NZPM
GROUP

2018
Annual Report

OUR MISSION:

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

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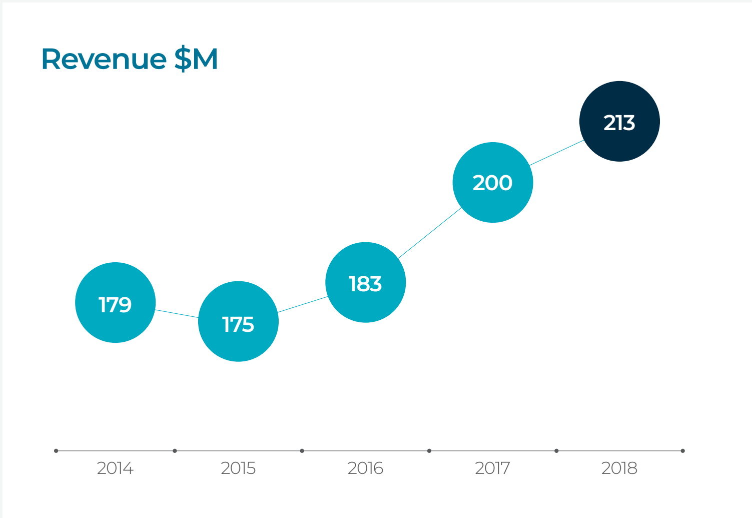
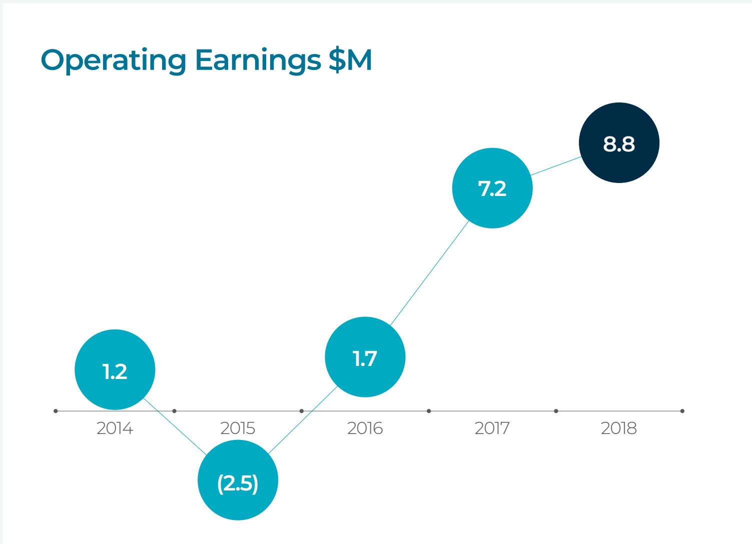
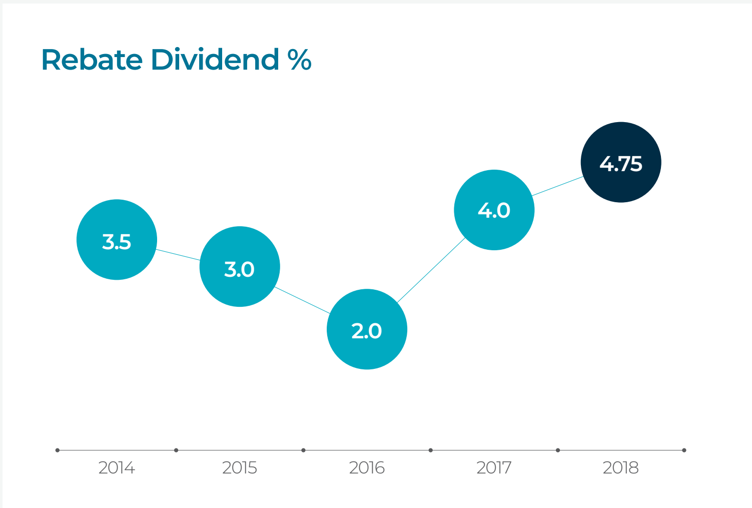
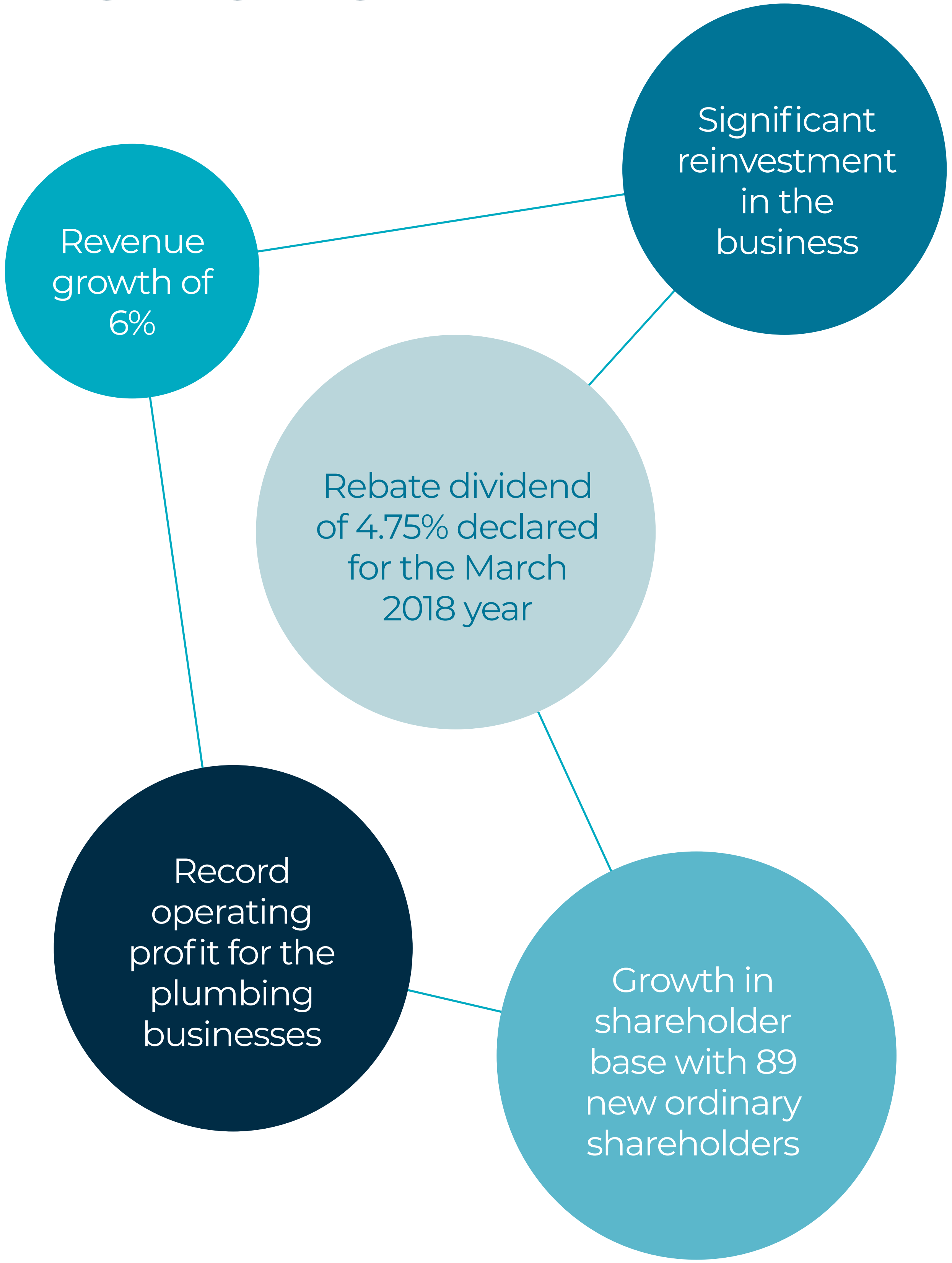
Trends.







Key Highlights.



John DeBernardo
Chair

Chair and Executive Review.

It's been another exciting year of growth and development for the NZPM Group co-operative, and the company has built on its strong customer base to exceed past performance, with our plumbing businesses recording their highest ever levels of sales and earnings.

Our continued performance improvement stems from many factors including our focus on customer service, our reinvestment in the business, the dedication of our people, and the support of our customers and shareholder members.

Highlights for the year

- Consolidated revenue increased by 6% to $212.8 million.
- Profit before net financing costs, dividends, rebate dividends and taxation increased by 23% to $8.8 million.
- Operating cash inflow (after payment of rebate dividends) of $3.5 million was offset by net investing outflow of $3.6 million.
- Net ordinary shareholder growth of 4.5% with 89 new members joining the co-operative over the year.

The evolution of The Young Plumbers Club to incorporate a Young Plumber of the Year competition was extremely well supported by our customers, shareholders and suppliers, and received acclaim from industry and non-industry bodies. We also launched our Future Governance Programme to develop and support younger shareholder members to gain governance experience.

Operational review

Both our Plumbing World and Metrix businesses performed very well in markets that remained extremely competitive across the country.

Consolidated revenue grew 6% as we continued to expand our position in the market. Our gains were relatively strong in the lower North Island and in other regional centres, however, growth in the Auckland market remained a particular challenge due to an intensely competitive environment, while activity levels in the Christchurch region reduced, in-line with a softening in the construction market.

The growth of net margins was one of the most pleasing outcomes for the year. These improvements were generated from a range of initiatives that helped offset the ongoing downward pressure on margins. The leading change came from the strong growth of Metrix products and Plumbing World own brand and exclusive products which generate both import and wholesale margins for the company. Margins were also improved by a range of work carried out to refine customer pricing, category management and procurement.

The expansion of the business meant that our cost base needed to grow to support the broader business footprint and sales activities, however, overall costs continue to be very well controlled.

Our Plumbing World and Metrix own brand and exclusive product range continued to deliver excellent value to both our customers and the co-operative. Sales of these products grew 17% over the prior year with the continued support of our sales and marketing teams and the Go for Gold exclusives rebates.

The launch of the LeVivi brand by Plumbing World in August also provided an opportunity to work with customers to educate them on the mutual benefits of these products, and to refresh our product branding and promotions. This complementary offering to our partner suppliers will continue to be a cornerstone of NZPM's drive to improve sales and margins, and we will continue to invest in broadening the penetration of these products into all customer groups and regions.

In early 2018, NZPM accepted an offer from the other shareholders of Aquatherm NZ Limited (Aquatherm) to purchase our minority shareholding in the company. Aquatherm has been responding to a number of market challenges, including the specification of its products in certain applications and the rise of competing non-PPR products. The sale price agreed of $0.5 million represented a significant discount to our carrying value of $1.4 million, however, based on Aquatherm's level of earnings, NZPM would have been required to record a valuation impairment of a similar level this year, even if the sale transaction had not occurred.

Our investment in Construction Market Services Limited has continued to grow as they expand their offering to the New Zealand specification market.

Business reinvestment

The ongoing programme of expanding and refreshing our business continues with $4.1 million of new investment in 2018.

During the year, Plumbing World opened new branches in Hornby (Christchurch), Te Rapa (Hamilton) and Richmond (Nelson), relocated the Invercargill branch to purpose-built new premises and undertook substantial upgrades at our Palmerston North and Taupo sites. We are progressing major upgrades at Panmure and Rotorua branches, and have committed to a relocation of our national import and distribution facilities to a purpose-built modern warehouse in Wiri (Auckland) from mid-2019.

NZPM also heavily invested in upgrading our vehicle fleet with the purchase of a number of replacement delivery trucks and a range of other delivery vehicles and forklifts for our Plumbing World branches.

The continuing upgrade of computer infrastructure is an important ongoing requirement for any modern business. In the past year, our IT investment has been focused on network hardware which allows the company to deliver more capability to our people, and has also enabled the roll out of online training modules to all company locations.

Statement of financial position

NZPM's conservatively geared balance sheet allows for continued reinvestment flexibility, with our strategy continuing to be to manage the whole business for ongoing value through market cycles. Investment in working capital has remained relatively static although growth in sales has required additional investment in stock and accounts receivable. Throughout the year, the collection rates from trade receivables remained very healthy, averaging around 90% current.

The investment in capital expenditure, some growth in working capital, and distribution of 80% of our net profits to shareholders combined to hold net debt at relatively static levels of $5.9 million.

Talent management

NZPM recognises that people are at the centre of our customer experiences and relationships. Employee engagement and job satisfaction are also directly linked to customer value and productivity.

During the year we undertook an internal culture survey to measure employee engagement, performance enablement, manager effectiveness and the change expectations of our people. This survey provided some great insights into what drives our employee engagement and has allowed us to prioritise targeted action plans that focus on continuing to grow and improve our employee culture.

The shift from external to in-house recruitment has also been very successful in that it has significantly reduced the time to recruit, saved cost and has provided better quality candidates for consideration. This change has further lifted our employment brand in the market and has improved the internal capability of our hiring managers.

