

THE CONNECTOR

NEWS 'N VIEWS FROM THE GROUP | MAY 2016



CHAIRMAN UPDATE

As I write this Plumbing World are into the second month of implementation of their

new

Prostix/Frameworks

computer system. All branches and customers are now trading on the new system, and there have only been a small number of teething issues that the company is working through.

What a huge difference to the problems of 3 years ago. Both our IT team led by Grant Wiggins and Angela Martin, and our vendor Sterlands, are to be complimented for delivering a robust and customer and staff friendly solution, and I'd again like to thank all of our shareholder members who embraced the ethos of the co-operative and stuck with us during the IT difficulties we've collectively faced over recent times.

Plumbing World have already started progressing some of the Prostix Modules to the newer Frameworks platform, and this will provide further enhancements for our customers and members over the next few months. Other features such as deferred sales and our trade portal 'tradePASS' are already being rolled-out, and it's great to be

able to finally deliver these solutions that our customers requested.

As I mentioned in the last Connector, the focus for the business can now start to shift from IT to business improvement, and Plumbing World are already working to secure more new and returning customers and members, and to achieve 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.

One of the obvious initiatives to support this will be a continued focus on our exclusive product ranges including Toto and Astivita. These exclusive brands provide a significant point of difference for both the business and for our customers, and continuing to grow this product segment can only add value to the co-operative.

Likewise, Metrix has a large range of products unique to NZPM, and customers supporting those products will undoubtedly enhance both their own and the cooperative's margins and market opportunities. Remember, those margins translate directly into earnings for the co-op, and ultimately they return back to you as shareholder members.

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

Early April also saw the introduction of the new Health and Safety at Work Act, and I'm pleased to report that we were well prepared for this change. Our board Health & Safety sub-committee chaired by Craig McCord has been meeting regularly with our H&S advisor Fiona Pipes and the individual business managers, and this group will continue to drive improvements that ensure our staff return home safe every night.

NZPM Group is absolutely committed to the health and safety of its staff, so if anyone sees opportunities for improvements in what we do, our Branch Managers would be delighted to hear your thoughts.

Another important compliance matter for the co-operative relates to New Zealand's securities legislation that was recently updated. Under the new Financial Markets Conduct Act framework, NZPM Group's redeemable preference shares are treated as a debt security and as such we now need to establish a Trust Deed and appoint a statutory supervisor to act as the representative of redeemable preference shareholders.

We are currently working with our legal and accounting advisors to implement the necessary changes and to appoint a statutory supervisor. NZPM Group is required to comply with the new legislation by the end of this calendar year.

From late June to early August Plumbing World General Manager Rob Kidd and I will be carrying out our annual NZPM/Plumbing World roadshows covering all the branches around the country, and a full schedule for these events will be published shortly. We hope as many members as possible will attend both to listen to our updates about the business, and equally importantly, to give us your feedback about your cooperative.

As with last year, a few of the roadshows will be grouped together in selected metro areas, and some of these events will include meet the directors evenings to allow members an opportunity to meet and discuss the co-op with the full NZPM board.

And finally, please don't forget the NZPM offer mentioned in the last Connector for existing holders of development shares to convert their holdings to redeemable preference shares or to redeem them for cash, and the company will also allow unpaid development shares to be cancelled. If you haven't received the offer documents or want to follow up on this opportunity please contact our Share Registrar Cheryl Coulter on 09 306 5545 or email cheryl.coulter@nzpm.co.nz

Kind Regards



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



A MESSAGE FROM PLUMBING WORLD'S GM

Over the past twelve months NZPM Group and Plumbing World has been developing the next six key Value Propositions to continue to develop and grow the company into the future.

Each individual Value Proposition will help step change our cooperative, however they are all interlinked and provide the greatest competitive advantage when combined together.

While John and I will discuss these in detail (and answer any questions) at the forth coming shareholders roadshow I wanted to give you a heads up as to what they are now and then explain one of them further in a separate article in this Connector.

