

THE CONNECTOR

NEWS 'N VIEWS FROM THE GROUP | FEBRUARY 2016



CHAIRMAN UPDATE

Firstly, a happy new year to all of our shareholders, and I hope that everyone was able to enjoy a decent holiday break with family and friends.

As you will have read in the half-yearly report in our December Connector, NZPM Group had a positive first six months of trading and results for the financial year, and we are confident that the co-operative will continue to build on the operating improvements that have been implemented during 2015. These improvements include Plumbing World working to secure more new and returning customers and members, and commitments from our existing customers to provide us with a greater share of their purchases to allow the company to build upon its existing revenue base.

To support this work, NZPM and Plumbing World have been working on a number of initiatives and activities over the December quarter, and some of these such as the ability to pay off or subscribe for new NZPM ordinary, development and redeemable preference shares using MaxPoints were announced in the December Connector publication.

This particular initiative is intended to help ease the cost of joining the co-operative for those shareholders paying off ordinary and development shares by monthly instalments, and they can now use MaxPoints to pay for future instalments.

In parallel with this initiative, the board has also approved a reduction in the capital requirement for shareholders to subscribe for development shares by setting the development share requirement to nil. This means the entry requirement for being a NZPM shareholder is now 10,000 one-dollar ordinary shares only with no requirement to purchase development shares. We have also adjusted the payment plan for ordinary shares to 10 payments of \$100 per month for the first ten months, and 36 payments of \$250 per month after that until the shares are paid in full. In conjunction with this, existing holders of development shares will be able to convert their holdings to redeemable preference shares or redeem them for cash, and the company will also allow unpaid development shares to be cancelled.

Plumbing World are also developing further customer and shareholder value incentives including rewards for purchasing Plumbing World exclusive products such as Toto, Astivita etc, and we expect this offer to be

PURPOSE

TO CONTRIBUTE TO OUR MEMBERS' AND CUSTOMERS' BUSINESS SUCCESS BY REPRESENTING THEIR INTERESTS AND DELIVERING PERFORMANCE EXCELLENCE

PART OF THE NZPM COOPERATIVE

plumbingworld

metrix

rolled out during 2016, together with changes to the current MaxPoints scheme to further benefit our shareholders.

During December and January we favourably renewed our existing banking facility agreement with Westpac. The agreement extends NZPM Group bank facility until December 2018 with minor changes for bank covenants, new merchant and transaction services agreements, and it also provides us additional flexibility to pay distributions to our shareholders.

So, as I commented in the half-yearly report in the December, whilst we are confident that the business is on a sustainable path and the return on invested funds is improving, we do need to continue our focus on improving our value proposition to allow us to reinvest in the business and fund those future shareholder returns.

The board and executive team are continually evaluating our future investment and shareholder distribution strategy, and whilst we are actively planning for the needed reinvestment in the business during the forthcoming year, it is our current expectation that NZPM Group will still be able fund a modest cash rebate for shareholders during 2016. This will likely comprise two components both of which will be finalised in April:

- A minimum pre-tax cash payment of \$300 to all shareholders who are ordinary shareholders on the dividend payment date; and

- A cash payment of approximately 2% of Grade A Cash paid out in two tranches during the second half of the year.

On another positive note we are pleased with the current progress of our Prostix/Frameworks implementation project. The user acceptance-testing programme is progressing well and is expected to be complete in mid-late February, with the pilot site (Palmerston North) testing in March and go-live planned for early April.

Our Plumbing World staff have already started training on the new system and from the positive feedback received so far, they're looking forward to the many improvements that will bring benefits to both the company and our customers in the future.

And finally, please don't forget that Connector will only be sent to Shareholders electronically from March, so if you're receiving this by post only please notify us of the email address you would like Connector sent to.

Contact Michelle Bingham on 06 350 1636 or michelle.bingham@plumbingworld.co.nz

Kind Regards



John DeBernardo
Chairman and on behalf of the executive
NZPM Group Ltd

A MESSAGE FROM PLUMBING WORLD'S GM

Rob Kidd, General Manager Plumbing World

On behalf of Plumbing World, let me take this opportunity to wish all our members a happy New Year.

2016 promises to be a busy year of introducing a number of new initiatives that have been developed to benefit our members and grow and future proof the cooperative.