The launch of an in-house staff training portal has also been extremely well received. The cloud-based platform combines with upgraded computer hardware and greater data capacity across all locations to allow NZPM to develop and deliver a range of training material in a modern, easy to use manner. We plan to develop a range of technical, product and sales based training modules that complement our own in-person training.

Health and safety

The focus across NZPM is to continue to move health and safety from day-to-day compliance to being an integral part of our everyday culture. Overall safety statistics have once again incrementally improved over the prior year, however, we need to continue our focus to achieve industry best practice. Pleasingly, one of the key lead indicators of hazard identification has increased by 250%, and the severity of our injury accidents has decreased.

During the year we commissioned an external review of our health and safety system to complement our own safety review processes and individual site audits. The recommendations from the review largely focused on standardising our approach across the business, development of generic risk registers and providing additional training to some roles.

Young Plumbers Club

The Young Plumbers Club took a huge step forward in 2017 with the introduction of the Young Plumber of the Year competition. From an initial pool of around 350 entrants, eight regional winners and two wildcards had a tight fought final, with Julian Parker of Rotorua named the inaugural winner.

The event was an enormous success and builds on the engagement and camaraderie of younger members of our plumbing community. The support from competitors, sponsors and our staff, and the accolades received from numerous industry bodies and stakeholders reinforces our view that NZPM has an ongoing role in growing and developing the future tradespeople and leaders of our industry.

Governance

The board has been unchanged throughout the year with the re-appointment of John DeBernardo and Craig Coxhead at the last annual meeting.

The board operates five standing committees; Audit and Risk, Compliance, Health and Safety, Membership and Remuneration. During the year, the former Master Plumbers Liaison committee was integrated into the Membership committee.

Our NZPM Future Governance Programme was established in 2017 to help foster future elected director capability from our ordinary shareholder membership pool. The expectation is that participants will have the time, capacity and interest to make themselves available for a governance role in the co-operative within 1–5 years after undertaking the programme.

Ngaire Mansfield from Wellington was the first successful applicant, and has attended nine board meetings. Ngaire has undergone governance training with the Institute of Directors as well as one-on-one mentoring with an independent professional director to support her development. The board continue to support the initiative and have sought applications for up to two candidates for the 2018 year.

This year elected directors Craig McCord and Mark Whitehead retire by rotation, and being eligible have offered themselves for re-election.

Rebate dividend

In June, NZPM declared a rebate dividend of 4.75% of 'A Grade' Cash to be paid in cash in September 2018. The increase in the dividend rate is linked to improved earnings and is consistent with our policy guideline of distributing 80% of NZPM's net profit after tax. The cash payment to all ordinary shareholders by the co-operative will be an increase of 36%, albeit this is spread over a larger pool of 'A Grade' Cash.

The company believes that the overall returns to shareholders from rebate dividends, our Go for Gold exclusives rebate programme, MaxPoints and NZPM Extra benefits continues to provide a compelling value proposition for all our co-operative members.

Shareholders

The regeneration of our shareholder base continues, and over the course of the year the company accepted applications from 89 new ordinary shareholder members. The support from new and existing customers who sought to join the co-operative is very encouraging, and reaffirms that NZPM's strategies to improve the underlying business and provide an attractive shareholder value proposition are proving successful.

The level of ordinary shareholder redemptions also plateaued during the year, with the majority now coming from shareholders who are retiring from the industry.

Our Annual NZPM/Plumbing World shareholder roadshows were held across the country from June to August 2017 with good attendance from both existing and prospective shareholders. In May 2018 Plumbing World held its popular overseas trips programme in Fiji, which was attended by over 230 delegates (including 47 children). Registrations are now open for Beijing in 2020.

Looking forward

The medium term outlook for the co-operative continues to support current market demand, and the imperatives driving the construction sector are expected to continue and will help facilitate the ongoing growth and expansion of the NZPM co-operative.

Further investment by industry in apprenticeships and training will expand the future skilled labour pool for our customers, however, we expect the general scarcity of skilled resources for our customers to continue to constrain the demand on NZPM in the short to medium term.

We are also striving to further improve the co-operative through broadening our customer and revenue base, and investing in and developing our people. NZPM is very aware that the greatest gains in productivity for both the co-operative and our industry will be linked to technology and accordingly, we are supporting the executive team in making a range of changes in our approach to technology so that we can offer new, value enhancing services to our customers.

On behalf of the board and the executive team, I would like to thank our shareholders, customers, suppliers and staff for all their efforts in supporting the NZPM Group co-operative throughout the year.

John DeBernardo, Chair
On behalf of the Board and Executive Team

Our Board.

From left to right:
Craig McCord, Craig Coxhead, John DeBernardo (Chair), Alister Lawrence, Stu McIvor, Linda Robertson, Mark Whitehead

Our Board.

John DeBernardo, Chair

Elected to the Board in 2011.

John has extensive experience in the plumbing and gasfitting industry including 33 years with his family business Aquaheat Industries Limited and nine years as the Managing Director of Gas Safely Limited, a gas engineering consultancy service.

John is a representative on the joint Australasian Gas Installations and Gas Appliances Standards committees, a director of Padova Properties Limited, Master Plumbers, Gasfitters & Drainlayers NZ Inc, MasterLink Limited and New Zealand Plumbers Journal Limited.

John has over 30 years governance experience, is a Chartered Member of the Institute of Directors in New Zealand (Inc), and his family business has had a shareholding interest in NZPM since 1964.

Craig Coxhead

Elected to the Board in 2014.

Craig has been in the plumbing industry his entire career and is Managing Director of Plumbing Works Limited. This Tauranga based plumbing company services the commercial, residential maintenance and alterations markets in the Bay of Plenty and Waikato regions.

Craig has a passion for encouraging the plumbing industry to develop broader skills and undertake further education and has been a member of Master Plumbers, Gasfitters & Drainlayers NZ Inc since 1984.

Craig has had a shareholding interest in NZPM since 2000 and is a Member of the Institute of Directors in New Zealand (Inc).

Alister Lawrence

Elected to the Board in 2013.

Alister has extensive experience in the plumbing and bathroom industry, including former chief executive roles at Mercer Stainless, Englefield Industries, Plumbing World and NZPM Group.

Alister currently runs his own consultancy company, Miro Partners and is a director of Quix New Zealand Limited, Quix Commercial Limited, Hynds Limited, Finesse Holdings Limited and Hobeca Trading Co Limited.

Alister was presented with the Outstanding Service to the Industry Award by the NZ Master Plumbers in 2013 and is a Honorary Consul for the Republic of Indonesia.

Alister is a shareholder in Quix Commercial Limited and Stevens Plumbing Services Limited, both shareholders in NZPM Group and is a Chartered Member of the Institute of Directors in New Zealand (Inc).

Craig McCord

Elected to the Board in 2014.

Craig is the Managing Director of Tauranga Hardware & Plumbing Limited, a leading company in the Bay of Plenty region providing residential and commercial plumbing, gas and drainage services.

Craig has supported and served on a number of community and school boards and is a former director of Master Plumbers, Gasfitters & Drainlayers NZ Inc, and past president of the Bay of Plenty Coromandel Master Plumbers.

Craig is a third generation plumber-drainlayer and his family business has been an NZPM shareholder since the co-operative expanded to Tauranga in 1972. Craig is also a member of the Institute of Directors in New Zealand (Inc).

Stu McIvor

Elected to the Board in 2009.

Stu has a long career in the industry having been a certifying plumber and gasfitter since 1976.

Stu is the owner of McIvor Plumbers & Gas Fitters Wanaka Limited and Gas Company Wanaka Limited. Stu is a member and past president of the Otago Master Plumbers Association, a member of the LPG Association and a member of the Otago Employers Association.

Stu has had a shareholding interest in NZPM Group for over 35 years.

Linda Robertson

Appointed to the board in 2015 as an appointed director.

Linda is a professional company director with extensive experience in executive finance roles in New Zealand and nearing 20 years' experience in governance roles. Linda has a wealth of knowledge in developing and introducing financial and operational processes to provide transparency and accountability.

Linda's current directorships include Auckland Council Investments Limited, Crown Irrigation Investments Limited, Dunedin City Holdings Limited, Dunedin City Treasury Limited, NZ Local Government Funding Agency Limited and she is Chair of Pacific Radiology Group Limited.

Linda holds a Bachelor of Commerce degree and a post graduate Diploma in Banking. She is a Chartered Fellow of the Institute of Directors in New Zealand (Inc), a Graduate Member of the Australian Institute of Company Directors, a Fellow of Governance New Zealand and a Fellow of the New Zealand Institute of Finance Professionals.

Mark Whitehead

Elected to the Board in 2015.

Mark was re-elected to the board in 2015 and previously served a three-year term from 2011 to 2014.

Mark is a certifying plumber, gasfitter and drainlayer and owns Whitehead Plumbing and Gas Limited, a Christchurch based plumbing, gasfitting and drainlaying company serving the residential and commercial sectors.

Mark is Chair of Masterlink Limited, a director of Master Plumbers, Gasfitters & Drainlayers NZ Inc, and New Zealand Plumbers Journal Limited. Mark is a former member of the Plumbers, Gasfitters and Drainlayers Board, a former director of the Plumbing, Gasfitting, Drainlaying and Roofing Industry Training Organisation Limited, and is a past President of Master Plumbers, Gasfitters & Drainlayers NZ Inc.

Mark has been a shareholder in NZPM Group for over 30 years and is a member of the Institute of Directors in New Zealand (Inc).

Our Executive Team.

Rob Kidd

General Manager, Plumbing World

Rob joined Plumbing World in July 2011 and has extensive general management experience in the building and construction industry, in New Zealand and internationally, covering the manufacturing, contracting, distribution, trade and retail business sectors.

Passionate about the on-going development of the industry, Rob has sat on various industry boards and associations over the years including the Building Research Association of NZ (BRANZ). Rob is currently a director of the Building Industry Federation and Construction Marketing Services Limited.

Rob holds a Bachelor of Commerce from Lincoln University and is a member of the Institute of Directors in New Zealand (Inc).

Garry Ivill

General Manager, Metrix Imports

Garry became the General Manager of Metrix Imports in 2008, at a time when the relationship between Metrix Imports Limited and Plumbing World Limited was in its infancy.

Previously, Garry worked in the animal health, consumer electronics, and bathroom manufacturing industries in a variety of senior sales and marketing roles.

Garry is a director of Industry Connection for Excellence, a provider of training services for plumbing apprentices in the Auckland region and is a trustee at the secondary school that his children attend.

Garry has a Bachelor of Management Studies from the University of Waikato and is a member of the Institute of Directors in New Zealand (Inc).

Brett Cruickshank

Chief Financial Officer, NZPM Group

Brett joined NZPM Group in August 2014 as Chief Financial Officer. He has experience in executive finance and general management having previously been Chief Executive Officer of Viridian Glass and Euroglass as well as Chief Financial Officer of Tenon Limited and Landco Limited. Prior to his corporate roles, Brett worked for Deloitte in New Zealand, San Francisco and London.

Brett is a Chartered Accountant (CA), a member of the Institute of Directors in New Zealand (Inc) and holds a Bachelor of Commerce degree from the University of Canterbury.

From left to right:
Rob Kidd, Garry Ivill, Brett Cruickshank

Health and Safety.

Health and safety is a core strategic pillar for NZPM. All NZPM businesses have formal health and safety policies that outline our commitment to health and safety.

Our strategy is to continuously improve our safety performance. This is supported by the board and executives who have committed to devote time to understand issues and to invest in new equipment, technology and processes to further develop our safety environment and to reduce and mitigate risk.

Strategic management, monitoring and review is provided through the board's Health and Safety Committee who meet bi-monthly with management and ensure that the board is fully informed of health and safety issues and performance outcomes.

During the past year, NZPM has focused on embedding safety practices into our everyday culture. We continue to strongly encourage all employees to take personal responsibility for their own safety as well as the safety of their colleagues, customers, contractors and visitors.

