors on 3 November 2016.

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 2016.

2 REBATE DIVIDENDS AND DIVIDENDS PAID

	(Unaudited) Group six months 30/09/2016 \$'000	(Unaudited) Group six months 30/09/2015 \$'000	(Audited) Group year ended 31/03/2016 \$'000
Rebate dividends paid	1,254	1,830	1,830
Dividends paid	475	447	940
	<u>1,729</u>	<u>2,277</u>	<u>2,770</u>

In June, NZPM declared a gross rebate dividend to all ordinary shareholders that is the greater of \$300 or 2% of their Grade A cash. The rebate dividend is payable in cash in October 2016 to all ordinary shareholders on the share register at 30 June 2016 who are not in default of their monthly obligations. The rebate dividend will be fully imputed for tax purposes.

3 DISCONTINUED OPERATIONS

Disposal of the refrigeration operations

On 18 March 2015, NZPM Group Limited accepted a conditional offer from Beijer Ref AB to purchase the Patton refrigeration group (Patton). Pursuant to an agreement that was declared unconditional on the 26 March 2015, the sale of Patton Group was completed and settled on 1 April 2015, on which date control of the refrigeration operations passed to the acquirer, Beijer Ref AB.

The disposal of the refrigeration operations is consistent with the Group's long-term policy to focus its activities on the plumbing market.

NZPM GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the 6 months ended 30 September 2016

3 DISCONTINUED OPERATIONS continued

The results of the discontinued operations, (refrigeration business), included in the statement of financial performance and other comprehensive income are set out below.

	(Unaudited) Group 30/09/2016 \$'000	(Unaudited) Group 30/09/2015 \$'000	(Audited) Group 31/03/2016 \$'000
Foreign exchange loss on investment recognised	0	(4,271)	(4,271)
Other operating expenses	0	0	(121)
Loss for the period from discontinued operations (attributable to the Parent)	<u>0</u>	<u>(4,271)</u>	<u>(4,392)</u>
Cash flows from discontinued operations:			
Net cash outflows from operating activities	0	0	(121)
Net cash inflows from investing activities	0	0	29,798
Net cash inflows	<u>0</u>	<u>0</u>	<u>29,677</u>

4 CO-OPERATIVE SHARE CAPITAL

The movements in shares by class for the Group and Parent is as follows:
On issue at the beginning of the year

	26,076	23,207	23,207
Net (redemptions/transfers)/issues:			
Ordinary shares	(190)	(308)	(470)
Development shares	(599)	(13)	8
Redeemable preference shares (RPS)	(45)	(33)	(95)
New redeemable preference shares (New RPS)	1,908	759	1,670
Redeemable preference rebate shares	(551)	1,680	1,750
Subscriptions in advance	92	104	6
On issue at the end of the period	<u>26,691</u>	<u>25,396</u>	<u>26,076</u>

Ordinary shares

Issued capital			
7,935,314 (Sept 2015: 8,262,231 Mar 2016: 7,991,627) ordinary shares of \$1 each less uncalled and unpaid capital	7,935	8,262	7,991
	(579)	(555)	(445)
	<u>7,356</u>	<u>7,707</u>	<u>7,546</u>

Development shares

Issued capital			
306,499 (Sept 2015: 1,270,000 Mar 2016: 1,300,079) development shares of \$1 each less uncalled and unpaid capital	306	1,270	1,300
	(205)	(591)	(600)
	<u>101</u>	<u>679</u>	<u>700</u>

Redeemable preference shares (RPS)

120,001 (Sept 2015: 277,504 Mar 2016: 165,245) redeemable preference shares of \$1 each fully paid	120	228	165
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New redeemable preference shares (New RPS)

17,247,116 (Sept 2015: 14,429,295 Mar 2016: 15,339,463) redeemable preference shares of \$1 each fully paid	17,247	14,429	15,339
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Redeemable preference rebate shares

2014 redeemable preference rebate shares	11	565	597
2015 redeemable preference rebate shares	1,754	1,680	1,719
	<u>1,765</u>	<u>2,245</u>	<u>2,316</u>

Share subscriptions in advance

Total paid-up co-operative capital	<u>26,691</u>	<u>25,396</u>	<u>26,076</u>
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NZPM GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the 6 months ended 30 September 2016