As discussed in the past two issues of Connector it is very important that Plumbing World remain competitive in the market and one of the areas we were reviewing to ensure that is the case was our retail price structure.

That review has now been completed and from the end of February all of Plumbing Worlds back of wall products recommended retail prices will be in line with other plumbing distribution competitors in the market and from the end of March all front of wall products recommended retail prices will be what the manufacturer or supplier recommends.

The review has meant some products retail price has reduced while a number of items pricing have increased.

This will help Plumbing World to sell more products while also ensuring our member's customer pricing is market competitive.

We are on target for an April go live of the new computer system which comes with the new and improved trade portal including pricing files, product catalogues, online invoices and statements. The feedback we have had so far is the new portal is very user friendly with modern and up to date navigation and search capability increasing the efficiency for our members and customers.

John has spoken in his chairman's address about the enhanced MaxPoints program and member incentives for buying exclusive products. We look forward to bringing these and many more new and enhanced initiatives to you during the course of the year.

Regards



Rob Kidd

General Manager Plumbing World

AGM - SAVE THE DATE

The NZPM AGM will be held in Auckland on the **19th & 20th August 2016**. More details out soon on registration and accommodation.

NZPM SHARE CAPITAL REQUIREMENT

NZPM is pleased to announce that it has reduced the capital requirement to be a new shareholder in the cooperative to 10,000 ordinary \$1 shares. The Development share requirement has been reduced from 5,000 shares to nil.

NZPM's focus on capital management and debt reduction including the sale of the Patton business has significantly improved its capital position. The combination of a steady business model with an improving earnings profile and the strong support of redeemable preference shareholders mean that NZPM no longer needs the expansion capital that development shares were designed to provide.

The payment term for ordinary shares has also been amended. The payment for ordinary shares has been reduced to \$100 per month for the first ten months and \$250 per month for a further period of 36 months.

The lower capital requirement and the extended payment terms make entry to the cooperative more accessible. This change is part of a broader strategy to make it easier and more attractive to be a member of the cooperative.

NZPM would like to redeem the existing Development Shares on issue. In early March, we will write to all holders of paid up Development shares to offer the choice of converting their existing Development Shares to Redeemable Preference Shares or redeeming the shares for cash. Holders of unpaid Development Shares will be offered the option of cancelling the unpaid portion of their Development Shares.

MASTER PLUMBERS CONFERENCE

The Annual Master Plumbers Conference will be held on the 6th - 8th April 2016 at the Novotel Rotorua Lakeside.

For more details go to <https://forumpoint2.eventsair.com/QuickEventWebsitePortal/nzpc16/nzpc16>



PAYING FOR NZPM SHARES USING MAXPOINTS

NZPM Group Limited (NZPM) has introduced a new method to pay off or subscribe for new NZPM ordinary, development and redeemable preference shares using your MaxPoints.

For shareholders who are paying off ordinary and development shares by monthly instalments of \$250, you can use your MaxPoints to pay further instalments in multiples of \$250.

You can purchase NZPM redeemable preference shares in multiples of \$250 using your MaxPoints. All applications for redeemable preference shares in NZPM need to be made on the application form.

\$250 equates to 581 MaxPoints.

The logo for MAXPOINTS, featuring the word "MAXPOINTS" in a bold, sans-serif font. Above the letter "A" in "MAXPOINTS", there is a stylized graphic of a fern frond.

You can obtain an Investment Statement and share application forms relating to NZPM's ordinary, development and redeemable preference shares by contacting NZPM's Share Registrar on (09) 306 5545 or cheryl.coulter@nzpm.co.nz. You can obtain a copy of the Prospectus relating to NZPM's ordinary, development shares and redeemable preference shares by visiting www.nzpm.co.nz.

Investment decisions are very important. They often have long term consequences. Read all documents carefully and seek advice before committing yourself.

HEALTH & SAFETY

Below is an excerpt from BUSINESS.GOV.T.NZ that you may all be interested in reading. These are certainly thoughts that NZPM Group endeavours to pass on to everyone who works for our company.

Health and safety (H&S) is not something you do alone. It's everybody's responsibility. This includes you and your workers, as well as anyone else you might share a work environment with.