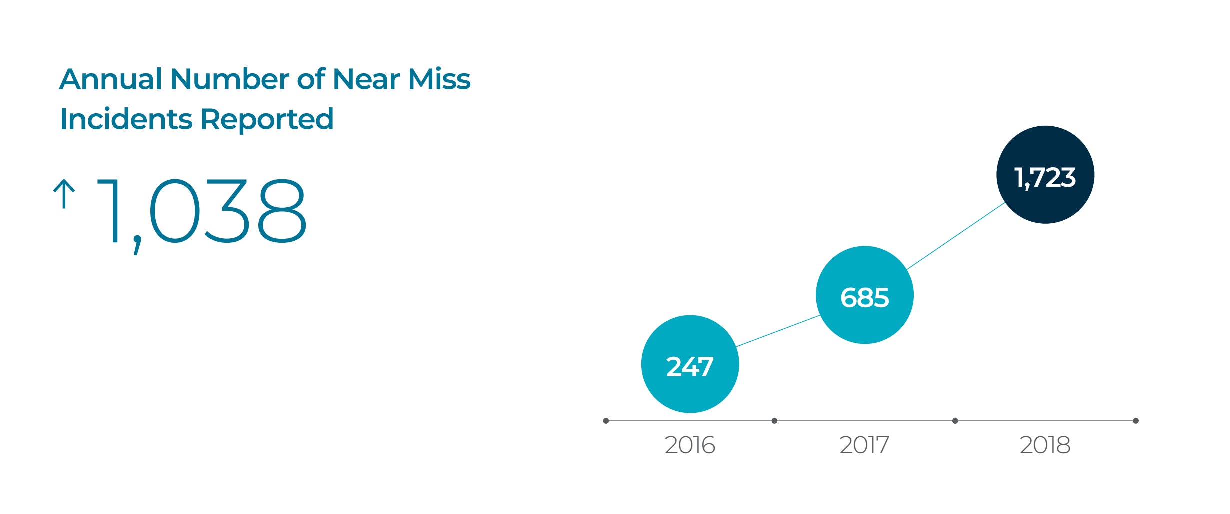
We continue to support the reporting and measurement of lead indicators including hazard reporting and near miss reporting so that corrective actions can be taken to reduce or mitigate the risk of future accidents.

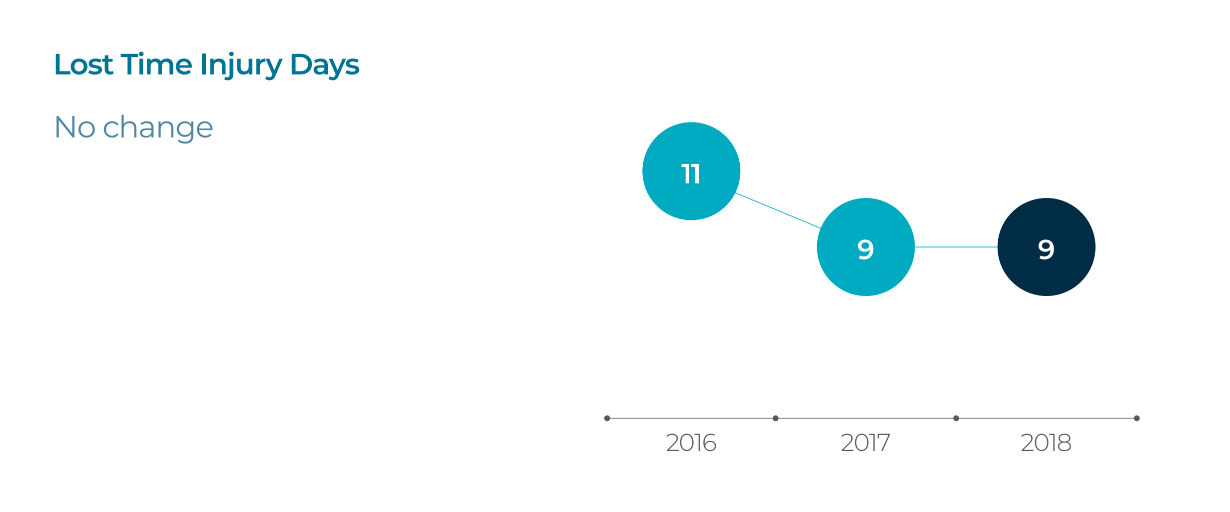
A number of positive steps have been taken to reduce risk including:

- Our manual handling policy was updated in order to reduce the number and severity of cuts and lacerations to the fingers and hands of our employees. The policy expanded the activities where employees are required to wear gloves as well as providing a range of new gloves to wear in different situations. Initial concerns expressed by employees about the potential impact on productivity have been addressed and the number and severity of medical treatment injuries in this area has reduced by over 40%.
- We have responded to legislative requirements in the management of hazardous substances with new processes, training and investment in storage equipment to ensure compliance.
- The launch of an electronic learning platform with five health and safety modules has introduced a powerful tool for the business. The modules are tailored to our business and provide a standardised and efficient way to induct and train our people.
- The update and relaunch of the Drug and Alcohol Policy reaffirmed our commitment to provide a safe, healthy and productive workplace for all and to ensure that people at our workplaces do not constitute a safety hazard due to the effects of drugs or alcohol. The policy includes drug and alcohol testing in the form of pre-employment, post-incident, internal transfer and just cause along with a robust pre-employment medical assessment process to ensure candidates are suitability fit for role.
- An independent review by a safety expert supported our approach to safety. The review identified a number of areas for improvement and simplification and roles which could benefit from more specialist training.

The overall performance for health and safety for the year improved with record levels of near miss reporting and a reduction in the frequency and severity of injuries. Our lost time injury days remained at nine, the same as 2017; however, increased from four injuries to five. In aggregate, there were 18 recordable injuries (both medical treatment and lost time injuries) with the total recordable injury frequency rate (injuries per million hours worked) reducing from 36.6. to 22.0. There were no notifiable injuries to WorkSafe during the year or prior year.

Looking forward, our plan is to build on the current initiatives while rebalancing some resources into employee wellness. We will extend our current programme which offers all employees medical insurance and annual influenza vaccinations to include employee participation in nationwide health initiatives and broader support of our people to improve their health and wellbeing.





Our future success is critically linked to our people.

People.

Diversity

To formalise our commitment to value and grow diversity, and to ensure our leadership, management and employees reflect the diverse range of individuals and groups within our society, the company has established a diversity policy.

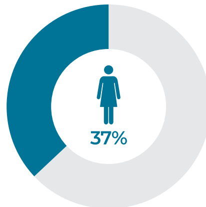
The policy commits to creating a culture that promotes and values diversity and inclusiveness at all levels, including senior management and the board of directors. While committed to fostering diversity and inclusion, NZPM will always seek to employ or promote the right person for the role.

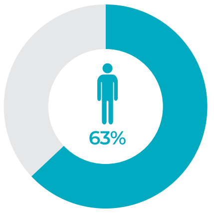
The following table sets out the number of males and females at different levels within NZPM Group as at 31 March 2018.

	FEMALE		MALE	
	COUNT	%	COUNT	%
Directors	1	14%	6	86%
Leadership Team[1]	3	38%	5	62%
Overall Workforce	165	37%	279	63%

[1]The Leadership Team consists of direct reports to the board and the Senior Leadership Team of Plumbing World.

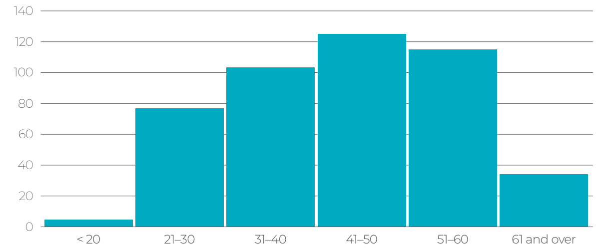
Overall Workforce





Number of employees/years of age

The age profile of our employees at 31 March 2018:



Remuneration of employees

The number of employees or former employees of NZPM Group, not being directors of the company, who, during the year ended 31 March 2018 received remuneration and any other benefits in their capacity as employees, the value of which was or exceeded $100,00 per annum, was as follows:

Remuneration Bracket	NZPM Group
$100,001–$110,000	16
$110,001–$120,000	12
$120,001–$130,000	6
$130,001–$140,000	2
$140,001–$150,000	3
$150,001–$160,000	2
$160,001–$170,000	6
$180,001–$190,000	2
$210,001–$220,000	1
$250,001–$260,000	1
$320,001–$330,000	1
$470,001–$480,000	1
$770,001–$780,000	1

Executive remuneration

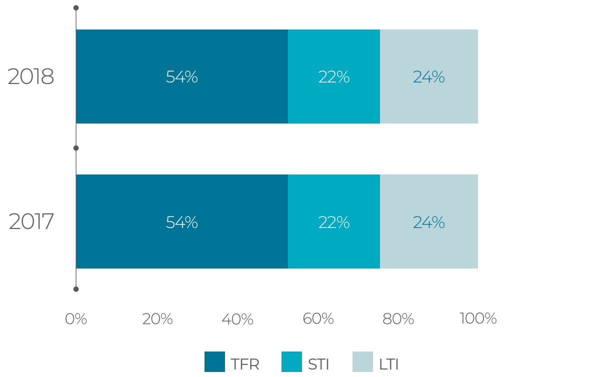
The NZPM Group Executive team is comprised of the General Managers of both Metrix and Plumbing World and the Chief Financial Officer. Remuneration of each executive is determined by the board taking into consideration the scope and complexity of each position, and is reviewed on an annual basis using a specialist independent adviser.

Each executive's remuneration package comprises a total fixed remuneration (TFR) component, an at risk short-term incentive (STI) component and an at risk long-term incentive (LTI) component.

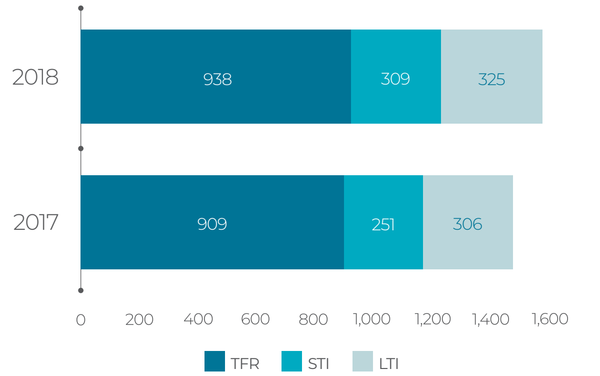
The STI component is set and assessed annually at the board's discretion and is designed to reward each executive for delivering the Group's near-term business objectives and the successful execution of key strategic initiatives for the respective financial year.

The LTI component is designed to reward executives for delivering performance and outcomes consistent with the Group's long term strategic goals. LTI allocations are made annually at the Board's discretion and measured over a rolling three-year period.

Composition of the total available remuneration for the Executive team (%)



Total Executive remuneration paid for the year ended 31 March 2018 ($'000)



Environment.

NZPM is committed to being an environmentally responsible corporate citizen and has a culture of continuous improvement to reduce its impact on the environment. NZPM is focused on influencing sustainable practices wherever it can in the NZ commercial and residential plumbing sectors. We are continually looking to improve our environmental performance within our own business and in partnership with suppliers and our customers.

Each Plumbing World branch has a recycling programme which is made available to our customers for packaging materials, waste PVC products and brass tailings. Plumbing World has also recently introduced reusable bags to replace single-use plastic bags as a way of reducing waste, with some branches trialling paper bags and other alternatives. We also work with our customers and suppliers to ensure that we are able to meet their environmental policy objectives.

The majority of the Group's vehicle fleet is less than four years old with each newer vehicle typically having lower emissions than the older vehicle.

Plumbing World has a policy of installing low energy LED lighting in all new and upgraded branches to support energy saving initiatives and extend the product life of lighting systems. Plumbing World has a nationwide waste care supplier to support branch recycling objectives.

Directors' Declaration.

NZPM Group Limited
For the year ended 31 March 2018

The directors of NZPM Group Limited (NZPM) are pleased to present to shareholders the Annual Report and financial statements (refer pages 26 to 65) for NZPM and its subsidiaries (together the Group) and the Group's interest in its equity accounted investments for the year ended 31 March 2018.

The directors present financial statements for each financial year which fairly present the financial position of the Group and its financial performance and cash flows for that period.

The directors consider the financial statements of the Group have been prepared using accounting policies which have been consistently applied and supported by reasonable judgements and estimates, and that all relevant financial reporting and accounting standards have been followed.

The directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Group and facilitate compliance of the financial statements with the Financial Markets Conduct Act 2013.

The directors consider that they have taken adequate steps to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities. The internal control procedures are considered to be sufficient to provide reasonable assurance as to the integrity and reliability of the financial statements.