The six value propositions which are now in various stages of implementation are;

1. Shareholder Investor Relations – as a company we will enhance our investor communications with shareholders.
2. Master Plumbers Collaboration – where we will work more closely with Master Plumbers for the benefit of the industry.
3. Young Plumbers Club – designed to protect and grow the plumbing industry through supporting the next generation of plumber, gas fitter and drainlayer.
4. Plumbing Supplies Cooperative (Australia) strategic alliance – both companies have huge opportunities to work together for mutual benefit.
5. Shareholder Recognition Program – we are making it easier for shareholders to join NZPM and are increasing the rewards for being part of the cooperative. You will have already seen some of these e.g. we now only require 10000 each of \$1 ordinary shares to join the cooperative with an easier payment plan of \$100 per month for the first ten months.
6. Builders as Shareholders – there are significant growth opportunities with resultant benefits back to all shareholders by enabling builders to become Ordinary Shareholders of the NZPM plumbing cooperative. There is another article on page 5 explaining more about this value proposition and why it is so important to our business.

It is a very exciting time for NZPM and Plumbing World as we bring these various growth opportunities to you – thank you for your on-going support and commitment to your cooperative.

Regards



Rob Kidd
General Manager Plumbing World

TRADE PORTAL

“tradePASS” Plumbing World’s new trade portal.

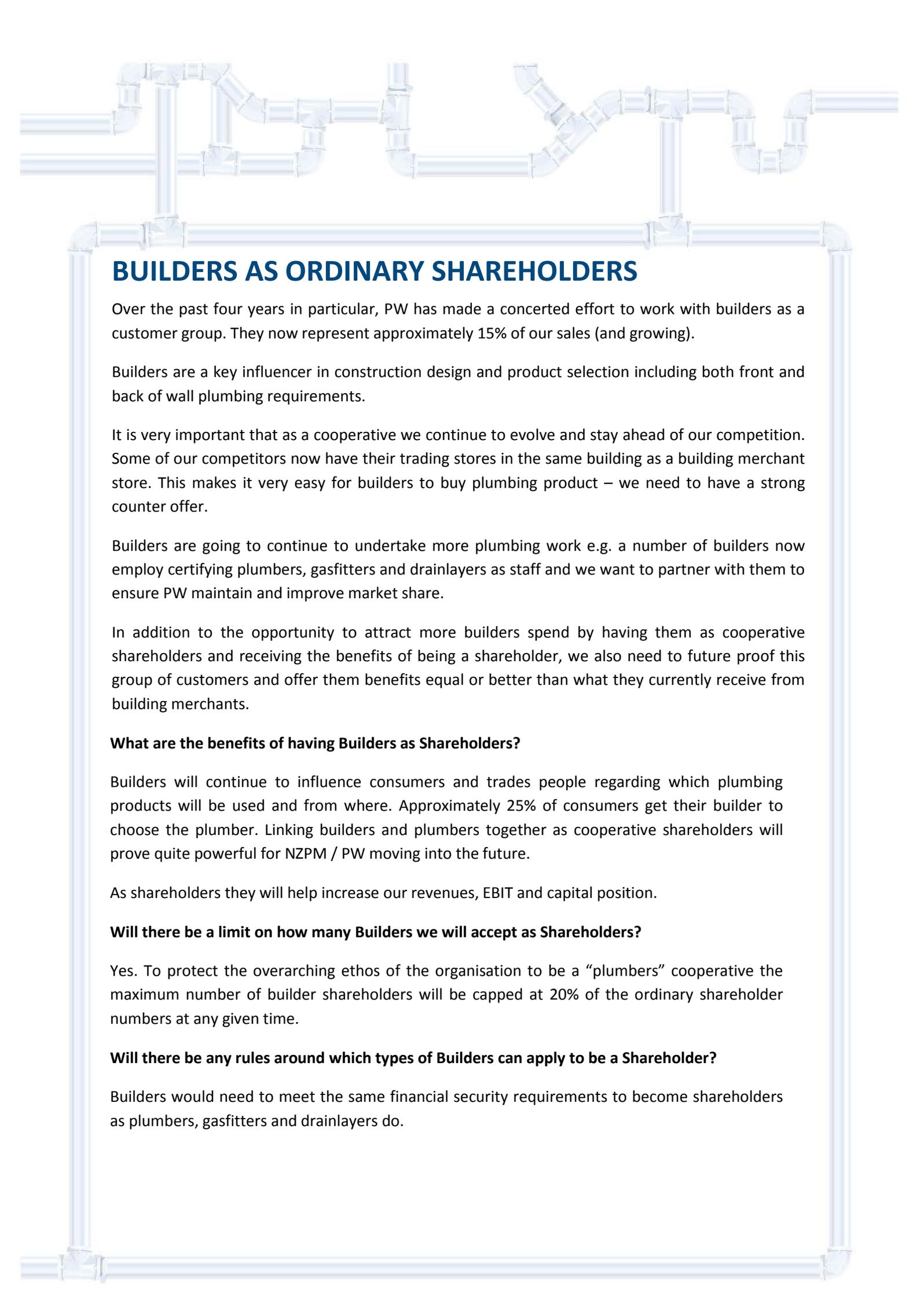
Great news – you can now register to access our new Trade Website ‘tradePASS’ by contacting servicedesk@plumbingworld.co.nz