- workers are a business's eyes and ears, especially when it comes to risk
- workers are more likely to engage in H&S if they have input into it
- it makes everyone feel responsible
- it's your legal responsibility to make it happen
- H&S becomes easier because the workload is shared.



2016 METRIX BATHROOM & KITCHEN COLLECTION

Garry Ivill, General Manager Metrix

The new 2016 Metrix Bathroom & Kitchen Collection brochure is now available from your local Plumbing World branch. There are nearly 70 pages of key Metrix brands and products represented, all of which provide NZPM shareholders a significant selling and profit opportunity.

Several new product ranges are detailed. These include Plumbing World exclusives like the Pains Parallel tapware range, the Inda Look furniture range with ceramic basins, and the Inda New



Europe accessory range. Two new ranges from Duravit are also included: Me by Starck and Happy D.2. Also included are the exciting Sensowash C and Slim ranges where technology is introduced to toilets to create a range of 'shower toilet seats'. Other new ranges include Alape glazed steel bucket sinks, Pains tapware (Atacama, Ghibli, Ventus), Pains stainless steel kitchen mixers, and Pains stainless steel flat shower heads.

There is a separate section for our products that are suitable for commercial applications (urinals, accessible wall hung toilets, accessories etc) and a section for our installation products, which includes click-clack wastes, bottle traps, shower wastes, angle valves, wall basin fixing sets, and a range of Silfra timer taps and automatic taps.

Pick up your copy from your local Plumbing World branch.

RENDEZVOUS IN ROME 2017

FUNTIMES IN FIJI 2018



Registrations remain open for our **Rendezvous in Rome 2017** and **Funtimes in Fiji 2018** Conventions.

These two fabulous destinations give you option of heading to the magnificent European city of **Rome**, rich in history and where you will be spoilt for choice with countless extension options, or to tranquil **Fiji** where you can relax and discover the natural beauty of the Pacific while having a really funtime – or even better, why not do both?

Registrations remain open for both destinations so if you would like more information please contact Dolores Gillies: dolores.gillies@plumbingworld.co.nz and she will be happy to assist.

COMPUTER SYSTEM REPLACEMENT

The project team continue working extremely hard to meet project milestones.

User testing went very well and the project team is working through the feedback received to scope the feasibility of these ideas.

Data migration is looking good and the project team are confident the new system will have everything required to function once we go live.

The Palmerston North Branch Pilot will take place from 1 – 31 March 2016. All transactions will be performed under a 'parallel processing' regime (in both Prostix and JDE) so any issues will have no bearing on our current day-to-day business.

During the pilot customers and suppliers will receive their usual JDE documentation (invoices, credits etc.). The existing trade portal will continue to provide access to customers JDE documentation. With parallel processing isolating Prostix from our business there will be no impact on our day-to-day trading; JDE will be 100% accurate and the Project team will remedy issues in Prostix as they arise to ensure we have an extremely robust platform on which to operate going forward.