For and on behalf of the board of directors,

John DeBernardo
Director (Chair of the Board)
28 June 2018

Linda Robertson
Director (Chair of the Audit & Risk Committee)
28 June 2018

Financial Statements 2018

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NZPM GROUP LIMITED

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 March	Notes	2018 $'000	2017 $'000
Revenue		212,766	200,474
Cost of sales of goods		(148,789)	(141,592)
Gross profit		**63,977**	**58,882**
Other gains and losses	2	(56)	75
Share of net profit of associates	12 (a)	100	145
Loss on sale of investment in associate	12	(905)	0
Other operating expenses	3	(54,282)	(51,941)
Profit before net financing costs, rebate dividends and dividends paid, and taxation		**8,834**	**7,161**
Finance income	4	35	48
Finance costs	4	(485)	(489)
Finance costs - net		(450)	(441)
Rebate dividends and dividends paid	5	(3,776)	(2,176)
Profit before income tax		**4,608**	**4,544**
Income tax expense	6 (a)	(2,562)	(2,237)
Profit for the year		**2,046**	**2,307**
Total comprehensive income for the year, net of tax		**2,046**	**2,307**

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

NZPM GROUP LIMITED

Consolidated statement of financial position

At 31 March	Notes	2018 $'000	2017 $'000
ASSETS			
Current assets			
Cash and cash equivalents (excluding bank overdrafts)	7(b)	0	1,486
Trade and other receivables	8	28,668	28,353
Derivative financial instruments	15	0	61
Inventories	9	32,237	30,304
Total current assets		60,905	60,204
Non-current assets			
Trade and other receivables	8	100	0
Property, plant and equipment	10	6,424	4,118
Intangible assets	11	8,536	8,861
Investments in associates	12	1,222	2,627
Deferred tax assets	6(c)	1,669	1,816
Total non-current assets		17,951	17,422
Total assets		**78,856**	**77,626**
LIABILITIES			
Current liabilities			
Trade and other payables	13	22,714	23,887
Borrowings	14	389	922
Derivative financial instruments	15	41	0
Provisions	16	2,764	2,594
Current tax liabilities	6(d)	1,570	818
Total current liabilities		27,478	28,221
Non-current liabilities			
Borrowings	14	5,500	6,781
Derivative financial instruments	15	627	736
Provisions	16	643	589
Co-operative share capital	17	26,919	25,656
Total non-current liabilities		33,689	33,762
Total liabilities		**61,167**	**61,983**
Net assets		**17,689**	**15,643**
EQUITY			
Retained earnings		17,689	15,643
Total equity		**17,689**	**15,643**

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

NZPM GROUP LIMITED

Consolidated statement of changes in equity

For the year ended 31 March	Notes	Retained earnings $'000	Total equity $'000
Balance at 1 April 2016		**13,336**	**13,336**
Profit for the year		2,307	2,307
Total comprehensive income for the year		2,307	2,307
Balance at 31 March 2017		**15,643**	**15,643**
Profit for the year		2,046	2,046
Total comprehensive income for the year		2,046	2,046
Balance at 31 March 2018		**17,689**	**17,689**

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

NZPM GROUP LIMITED

Consolidated statement of cash flows

For the year ended 31 March	Notes	2018 $'000	2017 $'000
Cash flows from operating activities			
Cash receipts from customers		212,551	201,411
Interest received		35	48
Dividends received from associates		100	153
Other dividends received		3	1
Income taxes paid		(1,663)	(1,339)
Cash paid to suppliers and employees		(203,954)	(190,694)
Interest paid		(594)	(756)
Rebate dividends and dividends paid		(2,991)	(1,423)
Net cash inflow from operating activities	**7**	**3,487**	**7,401**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		53	126
Proceeds for fit-out		75	0
Payments for intangibles		(192)	(643)
Payments for property, plant and equipment		(3,873)	(1,316)
Proceeds from sale of associate		300	0
Net cash (outflow) from investing activities		**(3,637)**	**(1,833)**
Cash flows from financing activities			
Proceeds from issue of shares		2,365	3,025
Payments for shares bought back		(1,887)	(4,198)
Finance lease payments		(922)	(1,032)
Repayment of borrowings		(1,000)	(2,000)
Repayment of interest rate swap		0	(214)
Net cash (outflow) from financing activities		**(1,444)**	**(4,419)**
Net (decrease)/increase in cash and cash equivalents		**(1,594)**	**1,149**
Cash and cash equivalents at the beginning of the financial year		1,486	337
Cash and cash equivalents at the end of the year	7 (b)	(108)	1,486

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

1. ACCOUNTING POLICIES

Reporting entity

The consolidated financial statements presented are those of the NZPM Group ('the Group'), comprising NZPM Group Limited ('the company' or 'NZPM') and its subsidiaries and the Group's associates as at 31 March 2018.

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

Statutory base

NZPM is a co-operative. It is a profit-orientated company incorporated and domiciled in New Zealand. The address of the registered office is Metrix Building, 155 The Strand, Parnell, Auckland. The company changed its name from NZ Plumbers' Merchants Limited on 14 August 2008. 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 financial statements have been prepared inaccordance with the Financial Markets Conduct Act 2013, the Financial Reporting Act 2013 and the Companies Act 1993.

Basis of preparation

The consolidated financial statements of NZPM have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ('NZ GAAP'). NZ GAAP consists of New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and other applicable financial reporting standards. These financial statements comply with NZ IFRS and International Financial Reporting Standards ('IFRS').

The consolidated financial statements were approved by the board of directors on 28 June 2018.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, with the exception of certain items as identified in the specific accounting policies.

These consolidated 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.

Use of accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires the directors to exercise their judgement in the process of applying the Group accounting policies. Estimates and associated assumptions are based on historical experience and other factors, as appropriate to the particular circumstances. The Group reviews the estimates and assumptions on an ongoing basis.

Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed within the specific accounting policy or note. These include goodwill impairment (note 11(b)), provision for impairment of inventories (note 9), and provision for impairment of trade receivables and provision for credit notes (note 19(b)).

Significant accounting policies

Significant accounting policies applied by the Group during the year are set out below and have been applied consistently to all periods presented in these consolidated financial statements. There have been no changes to accounting policies during the year.

New standards adopted

The Group has not adopted any new standards during the period that would have a material impact on these financial statements.

New standards, amendments and interpretations not yet adopted

New standards, amendments and interpretations have been published that will be mandatory for the Group's accounting periods beginning on or after 1 April 2018. The standards that will have an impact on the Group are discussed below. None of these have been early adopted:

NZ IFRS 9 'Financial Instruments'.

This addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of NZ IFRS 9 was issued in July 2014. It replaces the guidance in NZ IAS 39 that relates to the classification and measurement of financial instruments. NZ IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

NZPM GROUP LIMITED
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For the year ended 31 March 2018

The basis of classification depends on an entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value through other comprehensive income with no impairment or recycling on disposal of the instrument to profit and loss. There is now a new expected credit losses model that replaces the incurred loss impairment model used in NZ IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss.

The standard is effective for accounting periods beginning on or after 1 January 2018 with adoption occurring for the year ended 31 March 2019. The Group is yet to assess the full impact of adopting NZ IFRS 9. The new expected credit loss model may have some impact on current recognition and measurement approach towards credit loss provisions, specifically the allowance for impairment of trade receivables, however, no detailed assessment has yet been carried out.

NZ IFRS 15 'Revenue from contracts with customers'

This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. This standard provides a single comprehensive principles-based five step model to be applied to all contracts with customers. The standard replaces NZ IAS 18 'Revenue' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 although early adoption is permitted.

The Group has undertaken some preliminary analysis to identify potential impacts from adoption of NZ IFRS 15. Work to date has focused on identifying the implicit and explicit promises made to customers when sales are made and potential differences from current revenue recognition practices that could arise as a result of these promises.

The results of initial analysis do not indicate material changes to current recognition timing. However, some of the obligations included as part of sales may result in reclassifications between items within the Statement of Comprehensive Income. Additionally expected returns from customers will result in the recognition of a corresponding return liability and right of return asset, reflecting the expected amount of customer returns from sales already made.

While the majority of time has been spent assessing the potential changes from current recognition practice of NZ IFRS 15, at this stage management cannot reasonably estimate and quantify the potential impact.

NZ IFRS 16 'Leases'

The new leases standard eliminates the distinction between operating and finance leases for lessees and will result in lessees bringing most leases onto their balance sheets. Highlights of NZ IFRS 16 include the use of a control model to distinguish between leases and service contracts on the basis of whether there is an identified asset controlled by the customer and the requirement for a lessee to recognise on the statement of financial position assets and liabilities for all leases with a term of more than 12 months unless the asset is low value.

NZ IFRS 16 supersedes NZ IAS 17 and associated interpretative guidance. Early application is permitted, provided that NZ IFRS 15 is also early adopted, otherwise the standard is effective for accounting periods beginning on or after 1 January 2019. At this stage the Group does not expect to early adopt this standard.

The Group has begun some preliminary assessment of the potential impact of adopting NZ IFRS 16. A number of key issues and judgements have been identified including the application of the grandfathering provision, which allows the application of NZ IFRS 16 to contracts determined to be leases prior to adoption without needing to reassess the contracts. Other key judgements include determination of implicit interest rates and assessment of what constitutes “reasonably certain” for the purposes of assessing whether an option to extend, or to terminate, a lease contract will be exercised.

Work to date has focused on property leases and assessing the future impact, specifically looking at impacts from recognition of lease liabilities and right of use assets. The Group expects a material impact on the statement of financial position, with both an increase in assets and liabilities. The Group also expects there will be significant reclassification within the Statement of Comprehensive Income from the adoption of the standard. Expenses related to operating leases within other operating expenses will decrease, while depreciation will increase from right of use assets and interest expenses will increase because of the unwinding of the effective interest rate implicit in the lease.

1. ACCOUNTING POLICIES *(CONTINUED)*

Note 22(b) contains the non-cancellable operating lease commitments pertaining to operating leases as at 31 March 2018. The total operating lease commitments were $34,868,000 and mainly related to property and vehicles. While a number of these leases will expire prior to the date of initial application, it is likely many of them will still be effective and will therefore be recognised within the Statement of Financial Position. Based on preliminary analysis, the potential impact of identified committed property leases as at 31 March 2018 would likely result in a capitalised lease liability and right to use asset that is materially greater than the current operating lease commitments. In assessing the impact, the Group estimates that the lease term for many properties will likely be greater than the non-cancellable operating lease periods.

Basis of consolidation

All material intercompany transactions, balances and unrealised gains on transactions between intra-group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee.

Where a business combination is achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in the statement of profit or loss.

Subsidiaries and associates

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are included in the consolidated financial statements using the acquisition method of consolidation, from the date control commences until the date control ceases.

Associates are entities over which the Group has significant influence but not control. Investments in associates are accounted for using the equity method and are measured in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets, less dividends. Goodwill relating to associates is included in the carrying amount of the investment.

If the carrying amount of the equity accounted nvestment exceeds its recoverable amount, it is written down to the latter. When the Group's share of accumulated losses in an associate equals or exceeds its carrying value, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Fair values are assigned to the identifiable assets and liabilities of subsidiaries and associates of the Group at the date they are acquired. Acquisition related costs are expensed as incurred.

Foreign currency translation

Functional currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

Transactions and balances

Transactions in foreign currencies are translated to New Zealand dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance date are translated to New Zealand dollars at foreign exchange rates ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange gains or losses are recognised in the statement of profit or loss.

Valuation of assets

Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item and in bringing the asset to the location and working condition for its intended use. Where significant parts of an item of property, plant and equipment have different useful lives, they are accounted for separately.

Capital Work In Progress

Amounts expended on 'capital work in progress' are not capitalised until such time as the asset is placed in service and then is transferred to property, plant and equipment or intangible assets and is depreciated or amortised from that date.

'Capital work in progress' includes the cost of materials, services, labour and direct production overheads.

Leased assets

Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases.

Upon initial recognition, the leased assets are measured at amounts equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability.

The finance cost portion of lease payments is expensed to profit or loss over the lease period.

Other leases are classified as operating leases and the leased assets are not recognised in the Group's statement of financial position. Payments made under operating leases (net of any incentives received) are recognised as an expense in the statement of profit or loss on a straight-line basis over the term of the lease.

Intangible assets

Intangible assets (other than goodwill) acquired separately are measured on initial recognition at cost. Following initial recognition, intangibles (other than goodwill) are carried at cost less any accumulated amortisation and accumulated impairment losses.

Goodwill

Goodwill is recorded at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised. Goodwill and any other intangible assets with indefinite useful lives are tested for impairment at each reporting date, either individually or at the cash-generating unit level. The discount rate used for the purposes of goodwill impairment testing is based on a calculated weighted average cost of capital. The weighted average cost of capital is based on the cost of debt and cost of equity weighted accordingly between the relative percentages of debt and equity. The cost of debt is the actual cost of debt and the cost of equity is calculated using the capital asset pricing model.

These calculations require the use of estimates as to future profitability of the relevant business units to which goodwill has been allocated and the choice of a suitable discount rate in order to calculate the present value of those cash flows.

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with developing or maintaining computer software are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will generate probable economic benefit exceeding the costs beyond one year, are recognised as intangible assets. Costs include the employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, on demand deposits and current accounts in banks. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included in current liabilities in the balance sheet, unless there is a right of offset, and included as a component of cash and cash equivalents in the statement of cash flows.

Cash flows are included in the statement of cash flows net of goods and services tax.

Trade and other receivables

Trade and other receivables are recognised at cost less any provision for impairment.

1. ACCOUNTING POLICIES *(CONTINUED)*

All trade receivables are individually reviewed regularly for impairment as part of normal operating procedures and provided for where appropriate. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables, refer note 19(b).