To access the new website, please click on this link: <http://tradePASS.plumbingworld.co.nz/tradeportal/>

- The site delivers many features, these include:
- Real time transactional information 24/7
- Improved search functionality, page loading and information access across the entire website
- Improved product catalogue and information
- Improved invoice and statement access and download
- Custom shopping lists for easy reordering
- 24 hour access to price books, information requests, and downloads

Further enhancements will be delivered in the coming weeks so expect to hear about these as they are delivered to the website.

We hope this system aids you in the running of your business.



BUILDERS AS ORDINARY SHAREHOLDERS

Over the past four years in particular, PW has made a concerted effort to work with builders as a customer group. They now represent approximately 15% of our sales (and growing).

Builders are a key influencer in construction design and product selection including both front and back of wall plumbing requirements.

It is very important that as a cooperative we continue to evolve and stay ahead of our competition. Some of our competitors now have their trading stores in the same building as a building merchant store. This makes it very easy for builders to buy plumbing product – we need to have a strong counter offer.

Builders are going to continue to undertake more plumbing work e.g. a number of builders now employ certifying plumbers, gasfitters and drainlayers as staff and we want to partner with them to ensure PW maintain and improve market share.

In addition to the opportunity to attract more builders spend by having them as cooperative shareholders and receiving the benefits of being a shareholder, we also need to future proof this group of customers and offer them benefits equal or better than what they currently receive from building merchants.

What are the benefits of having Builders as Shareholders?

Builders will continue to influence consumers and trades people regarding which plumbing products will be used and from where. Approximately 25% of consumers get their builder to choose the plumber. Linking builders and plumbers together as cooperative shareholders will prove quite powerful for NZPM / PW moving into the future.

As shareholders they will help increase our revenues, EBIT and capital position.

Will there be a limit on how many Builders we will accept as Shareholders?

Yes. To protect the overarching ethos of the organisation to be a “plumbers” cooperative the maximum number of builder shareholders will be capped at 20% of the ordinary shareholder numbers at any given time.

Will there be any rules around which types of Builders can apply to be a Shareholder?

Builders would need to meet the same financial security requirements to become shareholders as plumbers, gasfitters and drainlayers do.

In addition the following requirements of an individual builder or building company becoming an ordinary shareholder are;

- The building company owner or a key staff member to be a Licenced Building Practitioner if undertaking residential construction work.
- The building company to be suitably qualified and competent if undertaking non-residential construction activity.
- If a builder is a franchise operation e.g. GJ Gardner or Signature Homes, each individual franchisee would be eligible to be a cooperative member (not the franchisor). This is the same principle as Laser Plumbing.
- If a builder operates as one central company with multiple branches or sales areas (but purchases all their requirements from PW on a central account) e.g. Platinum Homes, only the national office would be eligible to be a shareholder.