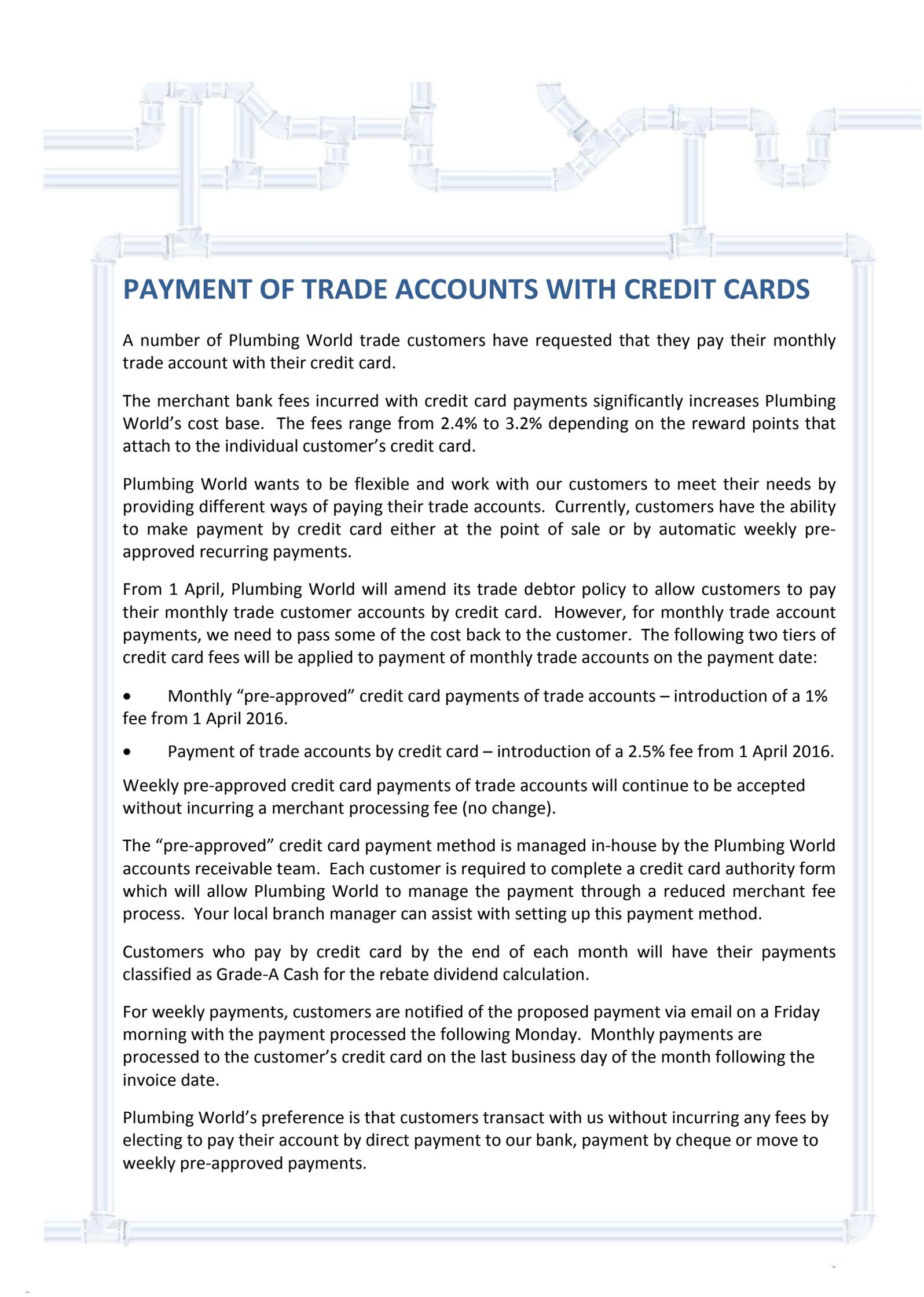
The training team will initially focus on the pilot branch and then will progressively be rolled out to the rest of the country.

If you have any further queries or feedback please continue to send this through to feedback@plumbingworld.co.nz.



PLEASE NOTE: The Connector will only be sent to shareholders electronically from **March 2016**. If you are currently receiving this by post only, please notify us of the email address you would like The Connector sent to.

Contact Michelle Bingham on 06 350 1636 or michelle.bingham@plumbingworld.co.nz



PAYMENT OF TRADE ACCOUNTS WITH CREDIT CARDS

A number of Plumbing World trade customers have requested that they pay their monthly trade account with their credit card.

The merchant bank fees incurred with credit card payments significantly increases Plumbing World's cost base. The fees range from 2.4% to 3.2% depending on the reward points that attach to the individual customer's credit card.

Plumbing World wants to be flexible and work with our customers to meet their needs by providing different ways of paying their trade accounts. Currently, customers have the ability to make payment by credit card either at the point of sale or by automatic weekly pre-approved recurring payments.

From 1 April, Plumbing World will amend its trade debtor policy to allow customers to pay their monthly trade customer accounts by credit card. However, for monthly trade account payments, we need to pass some of the cost back to the customer. The following two tiers of credit card fees will be applied to payment of monthly trade accounts on the payment date:

- Monthly "pre-approved" credit card payments of trade accounts – introduction of a 1% fee from 1 April 2016.
- Payment of trade accounts by credit card – introduction of a 2.5% fee from 1 April 2016.

Weekly pre-approved credit card payments of trade accounts will continue to be accepted without incurring a merchant processing fee (no change).

The "pre-approved" credit card payment method is managed in-house by the Plumbing World accounts receivable team. Each customer is required to complete a credit card authority form which will allow Plumbing World to manage the payment through a reduced merchant fee process. Your local branch manager can assist with setting up this payment method.