Bad debts are written-off when they are considered to have become uncollectable.

Inventories

Inventories are measured at the lower of cost (weighted average cost method) and net realisable value, after due allowance for damaged and obsolete stock.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Financial assets

The Group classifies its financial assets as:

- Financial assets at fair value through profit or loss;
- Loans and receivables; and
- Available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Financial assets carried at fair value through profit or loss are initially recognised at fair value. Realised and unrealised gains or losses arising from changes in fair value are included in the statement of profit or loss.

Loans and receivables are carried at amortised cost less any impairment.

Available-for-sale financial assets are carried at fair value. Unrealised gains and losses arising from changes in fair value are recognised in other comprehensive income, except for foreign exchange movements in monetary assets which are recognised in the statement of profit or loss. When available-for-sale financial assets are sold, the accumulated fair value adjustments are included in the statement of profit or loss as gains or losses.

Fair value estimation

The Group uses various valuation methods to determine the fair value of certain assets and liabilities. The inputs to the valuation methods used to measure fair value are categorised into three levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any objective evidence of impairment. Impairment is deemed to occur when the recoverable amount of an asset falls below its carrying value.

Impairment losses directly reduce the carrying amount of assets and are recognised in profit or loss.

Non-financial assets are reviewed at each reporting date to determine whether there are any indicators that the carrying amount may not be recoverable. If any such indicators exist, the asset's recoverable amount is estimated. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised in the statement of profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units).

Financial assets carried at amortised cost are assessed each reporting date for impairment. If there is objective evidence of impairment, the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where appropriate, is recognised in the statement of profit or loss.

Financial instruments

Derivative financial instruments

Derivative financial instruments, including foreign exchange contracts and interest rate swaps, are utilised to reduce exposure to market risks.

The Group treasury policy specifically prohibits the use of derivative financial instruments for trading or speculative purposes. All the Group's derivative financial instruments are held to hedge risk on underlying assets, liabilities and forecast and committed trading transactions.

The Group holds derivative instruments until expiry except where the underlying rationale from a risk management point of view changes, such as when the underlying asset or liability which the instrument hedges no longer exists, in which case early termination occurs.

Derivative financial instruments are initially recorded at fair value and are then revalued to fair value at balance date. The gain or loss on revaluation is recorded in profit or loss.

The fair values of derivative financial instruments are determined by applying quoted market prices, where available, or by using inputs that are observable for the asset or liability.

Non-derivative financial instruments

Non-derivative financial instruments comprise investments, trade and other receivables, cash and cash equivalents, loans and borrowings including share capital, and trade and other payables.

Valuation of liabilities

Taxation

Current and deferred taxation are calculated on the basis of tax rates enacted or substantively enacted at reporting date, and are recognised in the statement of profit or loss except when the tax relates to items charged or credited to other comprehensive income, in which case the tax is also recognised in other comprehensive income.

The preparation of the financial statements requires management to make estimates about items that are not known at balance date or prior to the Group reporting its final result. These items may ultimately affect the amount of tax payable by the Group.

Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised in the statement of financial position and the amount of the other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the statement of financial performance.

Income tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the relevant taxation authorities based on the current period's taxable income and any adjustments in respect of previous years.

Deferred tax

Deferred income taxation is recognised in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax assets and unused tax losses are only recognised to the extent that it is probable that future taxable amounts will be available against which to utilise those temporary differences and losses.

Borrowings

Interest bearing borrowings are initially recognised at fair value on transaction date, net of transaction costs incurred. They are subsequently stated at amortised cost using the effective interest rate method, where appropriate.

Trade and other payables

Trade creditors and other liabilities are initially measured at fair value, and subsequently measured at amortised cost; or estimated liability where accrued.

Other liabilities

Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the provision can be reliably measured.

1. ACCOUNTING POLICIES *(CONTINUED)*

Employee benefit obligations

Liabilities in respect of employee entitlements are recognised in exchange for services rendered during the accounting period, but which have not yet been compensated as at reporting date. These include annual leave, long service leave, retirement leave, employee incentives and director retiring allowances.

Contingent liabilities

Judgements and estimates are applied to determining the probability that an outflow of resources will be required to settle an obligation. These are made based on a review of the facts and circumstances surrounding the event and advice from both external and internal parties. Liabilities shown are for those in existence as at reporting date but not provided for in the financial statements.

Co-operative share capital

Ordinary shares and redeemable preference shares (RPS) are classified as co-operative share capital. When shares are acquired, the amount of the consideration paid is recognised directly as a liability. Shares are accounted for as a liability because under the Co-operative Companies Act 1996, under certain conditions specified in the Act, shareholders have the right to surrender shares in the Group and receive payment.

Dividends on RPS and rebate dividends on ordinary shares are recognised as a liability in the period in which they are approved and declared by the board of directors.

Income determination

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when payment is made. Revenue is measured at the fair value of the consideration received or receivable. Specific accounting policies are as follows:

Sale of goods

Revenue comprises amounts received and receivable by the Group for goods and services supplied in the ordinary course of business. Revenue is stated net of returns, trade discounts and goods and services tax (GST). Revenue from the sale of goods is recognised in the statement of profit or loss when the significant risks and rewards of ownership have been transferred to the buyer.

Finance income

Finance income comprises interest income on funds invested and on deposit, and on loans to related parties. Interest income is recognised in the statement of profit or loss as it accrues, using the effective interest method where appropriate.

Other income

Dividend income is recognised on the date that the Group's right to receive payment is established.

Expenses and commitments

Depreciation and amortisation

Depreciation of property, plant and equipment, (other than commercial land which is not depreciated), and amortisation of finite life intangible assets are calculated on a straight-line basis so as to expense the cost of the assets to their expected residual values over their estimated useful lives as follows:

- Plant and equipment — 1–10 years
- Leasehold improvements — 10 years
- Motor vehicles — 4–6 years
- Computer equipment — 3–5 years
- Software — 3–10 years

The useful lives and residual value of the assets are, at the end of each accounting period, reassessed and adjusted if significant.

Finance costs

Finance costs comprise interest expenses on borrowings and losses on derivative instruments that are recognised in profit or loss.

Rebate dividends

The total amount of rebate dividends paid are approved by the board of directors on an annual basis.

The rebate dividend is only paid to ordinary shareholders of NZPM Group Limited and is calculated according to the promptness of payments and total amounts received by Plumbing World Limited, (a subsidiary of the Group). The rebate dividend is fully imputed for tax purposes (including dividend withholding tax). Rebate dividends are paid out of tax paid profits and are therefore deemed to be dividends for tax purposes.

Capital commitments

Commitments shown are for those asset purchases authorised and contracted for as at reporting date but not provided for in the financial statements, converted at the year end exchange rate (if required).

Goods and services tax (GST)

The statement of profit or loss and other comprehensive income and statement of cash flows have been presented with all items exclusive of GST. All items in the statement of financial position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

2. OTHER GAINS AND LOSSES

	2018 $'000	2017 $'000
Net losses/(gains) arising on forward exchange contracts	102	(101)
Net foreign exchange losses	0	(8)
Net (gain)/loss on disposal of plant, property and equipment and intangible assets	(46)	34
Other gains and losses	**56**	**(75)**

3. OTHER OPERATING EXPENSES

This note provides additional information in relation to “other operating expenses” included within the statement of profit or loss.

	2018 $'000	2017 $'000
(a) Fees paid to the auditor:		
Audit of financial statements	104	101
Other assurance fees (i)	7	16
New Zealand tax compliance fees	16	42
	127	159
(i) Other assurance services include review of Trustee reporting and share register audit.		
(b) Employee benefits expenses		
Wages and salaries and other benefits	30,757	29,394
Contributions to KiwiSaver	731	652
Directors' remuneration	366	346
Directors' retiring allowance	69	58
	31,923	30,450

3. OTHER OPERATING EXPENSES *(CONTINUED)*

	2018 $'000	2017 $'000
(c) Rental expense		
Rent expense	6,765	6,183
Rent received	(38)	(86)
	6,727	6,097
(d) Depreciation and amortisation		
Leasehold improvements	600	674
Plant and equipment	481	457
Motor vehicles	205	93
Computer equipment	199	152
Software	517	515
	2,002	1,891
(e) Other expenses	13,503	13,344
Other operating expenses	**54,282**	**51,941**

4. FINANCING INCOME AND COSTS

	2018 $'000	2017 $'000
Interest from financial assets held for cash management purposes	(35)	(48)
Finance income	**(35)**	**(48)**
Interest and finance charges paid/payable on financial liabilities	527	595
Interest paid/payable for finance lease liabilities	67	161
Fair value gain on interest rate swap contracts	(109)	(267)
Finance costs	**485**	**489**
Net finance costs	**450**	**441**

5. REBATE DIVIDENDS AND DIVIDENDS PAID

	2018 $'000	2017 $'000
Rebate dividends paid	2,924	1,254
Dividends paid	852	922
Rebate dividends and dividend paid	**3,776**	**2,176**

On 29 June 2017 the company declared a rebate dividend to all ordinary shareholders of the greater of $300 or 4% of their Grade A cash. The rebate dividend was paid on 28 September 2017.

6. INCOME TAX EXPENSE

	2018 $'000	2017 $'000
(a) Income tax expense		
Current tax		
Current tax on profits for the year	2,509	1,775
Adjustments for current tax of prior periods	(94)	194
Deferred income tax		
Decrease in deferred tax assets (see note 6(c))	147	268
Income tax expense	**2,562**	**2,237**
Reconciliation of income tax expense to prima facie tax payable:		
Profit before tax expense	4,608	4,544
Tax at tax rate of 28% (2017: 28%)	1,290	1,272
Tax effect of amounts which are non-deductible in calculating taxable income	1,366	771
Adjustments for current tax of prior periods	(94)	194
Income tax expense	2,562	2,237
(b) Imputation credits		
Imputation credits available for subsequent reporting periods based on a tax rate of 28% (2017: 28%)	10,145	10,911

6. INCOME TAX EXPENSE *(CONTINUED)*

(c) Deferred tax balances

Deferred tax assets/(liabilities) are attributable to the following:

	Property, plant and equipment and intangibles $'000	Debtors $'000	Inventory $'000	Provisions and accruals $'000	Unused tax losses $'000	Net deferred tax assets $'000
Balance at 1 April 2016	897	112	307	757	11	2,084
(Charged)/credited to profit or loss	(601)	4	160	180	(11)	(268)
Balance as 31 March 2017	296	116	467	937	0	**1,816**
(Charged)/credited to profit or loss	103	32	(260)	(22)	0	(147)
Balance at 31 March 2018	**399**	**148**	**207**	**915**	**0**	**1,669**

The Group is satisfied that sufficient taxable profits will be generated to utilise the deferred tax assets in the future.

(d) Current tax assets and liabilities

	2018 $'000	2017 $'000
Tax refund receivable	333	0
Income tax payable	(1,903)	(818)
Current tax liabilities	**(1,570)**	**(818)**

7. CASH FLOW INFORMATION

	2018 $'000	2017 $'000
(a) Cash generated from operations		
Profit for the year	2,046	2,307
Adjustments for:		
Depreciation and amortisation	2,002	1,891
Movement in deferred tax	147	268
Non-cash share of net loss of associates	0	8
Net (gains) on financial liabilities at fair value	(7)	(368)
Non-cash rebate dividend and dividend payments	785	753
(Gain)/loss on sale of property, plant and equipment and intangible assets	(46)	34
Delayed payment for sale of associate (classified as investing cash flows)	200	0
Loss on sale of investment in associate	905	0
	3,986	2,586
Movement in working capital:		
(Increase)/decrease in trade and other receivables	(415)	937
(Increase) in inventories	(1,933)	(830)
Increase in tax payable	752	630
(Decrease)/increase in trade and other payables	(1,173)	1,099
Increase in provisions	224	672
	(2,545)	2,508
Net cash inflow from operating activities	**3,487**	**7,401**
(b) Cash and cash equivalents		
Current assets		
Cash at bank and in hand	**0**	**1,486**

Reconciliation to cash flow statement

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

	2018 $'000	2017 $'000
Balance as above	0	1,486
Bank overdrafts (see note 14)	(108)	0
Balances as per statement of cash flows	**(108)**	**1,486**

7. CASH FLOW INFORMATION *(CONTINUED)*

(c) Reconciliation of liabilities arising from financing activities

This section sets out the movements in net debt for each of the periods presented.