When will this happen?

Builders will be eligible to apply to be Ordinary Shareholders from 1st October 2016.

While we appreciate opening the cooperative to builders might be considered a little bit scary by some, it does provide NZPM and PW the opportunity to significantly grow.

The Plumbing Supplies Cooperative in Australia, which is an almost identical business to PW, has worked extremely well for over 60 years with builders as shareholders and by allowing up to 20% of the shareholders to be builders (and therefore 80% as plumbers, gasfitters and drainlayers) maintains a strong position in the market with great returns to its shareholders.

If you have any questions regarding this please feel free to contact your local Branch Manager, Rob Kidd or one of your Directors.

YOUNG PLUMBERS CLUB

The Young Plumbers Club has been bubbling away in many of our Plumbing World branches over recent months. The business is looking to change gear in this space to ramp up the clubs offering to members and the wider industry with a nationwide competition later in the year. This will be filled with many activities and support from the industry's best suppliers.



We look forward to finalising this all very shortly, however we encourage you to see what upcoming events are planned in your area. Please contact your nearest branch for more information.

NZPM ANNUAL DIVIDEND RATES

The dividend rates for shares issued by NZPM Group Limited are set in advance by the Board. The rates are formally reviewed annually or more frequently if there are significant changes in market yields.

The Board have reviewed market data on dividend yields for similar investments. Consistent with the further overall reduction in interest rates, the market yield for similar investments has reduced. The Board has determined the following:

- The Annual Dividend Rate for Redeemable Preference Shares issued after February 2012 (with quarterly dividend payments) will be reduced from 7.0% to 6.75% per annum (pre-tax); and
- The Annual Dividend Rate for Development Shares will be reduced from 7.5% to 6.75% per annum (pre-tax).

We currently have two classes of Redeemable Preference Shares – those issued prior to February 2012 (1% of shareholders) and those issued after February 2012 (99% of shareholders). The directors resolved to reduce the annual dividend rate from 6.0% to 4.0% on the Redeemable Preference Shares issued **prior to February 2012** as this class of share is being phased out by NZPM Group. We continue to encourage this small group of shareholders who hold this older class of Redeemable Preference Shares to transfer their shares to the newer class of Redeemable Preference Share which will earn a 6.75% dividend rate.

The 2014 and 2015 Rebate Shares will continue to earn a dividend yield of 8.0% per annum.

The new rates will take effect from 1 June 2016.

The Board will continue to monitor market dividend yields for similar investments and will continue to take advice as required to ensure that we are offering competitive returns to our investors.

The Board wishes to thank you for your continued support of NZPM.

2016 METRIX BATHROOM & KITCHEN COLLECTION

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 Paini 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, Paini tapware (Atacama, Ghibli, Ventus), Paini stainless steel kitchen mixers, and Paini 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.



CONZTRUCT TRADESHOWS

New Zealand's Leading Construction Tradeshow

In association with CMS, J.A Russell and Carters, Plumbing World has kicked off a very successful first round of events last week with over 1000 tradesmen, Architects, and specifiers through the door to soak up what our industry has to offer. With some great new product and innovations just released to the market we know you'll get something out of attending.

ROUND 2 4-7pm

JUNE 7 **TAURANGA** ASB Baypark, Lion Foundation Centre

JUNE 8 **ROTORUA** Sir Howard Morrison Performing Arts Centre

JUNE 9 **NAPIER** McLean Park, Rodney Green Centennial Centre

ROUND 3 4-7pm

JULY 26 **WELLINGTON** Westpac Stadium

JULY 27 **PALMERSTON NORTH** Arena Manawatu

JULY 28 **NEW PLYMOUTH** TSB Stadium

Make sure you get along to the tradeshow when it hits your area – for more information and to register visit www.conztruct.co.nz

RHEEM BIG 6 CHALLENGE GO PRO WINNER

Dean Goodall from Papanui branch was the lucky winner of the Rheem Big 6 Challenge GoPro.

Left to right: Papanui Branch Manager Jeff Abbott, Shareholder Dean Goodall and Rheem Representative Wayne Richards.



