

THE CONNECTOR

NEWS 'N VIEWS FROM THE GROUP | JUNE 2017

CHAIRMAN'S UPDATE

Welcome back to all our shareholders and their families who attended our fantastic Plumbing World Rendezvous in Rome convention in May. I'm sure the lovely weather that you experienced in Italy and your other stopovers is fast becoming a distant memory as we all move deeper into our New Zealand winter.

Amidst the wonders of Rome, Florence, Sorrento and Pompeii, the convention included a business session where I provided an outline of our NZPM Group strategic focus, our financial performance over the last 12 months and the forecast rebate dividend, before handing over to Rob Kidd who presented an overview of Plumbing World, the Young Plumbers Club and the Young Plumber of the Year competition. Rob also talked about co-operatives worldwide, and introduced our exciting new LeVivi (formerly Astivita) product range with its special 'Go for Gold' launch rebate of 5% from July to September 2017.

A further topic that I outlined for delegates at the business session was a new initiative the Board has been working on recently to help foster future elected director capability from our ordinary shareholder membership pool. The objective of the NZPM Future Governance Programme is to identify potential future elected directors for the NZPM Board, by selecting one shareholder applicant to participate in the programme each year.

The successful applicant will be a shareholder who has indicated a strong desire to be involved in the future NZPM governance process, and who also demonstrates the core attributes for development and mentoring as a potential future director.

We'll be seeking applications from interested ordinary shareholder members through to the end of July this year, and those applicants will be shortlisted and interviewed by an independent selection panel. The selected candidate will be expected to attend and participate in NZPM Board meetings between September 2017 and May 2018.

During that time the selected candidate will also receive Institute of Directors structured governance training, and some one-on-one mentoring from an independent professional director.

Further details for the NZPM Future Governance Programme features later in this edition of the Connector or you can email governance@nzpm.co.nz for more information. Also in this Connector are important articles about the Graded Cash Rebate that you need to review before the end of June, the Annual Meeting in Blenheim in August, and the call for the nomination of Directors for the forthcoming year.

In closing, both Rob and I look forward to meeting with as many of you as possible during the upcoming NZPM/Plumbing World Roadshows starting in June.

Kind regards,

John DeBernardo
Chairman



DIRECTOR'S POINT OF VIEW

Firstly, I would like to thank you for your business and ongoing support of Plumbing World and by extension, the NZPM co-operative. As a transacting shareholder, I remind you that this is your business and the co-operative benefits from your trading activity. The board and management team also value your views, opinions and feedback on all aspects of the co-operative.

Over the last couple of years, we have seen a lot of change and improvements in the business and it is pleasing to see robust revenue growth.

As with most businesses, the three key areas that are the life line of our co-operative are: Customers, Staff and Suppliers. In my view, our relationship with these three groups ultimately determines the overall success of the business and these players in the business value chain need to continue to be a core part of our co-operative culture.

Culture in a business is an intangible thing; it can take years to build up and can be destroyed in a matter of months. However, nobody owns a company's culture, and yet everyone within the business is its caretaker. And everyone is therefore responsible for nurturing and growing this to ensure long-term business success.

We have all heard the phrase "Happy Wife, Happy Life" [am I still allowed to say this?] and so it is the same with these three groups; Happy Customers - Happy Staff - Happy Suppliers - Happy Life of the Business. These players are all interconnected and are interdependent in our value chain. If they can thrive they will drive our business success.

Everyone in any business, whether they work in plumbing or stack cans in boxes on a conveyor belt, has the same innate need:

- To feel like they are appreciated for what they do; and
- To feel like what they do makes a difference in the business.

And this is such a powerful thing that most people would prefer to gain recognition for a job well done rather than a pay rise of \$0.50/hour.

Nobody comes to work to do a bad job! Too often we can all be guilty of focusing on the 5% of someone's role that they do poorly and forget about the 95% they do extremely well. By all means, address areas of concern to support staff development but never forget to thank them for what they do well - at all levels of the business! My father taught me to treat other people the way you would like to be treated as everyone deserves respect.

In many areas of the country, a lot of us have strong forward work commitments from our customers which feeds through to our suppliers. Careful planning of your staffing and other resources to meet these commitments is more important than ever. Pay attention to labour constants, measure plans correctly and identify and allow for your preliminary and general costs on all contract works. Identify what your gross profit percentage should be (for guidance, the industry benchmarks 45% - 50%) and regularly look back on your projects and learn from any negative variances that arise. And most importantly remember to recognise and celebrate a job well done with your team, Plumbing World and industry supply partners - we're all in this together!