	(Cash)/ bank overdraft $'000	Borrowing $'000	Co-operative share capital $'000	Finance leases $'000	Interest rate swaps $'000	Total $'000
Net debt at 1 April 2016	(337)	8,500	26,076	2,235	1,217	37,691
Cash flows	(1,149)	(2,000)	(1,173)	(1,032)	(214)	(5,568)
Non-cash rebate dividends	0	0	753	0	0	753
Fair value changes	0	0	0	0	(267)	(267)
Net debt at 31 March 2017	(1,486)	6,500	25,656	1,203	736	32,609
Cash flows	1,594	(1,000)	478	(922)	0	**150**
Non-cash rebate dividends	0	0	785	0	0	**785**
Fair value changes	0	0	0	0	(109)	**(109)**
Net debt at 31 March 2018	**108**	**5,500**	**26,919**	**281**	**627**	**33,435**

8. TRADE AND OTHER RECEIVABLES

	2018 $'000	2017 $'000
Current assets		
Gross trade receivables	22,582	21,291
Provision for credit notes (see note 19(b))	(140)	(140)
Provision for impairment of trade receivables (see note 19(b))	(388)	(273)
	22,054	20,878
Prepayments	1,203	588
Other receivables	5,411	6,887
Total current trade and other receivables	28,668	28,353
Non-current assets		
Other receivables	100	0
Total non-current trade and other receivables	100	0
Total trade and other receivables	**28,768**	**28,353**

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. Trade receivables are generally due for settlement within 30 days and therefore are all classified as current. The Group's impairment policies for trade and other receivables are outlined in note 19.

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9. INVENTORIES

	2018 $'000	2017 $'000
Current assets		
Finished goods	31,751	30,547
Goods in transit	1,225	1,319
Provision for impairment of inventories	(739)	(1,562)
Inventories	**32,237**	**30,304**

(a) Movements in the provision for impairment of inventories

	2018	2017
Balance at 1 April 2017	(1,562)	(1,097)
Provision for impairment recognised during the year	(860)	(665)
Inventories written off during the year as obsolete	1,683	200
Balance at 31 March 2018	(739)	(1,562)

10. PROPERTY, PLANT AND EQUIPMENT

	2018 $'000	2017 $'000
Property, plant and equipment net book value comprises:		
Capital work in progress	350	327
Leasehold improvements	2,382	2,270
Plant and equipment	1,418	980
Motor vehicles	1,789	340
Computer equipment	485	201
Total property, plant and equipment	**6,424**	**4,118**

10. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

	2018 $'000	2017 $'000
Property, plant and equipment		
Cost	19,102	21,386
Accumulated depreciation	(14,984)	(17,048)
Opening net book amount	4,118	4,338
Movements during the year:		
Cost		
Additions	3,873	1,316
Disposals	(141)	(3,600)
Accumulated depreciation		
Disposals	59	3,440
Depreciation charge	(1,485)	(1,376)
Cost	22,834	19,102
Accumulated depreciation	(16,410)	(14,984)
Closing net book amount	6,424	4,118

Security
Secured borrowing facilities are secured over the assets of NZPM Group Limited and certain subsidiaries by way of a General Security Agreement (GSA).

11. INTANGIBLE ASSETS

	2018 $'000	2017 $'000
Intangible assets net book value comprises:		
Capital work in progress - software	172	0
Software	1,474	1,971
Goodwill	6,890	6,890
Total intangible assets	**8,536**	**8,861**

	2018 $'000	2017 $'000
(a) Software		
Cost	3,711	3,118
Accumulated amortisation and impairment	(1,740)	(1,275)
Opening net book amount	1,971	1,843
Movements during the year:		
Cost		
Additions	192	643
Disposals	0	(50)
Accumulated amortisation and impairment		
Disposals	0	50
Amortisation charge	(517)	(515)
Cost	3,903	3,711
Accumulated amortisation and impairment	(2,257)	(1,740)
Closing net book amount	1,646	1,971
(b) Goodwill		
Cost	9,956	9,956
Accumulated impairment	(3,066)	(3,066)
Closing net book amount	6,890	6,890

(i) Impairment tests for goodwill

NZPM's full owned group of companies are a single cash generating unit (CGU). The impairment test for goodwill assesses the estimated value in use of the CGU and compares this to the carrying value. The value in use was determined by discounting the future cash flows generated from the continuing use of the CGU. The future cash flows were taken from the most recent strategic plan prepared by management and reviewed by the board.

Key assumptions with respect to the value in use calculations include:

- Revenue growth rates ranging from 2% to 5% during the 5 year forecast period (2017: 2% to 5%).
- Terminal growth rate of 3% (2017: 3%)
- Post tax weighted average cost of capital (WACC) of 9% (2017: 9%).

At year end the carrying amount of the CGU, including goodwill, was determined to be lower than the recoverable amount; as such no impairment loss has arisen. There is adequate headroom in the CGU impairment test, (approximately $52,500,000), but the calculation for this goodwill is sensitive to relatively small movements in the key assumptions, particularly the forecast growth rate and the WACC.

11. INTANGIBLE ASSETS *(CONTINUED)*

(ii) Sensitivity analysis

In relation to the goodwill attached to the CGU, it is estimated that a +1% movement in the terminal growth rate used in the calculation would result in a corresponding movement in the recoverable amount of $16,500,000; a -1% movement in the terminal growth rate used in the calculation would result in a corresponding movement in the recoverable amount of ($12,000,000). Similarly a +1% movement in the discount rate would alter the recoverable amount by ($14,000,000) and a -1% movement in the discount rate would alter the recoverable amount by $20,000,000.

12. INVESTMENTS IN ASSOCIATES

	2018 $'000	2017 $'000
Investment in Aquatherm NZ Limited	0	1,455
Investment in Construction Marketing Services Limited	1,222	1,172
Investments in associates	**1,222**	**2,627**

(a) Associates

Set out below are the associates of the Group as at 31 March 2018. The country of incorporation is also their principal place of business. The balance date of the associates is 31 March.

Associates are equity accounted by the Group.

Name of entity	Principal activity	Country of incorporation	% of ownership interest	
			2018	2017
Aquatherm NZ Limited	Plumbing Supplies Importer	New Zealand	0.00%	31.25%
Construction Marketing Services Limited	Building Services Consultancy	New Zealand	12.50%	12.50%

	2018	2017
Aggregate carrying amount of the Group's interest in these associates:		
Balance at 1 April 2017	2,627	2,635
Sale of associate	(500)	0
Loss recognised on sale of associate	(905)	0
Group's share of post-tax profit	100	145
Group's share of dividends paid	(100)	(153)
Balance at 31 March 2018	1,222	2,627

NZPM Group sold its minority shareholding in Aquatherm on the 29 March 2018. The purchase price for the shares was $500,000. The purchase price was payable in instalments as follows: $300,000 on completion, $100,000 payable on 28 March 2019 and $100,000 payable on 28 March 2020. The final sale price for the minority shareholding represented a significant discount to NZPM's carrying value of $1.4 million. A loss of $904,762 has been recognised at year end.

Although Plumbing World Limited only holds 12.5% of the equity shares in Construction Marketing Services Ltd, the Group exercises significant influence by virtue of its contractual right to appoint one out of four directors to the board of directors of that company.

(b) Summarised financial information for associates

The below summarised financial information reflects the amounts presented in the financial statements of the relevant associates and not the Group share of those amounts. Information is prepared in accordance with NZ IFRSs (adjusted by the Group for equity accounting purposes).

	Construction Marketing Services Ltd		Aquatherm NZ Ltd	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Summarised balance sheet				
Total current assets	2,280	1,589	0	2,543
Total non-current assets	2,538	2,702	0	357
Total current liabilities	(890)	(765)	0	(532)
Net assets	3,928	3,526	0	2,368
Summarised profit or loss				
Revenue	4,585	4,271	0	4,642
Depreciation and amortisation	(113)	(97)	0	(99)
Loss on sale of investment	(90)	0	0	0
Interest expense	0	0	0	(19)
Post-tax profit for the year	1,207	1,123	0	16

(c) Reconciliation of the above summarised information to the carrying amount of the Group's interest in associates recognised in the consolidated financial statements

	Construction Marketing Services Ltd 2018	Construction Marketing Services Ltd 2017	Aquatherm NZ Ltd 2018	Aquatherm NZ Ltd 2017
Opening net assets 1 April 2017	3,526	3,045	0	2,461
Profit for the period	1,207	1,123	0	16
Dividends paid	(800)	(645)	0	(100)
Prior year adjustments	(5)	3	0	(9)
Closing net assets 31 March 2018	3,928	3,526	0	2,368
Group's % ownership in associate	12.5%	12.5%	0.0%	31.25%
Group's share of net assets of associates	491	441	0	710
Goodwill arising from initial investment	731	731	745	745
Sale of associate	0	0	(745)	0
Closing carrying amount	1,222	1,172	0	1,455

13. TRADE AND OTHER PAYABLES

	2018 $'000	2017 $'000
Current liabilities		
Trade payables	17,549	17,670
Other payables and accrued liabilities	5,165	6,217
Trade and other payables	**22,714**	**23,887**

The average credit period on purchases of goods is 30 days. No interest is charged on the trade payables for the first 60 days from the date of the invoice. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

14. BORROWINGS

	2018 $'000	2017 $'000
Current liabilities - secured		
Bank overdraft (see (a) below)	108	0
Finance lease liabilities (see (b))	281	922
Total current borrowings	389	922
Non-current liabilities - secured		
Finance lease liabilities (see (b))	0	281
Bank loans (see (a) below)	5,500	6,500
Total non-current borrowings	5,500	6,781
Total borrowings	**5,889**	**7,703**

There were no defaults during the period of principal, interest or terms of the loans payable.

(a) Bank overdraft and bank loans

Facility
The Group's bank funding facilities are as follows:

Type	Amount	Expiry date:
Multi Option Credit Facility (MOCL)	$12,000,000 (2017: $12,000,000)	31 December 2019
Overdraft facility	$3,000,000 (2017: $3,000,000)	Repayable on demand

At 31 March 2018 $5,500,000 was drawn down from the MOCL (2017: $6,500,000).

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Security

Secured borrowing facilities are secured over the assets of NZPM Group Limited and subsidiaries by way of a General Security Agreement (GSA). Cross guarantees exist between the various entities of the charging Group.

Interest rates

Interest was charged on secured bank loans throughout the year at an interest rate between 3.52% and 3.75% (2017: 3.28% and 4.01%). The bank overdraft base rate throughout the year was between 5.60% and 5.85% (2017: 5.60% and 5.70%).

Compliance with loan covenants

NZPM Group Ltd has complied with the financial covenants of its borrowing facilities during the 2018 and 2017 reporting period, see note 20 for details.

(b) Finance lease liabilities

Facility type

The Group leases software under finance leases expiring within 6 months. At the settlement date of the rental facility agreement the residual value of the software will be nil.

Security

Finance lease liabilities are secured by the assets leased.

Interest rates

Interest was charged on the finance lease throughout the year at an interest rate of 9.9% (2017: 9.9%).

	2018 $'000	2017 $'000
Commitments in relation to finance leases are payable as follows:		
Not later than one year	287	989
Later than one year and not later than five years	0	287
Minimum lease payments	287	1,276
Future finance charges	(6)	(73)
Recognised as a liability	281	1,203
The present value of the future minimum lease payments is repayable as follows:		
Not later than one year	281	922
Later than one year and not later than five years	0	281
Minimum lease payments	281	1,203

15. DERIVATIVE FINANCIAL INSTRUMENTS

The Group has entered into interest rate swap contracts and forward foreign exchange contracts to protect against the effect of interest rate movements on the interest expense associated with a portion of its long-term borrowings. See note 19.

	2018 $'000	2017 $'000
Interest rate swap contracts	627	736
Forward foreign exchange contracts	41	(61)
Total derivative financial instruments	**668**	**675**
Classified as:		
Current assets	0	(61)
Current liabilities	41	0
Non-current liabilities	627	736
	668	675

Swaps currently in place, $6,000,000 (2017: $6,000,000), During the year no interest rate swap contracts were closed out, (2017: $2,000,000 for a payment of $214,450).

16. PROVISIONS

(a) Employee benefit obligations

	2018 $'000	2017 $'000
Current liabilities		
Leave obligations	1,405	1,427
Incentive obligations	1,359	1,167
	2,764	2,594
Non-current liabilities		
Leave obligations	321	336
Retiring allowance	242	173
	563	509

The provision for employee benefits relates to the Group's liability for annual leave, long service leave, employee incentives and director retiring allowances (in accordance with the Constitution).

Based on past experience, the Group expects all employees to take the full amount of accrued annual leave or require payment within the next 12 months. Incentives will be paid out within the next 6 months. Long service leave and directors retiring allowances are not expected to be taken or paid within the next 12 months.

(b) Make good provision

NZPM Group Ltd is required to restore certain leased premises to their original condition at the end of the respective leased terms. A provision has been recognised for the estimated expenditure required to remove any leasehold improvements and restore the affected areas.