DIGITAL HEALTH & SAFETY PLATFORM



With impending changes in legislation, SafetyMate has been designed specifically for the construction industry. A digital health and safety platform designed to meet all your daily health and safety requirements whilst on site.

SAFETY MATE OFFERS

- 10% discount for NZPM Shareholders
- One Stop Shop
- A Digital Health & Safety Platform
- Full Accident Support and Management via our 0800 number
- A Seamless Solution to Health & Safety Requirements
- From \$30 per month
- 100% New Zealand owned



STAY SAFE ON SITE

Making sure your work-site is safe for all your employees and contractors is extremely important, however it can be time consuming. That's why SafetyMate are here to help. They can help you sort out all your safety requirements so you can focus on what's important – getting the work done. You will receive full accident support and management via the 0800 number. It's a cost effective solution, with packages that are tailored to you.

Call today for more information or for a FREE demonstration on 0800 72 33 68

MASTER PLUMBERS CONFERENCE - ROTORUA APRIL 16

Plumbing World were the sponsor of the NZ Plumbing Awards night at the recent Master Plumbers Conference in Rotorua. It was wonderful to see a 30% increase in the numbers attending this fantastic event.



Recipients of 5 x \$1000 PW Scholarships

Ryan McQuade from EG Glennie & Co Ltd

Cameron Smith from Keenan Plumbing Hokitika

Patrick Smith from CF Reece, Hamilton

Nathan Brown from Hamilton Plumbing Co Ltd

Harry Gedye-High from Hi-Spec Plumbing and Gas Ltd



The Life Member recipient was Bryan Heron



Product of the Year - Dux Flexi Trap



Training Leader of the Year Award Mike Gooch – EG Glennie



Outstanding Services to Industry Award - John Leen



James Douglas Medallion - Ashley Walker from Hamilton Plumbing



New Zealand Plumber, Gasfitter or Drainlayer of the Year - Grant Jefferson from Hutt Plumbing and Gas

Master Plumber of the Year – Peter Jackson Plumbing Ltd



Industry Supporter of the Year Award - Adam Jackson from Allproof

Graeme Victor Smith Contribution to the Industry Award - Phillip Gordon Mitchell



MEET THE DIRECTORS

Along with Mark Whitehead I was last year given the opportunity at the AGM to serve on your board as an elected director of the NZPM Group. While it has been on my radar for some time to put my cap in the ring and have a go, the timing last year seemed right to provide the commitment that the job requires.

A lot of shareholders already know my background however to recap for those of you who don't, I am a plumber drainlayer by trade and was given the opportunity to purchase Tauranga Hardware and Plumbing, a 102 year old medium sized business trading mainly in the BoP, in 1993.

I have been involved in the ownership of various other companies over the years and my board experience started on a couple of school boards then to Master Plumbers both locally and nationally, then Wasps rugby and the Waipuna Hospice for the past ten years.

So with that said, this is my first experience with any type of cooperative at this level other than our companies 40 plus years involvement looking from the outside in as customers and members.

Being a national and until recently an international operation is a challenging and yet potentially rewarding trading situation with each region throwing up unique challenges along the way. While this goes some way to spreading the business risk, it also makes us something of a target in some areas in more ways than one. This is where I see the value and power of the coop philosophy to see us through these challenges such as our new

frameworks computer system which is on track to being a great addition to our business, and to capitalise on opportunities as they present themselves along the way.

Speaking of risk, along with Liason and Membership committee appointments, I am the chair of the Health and Safety committee for NZPM. While at first glance the new Health and Safety at Work Act 2016 is a scary piece of legislation, I think with the right approach and people, which I believe we have, this will be easily absorbed into the robust systems that we already have in place within the group, with continuing modifications made along the way. This is very much a moving landscape until at least later into 2016 and forward into the new year. I recently attended an EMA run 2 day seminar targeting the new act with our H&S advisor Fiona Pipes. While it was really worthwhile, it certainly demystified a lot of the dramatic information we have been receiving.