4 CO-OPERATIVE SHARE CAPITAL continued

	(Unaudited) Group 30/09/2016 \$'000	(Unaudited) Group 30/09/2015 \$'000	(Audited) Group 31/03/2016 \$'000
<i>Classified as:</i>			
Current	11	108	597
Non-current	26,680	25,288	25,479
	<u>26,691</u>	<u>25,396</u>	<u>26,076</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 five 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

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 rebate dividends. In January 2016, NZPM amended the development shares requirement from 5,000 shares of \$1 per share to nil. In conjunction with this change, NZPM resolved to allow existing shareholders to redeem their Development shares for cash and cancel any unpaid portion of their development shares. As at 30 September 2016, the dividend rate was 6.0% (March 2016: 7.5% September 2015: 8.5%).

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 2016, the dividend rate was 6.5% (March 2016: 7.0% September 2015: 8.0%).

2014 Redeemable preference rebate shares (2014 rebate shares)

The 2014 rebate shares are redeemable preference shares in the capital of NZPM with a nominal value of \$1 per share. The terms of issues converted the 2014 rebate shares into redeemable preference shares at the option of the company or the holder on their redemption date of 27 February 2018. Rebate shares carry rights to a gross dividend of 8% per annum, compounded quarterly. Rebate shares carry no right to vote (except as required by section 117 of the Companies Act 1993). In June 2016, NZPM resolved to redeem the 2014 rebates shares for cash in August 2016.

2015 Redeemable preference rebate shares (2015 rebate shares)

The 2015 rebate shares are redeemable preference shares in the capital of NZPM with a nominal value of \$1 per share. They will be converted into redeemable preference shares in three equal annual instalments with a first conversion to be made on the first anniversary of their issue date, and the second and third conversions to be made on the second and third anniversaries of their issue date respectively. As at 30 September 2016, the dividend rate was 8.0% (March 2016: 8.0% September 2015: not applicable).

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.

NZPM GROUP LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the 6 months ended 30 September 2016

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

	(Unaudited) Group six months 30/09/2016 \$'000	(Unaudited) Group six months 30/09/2015 \$'000	(Audited) Group year ended 31/03/2016 \$'000
Profit/(loss) for the period	50	(6,339)	(6,657)
<i>Adjustments for:</i>			
Depreciation and amortisation of non-current assets	1,110	2,300	4,375
Movement in deferred tax through income statement	0	0	(570)
Share of loss/(profit) of associates	11	(191)	(244)
Net (gain)/loss on financial liabilities designated as at fair value	(16)	102	186
Rebate dividends and dividends not paid in cash	1,563	1,936	2,251
Interest unwind on debt	0	(81)	(163)
Gain on disposal of property, plant and equipment and intangible assets	0	(15)	(48)
Loss on disposal of subsidiary	0	4,271	4,271
Impairment loss/(gain) recognised on trade receivables	211	(50)	41
	<u>2,879</u>	<u>8,272</u>	<u>10,099</u>
<i>Movement in working capital :</i>			
Decrease/(increase) in trade and other receivables	2,694	(2,251)	(5,661)
(Increase)/decrease in inventories	(329)	2,406	(201)
Increase/(decrease) in taxation payable	75	(50)	588
(Decrease)/increase in trade and other payables	(1,327)	2,054	6,713
Increase in provisions	318	158	7
Net foreign exchange movements relating to working capital	0	0	0
	<u>1,431</u>	<u>2,317</u>	<u>1,446</u>
Net cash generated by operating activities	<u>4,360</u>	<u>4,250</u>	<u>4,888</u>

6 CONTINGENCIES

There are no contingencies.

On 23 August 2016, Plumbing World Limited (PWL), Astivita Limited and Astivita Bathrooms and Kitchens Pty Ltd, settled by agreement a dispute concerning the ownership and use of the Astivita trade mark in New Zealand. The dispute was the subject matter of a High Court of New Zealand proceeding. The parties agreed to settle the dispute and discontinue the proceeding upon given terms which are confidential. Astivita Limited granted PWL an exclusive licence to use the trade mark in New Zealand for 12 months following execution of the settlement agreement for the purpose of trading out stock branded Astivita.

7 SUBSEQUENT EVENTS

There are no subsequent events.