	2018 $'000	2017 $'000
Non-current liabilities		
Make good provision	80	80
	80	80
Total provisions	**3,407**	**3,183**

17. CO-OPERATIVE SHARE CAPITAL

The movements in shares by class for the Group are as follows:

	2018 $'000	2017 $'000
On issue at 1 April 2017	25,656	26,076
Net (redemptions/transfers)/issues:		
Ordinary shares	(14)	(211)
Development shares	(17)	(683)
Redeemable preference shares (RPS)	(56)	(46)
New redeemable preference shares (New RPS)	1,353	2,841
Redeemable preference rebate shares	0	(2,316)
Subscriptions in advance	(3)	(5)
On issue at 31 March 2018	26,919	25,656
Ordinary shares		
Issued capital		
8,495,594 (2017: 8,143,497) ordinary shares of $1 each	8,496	8,143
less uncalled and unpaid capital	(1,175)	(808)
	7,321	7,335
Development shares		
Issued capital		
0 (2017: 77,250) development shares of $1 each	0	77
less uncalled and unpaid capital	0	(60)
	0	17

17. CO-OPERATIVE SHARE CAPITAL *(CONTINUED)*

	2018 $'000	2017 $'000
Redeemable preference shares (RPS)		
62,789 (2017: 118,951) redeemable preference shares of $1 each fully paid	63	119
New redeemable preference shares (New RPS)		
19,533,382 (2017: 18,180,253) redeemable preference shares of $1 each fully paid	19,533	18,180
Share subscriptions in advance	2	5
Total co-operative share capital	**26,919**	**25,656**
Classified as:		
Non-current	26,919	25,656

The Group has several classes of shares. Each class has different rights attached.

(a) 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.

(b) Development shares
In January 2016, NZPM amended the development share requirement to nil and resolved to allow existing shareholders to redeem their development shares for cash and cancel any unpaid portion of their development shares.

(c) 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. As at 31 March 2018, the dividend on call rate was 6.00% (2017: 6.25%).

(d) 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.

18. RELATED PARTY TRANSACTIONS

Identity of related parties

The Group has related party relationships with its subsidiaries, associates, board of directors and key management personnel. The parent entity is NZPM Group Limited; this is governed by a board of 7 directors. The Group's subsidiaries at 31 March 2018 are Plumbing World Limited and Metrix Imports Limited. Ownership interest held by the Group is 100%. New Zealand is the country of incorporation or registration and also the principal place of business. The Group's associate at 31 March 2018 is Construction Marketing Services Limited. See note 12.

Key management personnel include 3 senior executives. No key management personnel or their related parties hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

The Group is a co-operative and therefore transacts with its shareholders. Sale of goods to shareholders are made at market prices. The amounts outstanding at balance date are on normal trade terms and will be settled in cash. No shareholder has any sufficient influence that they could be deemed to be a risk to the Group.

(a) Director compensation

	2018 $'000	2017 $'000
Short-term employee benefits	366	346
Post-employment benefits	69	58
	435	404

Compensation is calculated on an accrual basis.
Post-employment benefits include a directors retiring allowance.

(b) Key management personnel compensation

	2018 $'000	2017 $'000
Short-term employee benefits	1,328	1,336
Long-term benefits	207	316
	1,535	1,652

Compensation is calculated on an accrual basis.
Long-term benefits include an Executive Incentive Scheme.

Executive Incentive Scheme

Each executive has a long-term incentive (LTI) based on plan/forecast revenue for the financial year ended three years following the effective yearly grant date. The level of incentive payment (if any) depends upon whether the criteria for that incentive component is achieved. A portion of the amount payable under the LTI is subject to a deferral mechanism. The aggregate LTI for the three year period ending 31 March 2018 was $207,472 with half the amount to be paid out following the year end and the balance due March 2020.

18. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(c) Transactions with other related parties

The following transactions occurred with related parties.

	2018 $'000	2017 $'000
Sales and purchases of goods and services		
Purchase of goods and services from associates	255	2,402
Sale of goods to associates	0	135
Sale of goods to companies associated with the directors	4,738	5,801

Directors Messer's Coxhead, DeBernardo, Lawrence, McCord, McIvor and Whitehead are also directors of companies which regularly trade with Plumbing World Limited. Goods sold to associates and to companies associated with the directors during the year were based on the price lists in force and terms that would be available to third parties.

	2018 $'000	2017 $'000
Outstanding balances arising from sales/purchases of goods and services		
Receivables from associates	0	10
Payables to associates	38	149
Receivables from companies associated with the directors	471	562

Outstanding balances are unsecured and are repayable in cash.

Loans to/from related parties

There are no outstanding loans to related parties

	2018 $'000	2017 $'000
Rental of properties from related parties		
Rental of properties from companies associated with the directors	283	85

Director S McIvor has an interest in a property that is leased to Plumbing World Limited in Wanaka. Director J DeBernardo has an interest in a property that is leased to Plumbing World Limited in Christchurch. This lease commenced on 1 April 2017. Formal lease agreements are in place for both properties and rent is based on commercial rates.

	2018 $'000	2017 $'000
Other transactions		
Redeemable preference shares of $1 each held by key management personnel	218	82
Ordinary shares of $1 each held by directors	60	60
Redeemable preference shares of $1 each held by directors	268	167

Transactions relating to dividends, calls on partly paid ordinary shares and subscriptions for new redeemable preference shares were on the same terms and conditions that applied to other shareholders.

19. FINANCIAL RISK MANAGEMENT

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

This note explains the Group's exposure to financial risks and how these risks could affect the Group's financial performance.

The Group's risk management is carried out by a central treasury/finance department under policies approved by the board of directors. This department identifies, evaluates and hedges financial risks in close co-operation with the Group's business units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. The Group does not engage in speculative transactions.

Details of significant accounting policies and the methods adopted, including the recognition and the basis for measurement, are disclosed in note 1.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from foreign currency transactions. Major trading currencies include the USD, AUD and EUR. Risk is measured through a forecast of highly probable overseas currency expenditures. The objective of the hedges is to minimise the volatility of the currency cost of highly probable forecast inventory purchases.

Policy

The Group's treasury risk management policy is to maintain its hedge cover ratios for forecast foreign currency cash flows within these parameters:

Forecast cash flow 0-3 months - hedge cover must be 80% to 100%, forecast cash flow 4-6 months - hedge cover must be 40% to 80%, forecast cash flow 7-12 months - hedge cover must be 0% to 50%. NZPM will only transact foreign currency hedging contracts with banking counter parties approved by the board.

Instruments used by the Group

The Group uses a combination of foreign exchange forward contracts, spot purchases of foreign currency and foreign currency bank accounts to manage its exposure to foreign currency risk.
At year end, the Group had foreign exchange exposures relating to cash and creditors.

Exposure

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in NZD was as follows:

	2018 $'000	2017 $'000
Forward exchange contracts		
United States Dollar (USD)	1,094	1,051
European Community Euro (EUR)	849	1,044
Australian Dollar (AUD)	977	1,147
	2,920	3,242
Trade payables		
United States Dollar (USD)	255	37
European Community Euro (EUR)	324	70
Australian Dollar (AUD)	80	54
	659	161

19. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

Sensitivity

The prevailing foreign exchange rates are reflected in the sales price of goods sold. This is reflected in the market as a whole as competitors source and market the same or similar products in the same currency. In general, a change in foreign exchange rates by more than 5% results in market prices changing by an offsetting amount with a lag of three to six months. Any short term impact is managed through the Group's hedging policy to result in an immaterial change to post tax profits.

(ii) Cash flow and fair value interest rate risk

The Group's main interest risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk.

Policy

Group policy is that the percentage of core debt that is fixed rate must be maintained within the following parameters:
0-1 year- 50% and 100%, 1-3 years - 25% and 75%, 3-5 years - 0% and 50%.
Any interest rate hedging beyond 3 years must be approved by the board of directors.

Instruments used by the Group

The Group manages its cash flow interest rate risk by floating-to-fixed interest rate swaps. Under these swaps, the Group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts. Swaps currently in place, $6,000,000 (2017: $6,000,000), cover approximately 109% (2017: 92%) of the secured bank loans outstanding. The fixed interest rates of the swaps average 6.01% (2017: 6.01%) and the variable rates are set at the 90 day bank bill rate, which at the end of the reporting period was 1.92% (2017: 2.00%). The swap contracts require settlement of net interest receivable or payable each 90 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

Exposure

The Group's borrowings and receivables are carried at amortised cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.

The exposure of the Group's borrowings to interest rate changes and the contractual re-pricing dates of the borrowings at the end of the reporting period are as follows:

	2018 $'000	% of total borrowings	2017 $'000	% of total borrowings
Variable rate borrowings	108	2%	0	0%
Other borrowings - repricing dates:				
6 months or less	5,781	98%	7,703	100%
	5,889	100%	7,703	100%

An analysis by maturities is provided in note 19(c). The percentage of total borrowings shows the proportion of loans that are currently at variable rates in relation to the total amounts of borrowings.

Sensitivity

At year end all loans are at fixed rates for defined periods of up to two months, after which interest rates will be reset. Additionally the Group has overnight deposits that are subject to fluctuations of interest rates.

Excluding the impact of the interest rate swaps, if the Group's year end loan and deposit rates had remained the same through the year and interest rates moved by +-1% then the impact would be a $55,000 gain or loss on pre-tax profits (2017: $65,000).

(iii) Price risk

The Group does not trade in commodity instruments and therefore is not exposed to commodity price risk.

(b) Credit risk

Credit risk arises from cash and cash equivalents, favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables.

The objective of the Group is to minimize the risk through evaluation and monitoring of the credit quality of customers and through control over credit in accordance with the credit policy. The potential risk is further minimized by having a spread of customers with no significant concentration of credit risk. The maximum exposure at year end is equal to the carrying value for cash and equivalents and trade and other receivables.

(i) Risk management

Credit risk is managed on a Group basis. For banks and financial institutions, only independently rated parties with a rating above "A" are accepted.

Risk control assesses the credit quality of the customer, taking into account the customers financial position, past experience and other factors. The compliance with credit limits by customers is regularly reviewed by line management. Sales to retail customers are required to be settled in cash or using major credit cards, mitigating credit risk.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

(ii) Trade receivables past due but not impaired

As at 31 March 2018, trade receivables of $763,000 (2017: $2,457,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The ageing analysis of trade receivables is as follows:

	2018 $'000	2017 $'000
Age of trade receivables:		
0-30 days	21,291	18,421
31-60 days	641	1,747
61-90 days	105	482
90+ days	545	641
Total gross trade receivables	22,582	21,291
Provision for credit notes	(140)	(140)
Provision for impairment of trade receivables	(388)	(273)
	22,054	20,878

Provision for credit notes

A provision is created to reflect the margin on the anticipated return of goods by customers after the end of the financial year.

19. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

Impaired trade receivables

Individual receivables which are known to be impaired are written off by reducing the carrying amount directly. The other receivables are assessed collectively to determine whether there is objective evidence that an impairment has occurred but not yet been identified. For these receivables the estimated impairment losses are recognised in a separate provision for impairment.

The Group considers that there is evidence of impairment if any of the following indicators are present:

- significant financial difficulties of the debtor,
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or delinquency in payments.

Receivables for which an impairment provision was recognised are written off against the provision when there is no expectation of recovering additional cash. Impairment losses are recognised in profit or loss within other expenses. The Group does not charge interest on overdue receivables.

Movements in the provision for impairment of trade receivables that are assessed for impairment collectively are as follows:

	2018 $'000	2017 $'000
Balance at 1 April 2017	(273)	(400)
Provision for impairment recognised during the year	(383)	(117)
Receivables written off during the year as uncollectable	361	390
Unused amount reversed	(93)	(146)
Balance at 31 March 2018	(388)	(273)

An impairment of $324,000 (2017: $189,000) relates to $730,000 (2017: $906,000) of individually impaired trade receivables for customers that are experiencing unexpected economic difficulties. The balance of the impairment provision $64,000 (2017: $84,000) relates to a general provision for impaired trade receivables of $1,625,000 (2017: $1,966,000). The Group expects that a portion of the receivables will be recovered. A general provision is calculated by taking a percentage of the 60 day, 90 day and 120 day overdue balances.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining cash and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due.

The Group treasury/finance function maintains flexibility in funding by maintaining availability under committed credit lines. Management monitors rolling forecasts of the Group's liquidity reserve (comprising the undrawn facilities) and the cash and cash equivalents on the basis of expected cash flows. This is carried out at local level in the operating companies of the Group in accordance with practice and limits set by the Group.

(i) Financing arrangements

	2018 $'000	2017 $'000
Floating rate		
Expiring within one year (bank overdraft and bank loans)	7,500	6,500

The bank overdraft facilities and bank loan facilities may be drawn at any time, subject to the continuance of complying with external regulatory requirements.

The secured bank facility with Westpac New Zealand (Westpac) imposes various undertakings on the Group and requires compliance with several bank financial covenants. All undertakings and covenants were met during the year. On 23 February 2017, the Group agreed to extend the expiry date of the facility agreement with Westpac by one year to 31 December 2019.