NZPM as a cooperative I believe has a massive future within the industry, and together with the support of you the shareholders we can make it even better. You can be sure that I will be doing my best in the role which you have entrusted me.

So once again thank you for your support going forward.

Craig McCord

Director

LOUIS HAMILTON - NATIONAL DOWNHILL MOUNTAIN BIKER

I recently competed in the Skyline Sprint Warrior race held at Skyline Skyrides Rotorua. This event is a well known race to many racers throughout the country and also a great event for beginners to racing to start out on. The event was scheduled to happen in February as part of the Rotorua Bike Festival but was unfortunately postponed due to bad weather conditions until the 9th of April.

This course is a well known track to many as it is part of the Skyline MTB park and also a lot of fun! It's a well maintained course (very smooth and fast!) with jumps and berms from top to bottom, so racing a trail bike was the way to go! It wasn't a long track at all which made the times closer as a lot of racers can hold a good pace on the smoother terrain but the whole time on the bike I was riding 110% as every corner, jump, braking point counted in this type of event.

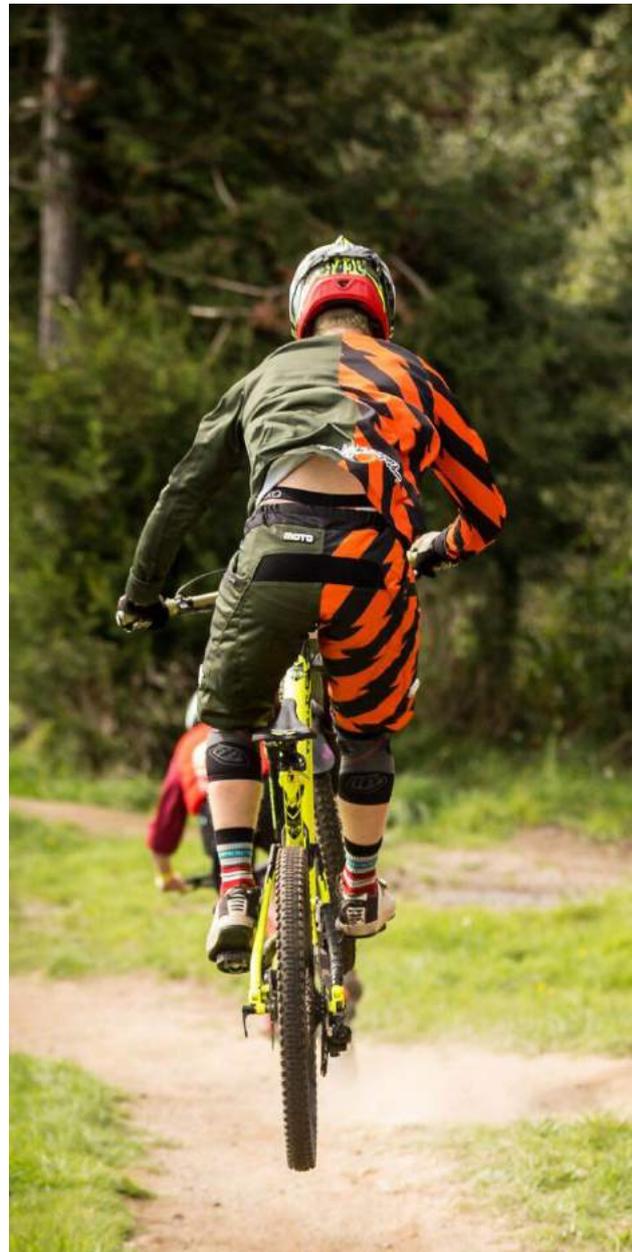
With it being a one day event it was a practice session in the morning before a race run in the afternoon. The practice session was a blast. I had a lot of fun with my mates and didn't have too much to practice as the course was all about holding good speed. My race run felt smooth and I was concentrating more on keeping the flow between sections and keeping a good pace down the hill to make it all count.

I finished with a time of 1:57 which was enough for me to take the win and have the fastest time of the day. With having such a fun day out on the bike and take out 1st place overall couldn't have finished the day any better!