On a related area, the Construction Act is still a moving target and in my view, does not provide sub-contractors with sufficient security of payment. I urge you to carefully consider the contractual tags that you are including in your tenders to mitigate your risk.

In closing, I wish you all the best in business for the remainder of the year. I believe in the democratic system and value the right for people to speak with the courage of their convictions and stand up for what they believe in. The board has been elected by you to govern and help direct the business. Please continue to provide your input to that process by engaging in the upcoming roadshows, attend the AGM and/or speaking directly with your elected representatives.

Best regards,

Craig Coxhead
NZPM Director

A MESSAGE FROM PLUMBING WORLD'S GENERAL MANAGER

Next week John and I are starting the annual shareholders roadshow in the South Island. If you would like to attend this years roadshow, you can find the timetable for all events is on the NZPM Group website or you can speak to your local Branch Manager.

One of the key aspects of this year's roadshow is that we would like to hear your thoughts and feedback as to what NZPM, Plumbing World could look at working on moving into the future.

We will "issue" you a series of prompting questions nearer the time of your branches roadshow, however here they are now for you to start thinking about.

1. How would you say NZPM and Plumbing World are meeting your expectations as a Shareholder of this Cooperative?
2. What would you like to see NZPM and Plumbing World working on that we may not be already?
3. What would you like to see NZPM and Plumbing World consider changing or doing differently?
4. If there was one thing you could change in the cooperative, what would that be?
5. Would you like to see NZPM grow the size of the Cooperative, for example through acquisitions?
 - a. Yes
 - b. No
 - c. Maybe
 - d. Other _____
6. Do you think we should retain the current Cooperative model or look at other company structure options e.g. publicly list the company, some form of joint venture model, etc.
7. What importance do you place on the value of being a Shareholder of NZPM and Plumbing World?
 - a. Very important
 - b. Important
 - c. Neutral
 - d. Minimal importance
 - e. No importance
8. What do you think are the key outside influencing factors that might affect NZPM and Plumbing World the most e.g. certain competitors, the market, labour issues, etc.
9. How important is the annual shareholders road show to you?

Regards,

Rob Kidd

General Manager, Plumbing World



NZPM GROUP ANNUAL GENERAL MEETING

NZPM Group Limited's fifty-third annual meeting will be held at 4pm on Friday 18 August 2017 in Blenheim. While Blenheim is still feeling the after effects of the Kaikoura earthquake, we are very pleased to be returning to the Marlborough region.

All shareholders should have received the information pack that sets out how to register your attendance at the meeting, the shareholder dinner, accommodation and other events over the weekend. If you have any registration questions, please contact Stephanie Whittington on email:

(stephanie.whittington@plumbingworld.co.nz) or phone her on (06) 350 1636.

Formal communications for the Notice of Meeting will be posted to shareholders during July.

Brett Cruickshank
Chief Financial Officer



RENDEZVOUS IN ROME

During May, just on 150 delegates made their way to Rome for our 18th overseas convention.

This eternal city certainly turned on the charm and the delegates were treated to 5 days of fantastic memories, and staying at the stunning Boscolo Exedra Hotel.

From dining in a 500 year old traditional pizza restaurant, to a Palace, a Villa and visiting key sites such as the Colosseum, Trevi Fountain and Pantheon. One of the most outstanding highlights for most was the private tour of the Sistine Chapel and cocktail function at the Vatican! This was a once in a lifetime event as our delegates got to avoid all the crowds and get taken on a private tour of the Vatican and ended up in the Sistine Chapel, such a special moment. Afterwards everyone got to enjoy the evening with champagne in the Vatican courtyard as the sun was setting. All this before Donald Trump arrived a day or two later at the Vatican for his meeting with the Pope. We even had the pleasure of dining next to the Irish President at one of our lunch venues – talk about a ‘who’s who’.

Everyone also enjoyed a day trip out of the city and could choose to visit either the historical Sorrento/Pompeii option or the Florence option. Both groups had an amazing day away, and certain people were seen sporting large shopping bags as they headed back from Florence – all in the name of helping the local economy of course.

We are sure all those in attendance enjoyed all the additional “wow” moments that were created and we thank you for your support of our Overseas Trips Programme and look forward to as many as possible joining us for “Funtimes in Fiji” in May 2017. If you are not yet registered, simply talk to your local Branch Manager.