Customers who pay by credit card by the end of each month will have their payments classified as Grade-A Cash for the rebate dividend calculation.

For weekly payments, customers are notified of the proposed payment via email on a Friday morning with the payment processed the following Monday. Monthly payments are processed to the customer's credit card on the last business day of the month following the invoice date.

Plumbing World's preference is that customers transact with us without incurring any fees by electing to pay their account by direct payment to our bank, payment by cheque or move to weekly pre-approved payments.

Fee Charged

Payment type (from 1 April 2016)

Cash/cheque/direct payment	0%
Credit card (Recurring - weekly)	0%
Credit card (Recurring - monthly)	1.0%
Credit card (non-recurring)	2.5%

Plumbing World no longer accepts Diners Club and American Express credit cards.

Brett Cruickshank
Chief Financial Officer

BRISBANE ST BRANCH GETS AN UPGRADE

Brisbane St branch has a brand new showroom featuring products developed with state of the art technology developments and design trends

Our own brand products Duravit, Toto and Astivita complement a selection of established reputable brands, and make the showroom a destination shop for anyone renovating or building.

The latest colour trends and styles are on display as well as simple elegant white options so if you are in the area call in and have a browse.



MEET THE DIRECTORS

It's great to be back on the Board and I want to thank all of you that supported my election.

Plumbing World & Metrix have made a huge commitment in ensuring their Health and Safety processes, procedures and behaviours continue to develop to help ensure their staff are operating in a safe manner. Both companies provide excellent reporting of Health and Safety activities to the NZPM Board. In my own business we have been spending a great deal of time in setting up our processes & policies to be compliant when the new Health & Safety Act comes into force on the 4th April 2016.

As part of our Health & Safety review we have revised our Drug & Alcohol Policy. Random testing in the work place will definitely become more prevalent in the future.

I decided to test the process within my own business, thinking that all would be ok! We randomly selected a number of our staff members prior to Christmas for testing and unfortunately found that one of the team was found to have a "non-negative" (positive) reading for marijuana.

The acceptable level is 17.5 parts per million but this young man had a level

exceeding 400 parts per million. While we are prepared to

give him another chance, we have also needed to stand him down for a period of time to get back on track with an acceptable reading, and to ensure all of our staff are kept safe.

The levels in his system not only put him, but his fellow workmates and others at risk. This was something that we didn't want to go through but was also an eye opener for the other staff in our business. Embracing the new Act is a necessity to first of all help our staff and customers to be safe and also to make sure that we are compliant within our businesses.

You can be well assured at NZPM Board level that we take Health and Safety extremely seriously and endeavour to be not only compliant with the new Act but also lead the industry in ensuring the welfare of our employees is forefront in our activities.

Hopefully, as company directors and owners, you are taking time to invest in your own Health & Safety Systems & Policies?

Mark Whitehead
Director



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WAIMUMU FIELD DAYS



Over 42,000 people enjoyed the sunshine at the Waimumu Field Days in Southland last week.

The Plumbing World stand was well attended over the 3 days, with customers enquiring about a mix of gas, rural supplies and bathroomware as well as providing a great opportunity to showcase our Astivita exclusive range of product.

The Kieran Read rugby package was a huge draw card, with just on 800 entries and there were plenty of other giveaways on the stand.

Invercargill branch now have 165 solid enquiries to follow up on plus a few new home builds.

Neil Barrett (Branch Manager Invercargill) said "we'll be back in 2 years with a bigger and better site".



KIERAN READ LANDS IN PALMERSTON NORTH

On 23rd February, shareholders, customers and staff from our Palmerston North Branch and Support Office were treated to an evening with our Brand Ambassador Kieran Read.



As an early thank you to this group of people who are about to pilot our new computer system, they got to hear some motivating words from the new All Black Captain. "Having the right attitude" is the winning formula says Kieran, and being able to understand you take the good days with the bad days ... plus don't forget to have some fun along the way.



A fantastic night was had by all, with many new Facebook profile pics taken, and some of the customers wives certainly enjoyed being photographed with Mr Read too. Guests also got to have a go on the driving range, with a Shareholder (from Hogan Plumbing) securing the longest drive for the night and even out driving Kieran.