Next up for me is the start to my overseas campaign in Cairns for the 2nd round of the World Cup series. I will be flying out a week today so I'm looking forward to getting on the new bike and racing in some serious Australian heat.

Until then thanks for the support.

Louis Hamilton



SHAREHOLDER LOYALTY

Mark Collier presenting Taihape Plumbing with their 10 year Loyalty Certificate



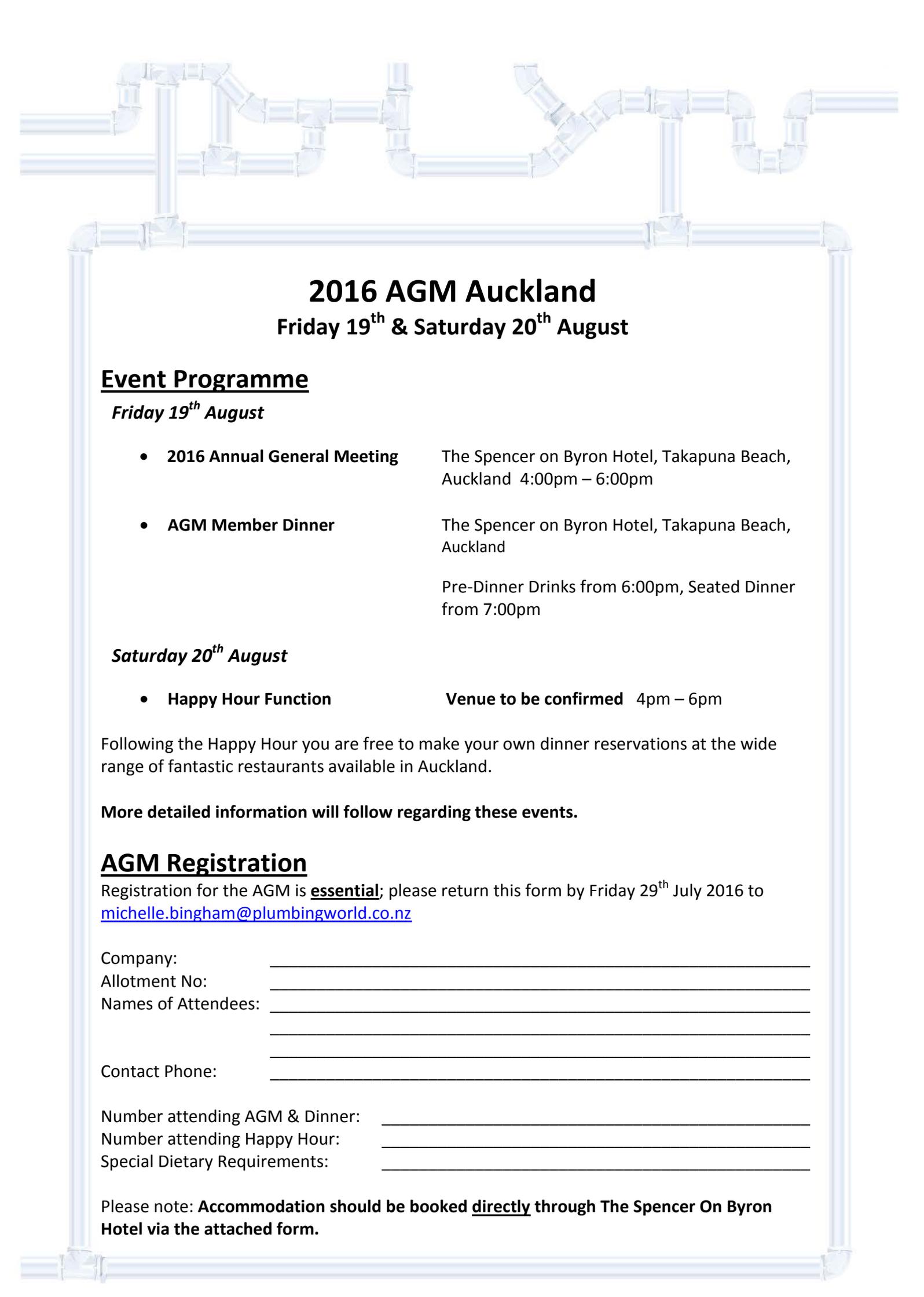
Stu Masson from Lower Hutt presenting Merton Soeteman with his 10 year Loyalty Certificate