NZPM Shareholders - (left to right) Kerry Bassett, Peter & Sharon Illingworth & Rob Bassett



YOUNG PLUMBER OF THE YEAR COMPETITION

Our Young Plumber of the Year Competition has been happening nationwide over the last few months with fantastic support throughout the country from our industry.

Our branch events gave all entrants the opportunity to show their skills and to see how they stack up against their peers. This has seen almost 200 local apprentices and younger tradesman come forward and compete to see how they rate against the formulated skills tests and omnibus plumbing questionnaire. Many shareholders have been involved in adjudicating these events which has been a great way to show our younger tradesman the passion, wealth of knowledge, and humour you, our shareholders bring to our fantastic industry. The Young Plumbers all appreciated it.

Each skills component appeared simple on the surface but everything had a few underlying snags designed to get the participants thinking before successfully completing the task. Speed, accuracy and ultimately quality workmanship were integral in the tasks. A demanding session with a very comprehensive questionnaire really tested participants to see what they are really made of.

Plumbing World would like to congratulate all participants for getting involved so far. We have had some amazing young tradesman compete posting some fantastic results and are looking forward to announcing our winners for our **regional events** which kick off in a month's time. To find out when and where your local regional event is going to be held, talk to your local Branch Manager.

If successful, the winners will have a chance at becoming New Zealand's first ever Young Plumber of the Year at the national final, this will be held at Wintec (Waikato Institute of Technology) in Hamilton in October. Ultimately young tradesmen with solid business acumen, industry skills, and good general knowledge will go all the way so there's certainly a tough road ahead for our finalists. We want to see the NZPM and Plumbing World communities really get behind and support our burgeoning young talent.

Come along and support the finalists at either your local regional event or the grand final in Hamilton. We'd love to see you there if you can make it.

For further information please contact marketing@plumbingworld.co.nz



NZPM FUTURE GOVERNANCE PROGRAMME

The NZPM Group Board is pleased to introduce this new initiative to help foster future elected director capability from our ordinary shareholder membership pool.

The objective of the NZPM Future Governance Programme is to identify potential future elected directors for the NZPM Board, by selecting one shareholder applicant to participate in this new programme each year.

It is expected that the successful applicant will be a shareholder who has indicated a strong desire to be involved in the future NZPM governance process, and who also demonstrates the core attributes for development and mentoring as a potential future director.

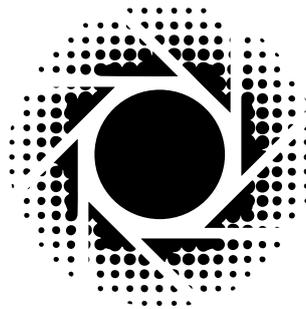
Applicants will be shortlisted and interviewed by an independent selection panel in early August, and it's anticipated that the successful candidate will be announced at this year's AGM on 18 August in Blenheim.

The selected candidate will be expected to attend and participate in NZPM Board meetings between September 2017 and May 2018, and during that time they'll also receive Institute of Directors structured governance training, and some one on one mentoring from an independent professional director.

This programme is a great opportunity for you as a shareholder to become involved in the future governance of your co-operative by learning more about your Board and how they operate, whilst at the same time receiving professional mentoring and training as a company director.

We are currently seeking applications to participate in the 2017 programme from interested ordinary shareholder members until 31 July this year.

If you have any questions or would like to apply to participate in the programme please contact us at: governance@nzpm.co.nz, or you can speak direct with NZPM Group Chairman John DeBernardo on 021 424 944.



NZPM
Future
Governance
Programme

GRADED CASH NOTICES

NZPM Group recently issued the Graded Cash notices for the year ended 31 March 2017.

Your graded cash payments are used to calculate your rebate dividend for the year. They are based on cash payments received from you (excluding GST) over the financial year.

While we are now operating on a stable computer platform, we ask you to please review the calculation and report any questions or proposed adjustments to Claudia Gleeson (National Credit Manager) either by email (claudia.gleeson@plumbingworld.co.nz) or by phone on (06) 350-1624. Alternatively, you may contact your local Branch Manager.

Any request to change the graded cash assessments must be lodged with NZPM by no later than 30 June 2017. Once the directors declare the rebate dividend percentage we are unable to make any adjustments to graded cash.

Brett Cruickshank
Chief Financial Officer

PURPOSE

To contribute to our members' and customers' business success by representing their interests and delivering performance excellence

PART OF THE NZPM COOPERATIVE

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