Colin and Sharon Smith celebrating 30 years as a shareholder in NZPM

Pete Stonehouse with his partner Wai celebrating 30 years as a shareholder in NZPM





2016 AGM Auckland

Friday 19th & Saturday 20th August

Event Programme

Friday 19th August

- **2016 Annual General Meeting** The Spencer on Byron Hotel, Takapuna Beach, Auckland 4:00pm – 6:00pm
- **AGM Member Dinner** The Spencer on Byron Hotel, Takapuna Beach, Auckland

Pre-Dinner Drinks from 6:00pm, Seated Dinner from 7:00pm

Saturday 20th August

- **Happy Hour Function** **Venue to be confirmed** 4pm – 6pm

Following the Happy Hour you are free to make your own dinner reservations at the wide range of fantastic restaurants available in Auckland.

More detailed information will follow regarding these events.

AGM Registration

Registration for the AGM is **essential**; please return this form by Friday 29th July 2016 to michelle.bingham@plumbingworld.co.nz

Company: _____

Allotment No: _____

Names of Attendees: _____

Contact Phone: _____

Number attending AGM & Dinner: _____

Number attending Happy Hour: _____

Special Dietary Requirements: _____

Please note: **Accommodation should be booked directly through The Spencer On Byron Hotel via the attached form.**

NZPM Group Conference

Accommodation Registration Form for The Spencer on Byron Hotel

Block Code: NZPM190816

PERSONAL DETAILS (please print or type)

Guest 1: Surname _____ First Name _____

Guest 2: (if double occupancy): Surname _____ First Name _____

Guest 3: (if treble occupancy): Surname _____ First Name _____

Phone (_____) _____ Email: _____

Room Type	Room Rate	Date Arrive	Date Depart	No. Guests	No. Children	Special Requests
Studio Room – ROOM ONLY 2 Queen Beds-Single or Double Occupancy	\$160 +GST					
Studio Room - B&B 1 B/FAST 2 Queen Beds-Single or Double Occupancy <i>Includes 1 breakfast and WIFI</i>	\$187 +GST					
Studio Room - B&B 2 B/FASTS 2 Queen Beds-Single or Double Occupancy <i>Includes 2 breakfast and WIFI</i>	\$214 +GST					

BEDDING CONFIGURATION INFORMATION:

All Studio rooms have 2 x Queen Beds – please indicate required bedding configuration:

➤ **Single (1 bed)** _____ **Double (1 Bed)** _____ **Twin (2 Beds)** _____

- Rates quoted are per room, per night in \$NZD and **exclude GST**.
- Room rate covers 2 adults sharing existing bedding. Children 12 years or under sharing existing bedding no extra charge
- Cancellation within 24 hours of arrival will incur a charge of the first night's accommodation per room
- Check in time is from 3:00pm. Check out time is 11:00am
- Breakfast and WIFI not pre-booked with a room can be purchased as a package at time of stay for \$51.95 including GST
- The above rates are available 3 days either side of the event subject to availability
- Self-parking is available at a rate of \$20 per day, subject to availability. Valet parking is available at \$35 per day.
- A credit card will be required at check in to secure all incidentals during your stay
- Payment is upon check out

PLEASE SEND COMPLETED REGISTRATION FORMS TO:

Email: groups@spencerbyron.co.nz

Payment is required upon check out, however we require a credit card at the time of booking to secure your room (your card will not be charged unless payment is not made at check out or a cancellation has occurred – see above)

CREDIT CARD (Tick One)

American Express

MasterCard Credit Card Number: _____

Visa

Diners Club Signature: _____ Expiry Date: _____