(ii) Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their remaining contractual maturities. For the purpose of this table, it is assumed that the amounts disclosed are the contractual undiscounted cash flows . Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. For interest rate swaps the cash flows have been estimated using forward interest rates applicable at the end of the reporting period. For bank loans, it has been assumed that the interest rates applicable at the end of the reporting period will apply through to expiry of the term loan facility, even though the Group has the option to repay the loan prior to its expiry date.

Contractual maturities of financial liabilities	Carrying amount $'000	Total contractual cash flows $'000	Less than 6 months $'000	6-12 months $'000	Between 1 and 2 years $'000	Over 2 years $'000
At 31 March 2018						
Derivatives						
Derivative financial instruments	668	829	120	245	245	219
Non-derivatives						
Bank overdraft	108	108	108	0	0	0
Trade and other payables	22,714	22,714	22,714	0	0	0
Finance lease liabilities	281	287	287	0	0	0
Secured bank loans	5,500	5,850	100	100	5,650	0
Co-operative share capital:						
Ordinary shares	7,321	7,321	0	0	0	7,321
New redeemable preference shares *	19,533	19,533	0	0	0	19,533
Other shares	65	65	0	0	0	65
Balance at 31 March 2018	56,190	56,707	23,329	345	5,895	27,138

19. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

Contractual maturities of financial liabilities	Carrying amount $'000	Total contractual cash flows $'000	Less than 6 months $'000	6-12 months $'000	Between 1 and 2 years $'000	Over 2 years $'000
At 31 March 2017						
Derivatives						
Derivative financial instruments	736	935	120	120	240	455
Non-derivatives						
Trade and other payables	23,887	21,573	21,573	0	0	0
Finance lease liabilities	1,203	1,276	587	402	287	0
Secured bank loans	6,500	7,167	122	122	242	6,681
Co-operative share capital:						
Ordinary shares	7,335	7,335	0	0	0	7,335
New redeemable preference shares *	18,180	18,180	0	0	0	18,180
Other shares	141	141	0	0	0	141
Balance at 31 March 2017	57,982	56,607	22,402	644	769	32,792

* While the tables reflect the Group's contractual rights to delay repayment, the new redeemable preference shares include $312,941 (2017: $66,000) of shares that have fixed term dividend rates of 2 - 4 years. The holders of these fixed term shares are not able to request redemption until the specified term is complete. The holders of all other new redeemable preference shares (on call) may request redemption on a quarterly basis.

20. CAPITAL MANAGEMENT

(a) Risk management

The Group's objectives when managing capital are to:

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital, and
- maintain investor and creditor confidence and sustain future development of the business.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Group's policy in respect of capital management and allocation are regularly reviewed by the board of directors. On 29 June 2017 it was resolved to reduce the quarterly limit for new investment in new redeemable preference shares by individual shareholders from $100,000 to $50,000 per quarter. There have been no other material changes in the Group's management of capital during the year.

(i) Loan covenants

Under the terms of the major borrowing facilities with the bank, the Group is required to comply with the following financial covenants:

Funding cost cover ratio - adjusted EBIT, (earnings before non-recurring items, additional amortisation for the computer system, interest and tax), for the Group against its total borrowing costs (including cash flows for derivative instruments but excluding market value changes of the derivative instruments), and requires this ratio to exceed 1.5 times. The funding cost cover ratio is tested on a rolling 12 month basis.

Quasi equity ratio – an equity ratio of 40%; which excludes intangible assets, investment in associates, advances to and from subsidiaries and co-operative share capital.

Liquidity ratio – a liquidity ratio whereby the aggregate value of stock and trade debtors is at least 1.5 times the value of trade creditors and all outstanding balances due to Westpac under the Facility Agreement.

These covenants are calculated at the end of month and are reported to the bank quarterly.
The Group has complied with these covenants throughout the reporting period.

21. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(i) Fair value hierarchy

The Group holds the following financial instruments.

	2018 $'000	2017 $'000
Financial assets		
At amortised cost		
Cash and cash equivalents	0	1,486
Trade and other receivables	28,768	28,353
Fair value through profit or loss		
Derivative financial instruments	0	61
	28,768	29,900
Financial liabilities		
At amortised cost		
Trade and other payables	22,714	23,887
Borrowings	5,889	7,703
Co-operative share capital	26,919	25,656
Fair value through profit or loss		
Derivative financial instruments	668	736
	56,190	57,982

Derivative financial instruments are fair valued using level 2 inputs. For other financial instruments at amortised cost, cost approximates fair value.

21. FINANCIAL ASSETS AND FINANCIAL LIABILITIES *(CONTINUED)*

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates.

If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments;
- the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves,
- the fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date,
- the fair value of the remaining financial instruments is determined using discounted cash flow analysis.

22. COMMITMENTS

(a) Capital commitments
Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities are as follows:

	2018 $'000	2017 $'000
Upgrade leasehold premises	326	0
Software	111	0
Computer equipment	309	0
Motor vehicles	264	545

(b) Operating lease commitments
The Group leases premises, plant and equipment and motor vehicles under operating leases. The leases have varying terms, escalation clauses and renewal rights.

Operating leases held over the properties give the Group the right, in most cases, to renew the lease subject to a redetermination of the lease rental by the lessor. The leases typically run for a period of up to 12 years.

There are no renewal options or options to purchase in respect of leases for plant and equipment and motor vehicles.

The following amounts have been committed to by the Group, but are not recognised in the financial statements.

	2018 $'000	2017 $'000
Within one year	7,840	7,237
One to two years	6,830	6,370
Two to three years	4,833	4,623
Three to four years	3,552	2,522
Four to five years	2,976	1,638
Over five years	8,837	2,367

23. CONTINGENT LIABILITIES

The Group is subject to a small number of claims which are not considered significant. The directors believe, based on legal advice, that any actions can be successfully defended and have therefore not recognised any provision.

24. EVENTS OCCURRING AFTER THE REPORTING PERIOD

(a) Declaration of rebate dividend
Since year end, (June board meeting), the directors have declared the payment of a gross rebate dividend, to all ordinary shareholders, that is the greater of $300 or 4.75% of their Grade A Cash. The rebate dividend is payable in cash to all ordinary shareholders on the share register, at the proposed date of payment, who are not in default of their monthly obligations. The net aggregate amount of the proposed rebate dividend payment to be paid out in September 2018 out of retained earnings at 31 March 2018, but not recognised as a liability at year end is approximately $4,000,000 (2017: $3,000,000). The imputed portion of the rebate dividend (28%) will be imputed out of existing imputation credits.

Deloitte.

Independent Auditor's Report.

To the Shareholders of NZPM Group Limited.

Opinion

We have audited the consolidated financial statements of NZPM Group Limited and its subsidiaries (the 'Group'), which comprise the consolidated statement of financial position as at 31 March 2018, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements, on pages 26 to 65, present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2018, and its consolidated profit or loss and other comprehensive income and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other assignments for the Group in the area of taxation advice, and other assurance related activities including the audit of the share registry. These services have not impaired our independence as auditor of the Company and Group. In addition to this, an executive of NZPM Group Limited is married to a Deloitte partner. The Deloitte partner is not involved in the provision of any services to NZPM Group Limited and this matter has not impacted our independence. Further, partners and employees of our firm deal with NZPM Group Limited and its subsidiaries on normal terms within the ordinary course of trading activities of the business of NZPM Group Limited and its subsidiaries. The firm has no other relationship with, or interest in, NZPM Group Limited or any of its subsidiaries.

Other information

The directors are responsible on behalf of the Group for the other information. The other information comprises the information in the Annual Report that accompanies the consolidated financial statements and the audit report. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

Our responsibility is to read the other information identified above when it becomes available and consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the other information in the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and consider further appropriate actions.

Directors' responsibilities for the consolidated financial statements

The directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible on behalf of the Group for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on the External Reporting Board's website at:

https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-5

This description forms part of our auditor's report.

Restriction on use

This report is made solely to the Company's shareholders, as a body. Our audit has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte Limited

Bryce Henderson, Partner
for Deloitte Limited
Auckland, New Zealand
28 June, 2018

Corporate Governance.

NZPM Group Limited is a co-operative company and was established in 1964.

The board has adopted a formal corporate governance programme, which identifies the functions and accountabilities of the board and prescribes the objectives and standards by which the board's performance is measured. The board is fully committed to excellence in corporate governance and has adopted a board charter.

Board composition

There are currently seven directors, all of whom are non–executive directors.

Six directors are elected by the shareholders with two retiring by rotation each year. This year at the Annual Meeting, Craig McCord and Mark Whitehead retire by rotation and being eligible, offer themselves for re-election. Two appointed directors may be elected by the board and they do not come up for re-election by rotation. Linda Robertson was elected in August 2015 as the sole appointed director.

Board meetings

Eleven board meetings were scheduled for the year. During the year, an additional three meetings took place on an "as required basis". A table of meetings attended is provided on page 71.

Audit and Risk Committee

The purpose of the Audit and Risk Committee is to provide a forum for the effective communication between the board and the external auditors. The committee also provides advice, assurance and observations to the board relating to the effectiveness and adequacy of financial internal controls and risk management systems, processes and activities across NZPM. Members of the Audit and Risk Committee are Linda Robertson (Chair), Alister Lawrence and Stu McIvor.

Compliance Committee

The role of the Compliance Committee is to regularly review compliance with non-financial statutory and regulatory requirements. Members of the Compliance Committee are Alister Lawrence (Chair), John DeBernardo and Mark Whitehead.

Conflicts Committee

The Conflicts Committee reviews and approves a proposed external position or board appointment for a director where a conflict could arise. Members are John DeBernardo and Alister Lawrence, and one other non-conflicted director appointed on an as required basis.

Health and Safety Committee

The role of the Health and Safety Committee is to assist the board to fulfil its responsibilities and to ensure compliance with all legislative and regulatory requirements in relation to the health and safety practices of the Group. Members of the Health and Safety Committee are Craig McCord (Chair), Craig Coxhead and John DeBernardo.

Membership Committee

The Membership Committee reviews and manages all matters related to shareholder membership and liaison with Master Plumbers, Gasfitters & Drainlayers NZ Inc During the year, the Membership Committee and the Master Plumbers, Gasfitters and Drainlayers Liaison Committee were merged into a single committee. Members of the Membership Committee are Stu McIvor (Chair), Craig Coxhead and Craig McCord.

Remuneration Committee

The Remuneration Committee makes recommendations to the board in respect of the terms of employment and the remuneration policies and arrangements and appointment of the senior executive group. Members of the Remuneration Committee are Mark Whitehead (Chair), John DeBernardo and Linda Robertson.

Auditors

It is proposed that Deloitte continue in office in accordance with Section 200 of the Companies Act 1993.

Use of the company information

During the year the Group received no notice from the directors requesting to use company information received in their capacity as directors which would not otherwise have been available to them.

Donations

During the year the Group made donations and sponsorship of $6,628 (2017: 12,254).

One of the seven principles of a co-operative is "Concern for the Community". In addition to the donations, NZPM provides a range of support to the communities in which it operates.

One of these is the very successful Relay for Life events, raising funds for Cancer Research. Annually, Plumbing World sponsors the "Survivors Lunch", a pre-relay event. With many staff, and their family and friends affected by cancer, it shows great support to the community.

Each year in Wellington and Christchurch we sponsor ten children to attend the 'Special Children's Christmas Party'. These are the biggest events of their kind in New Zealand for special needs children and their families. The children invited are children who suffer from one of the following: life-threatening illness, physical and intellectual impairment, domestic violence, or living in underprivileged circumstances.

We also sponsor another community initiative called 'Kind Hearts' which is about inspiring and initiating a kinder world with acts of unconditional kindness, such as delivering breakfasts to primary schools and baking for the families in the childrens ward at Palmerston North Hospital. Plumbing World are a sponsor for Kind Heart's Annual Fundraising event in July.

Insurance of directors

The Group has arranged directors' and officers' liability insurance that covers directors and executives for personal liability as permitted by the Companies Act 1993. The Group has provided an indemnity to each of the directors, general managers and the Group CFO.

Directors' interests

John DeBernardo, Craig Coxhead, Alister Lawrence, Craig McCord, Stu McIvor, and Mark Whitehead are directors of companies which regularly trade with Plumbing World on normal trading terms.

Stu McIvor and John DeBernardo have separate interests in two properties that are leased to Plumbing World. Both properties have formal lease agreements and rent is based on commercial rates.

Risk management

Risk is a normal part of business which NZPM proactively manages through a formal risk management framework.

The purpose of the framework is to improve the likelihood of NZPM achieving its business objectives including safety, prevention of the loss of shareholder value, prevention of damage to or loss of property; preventing damage to the environment in which the company operates; and protecting the reputation of the company.

The framework allocates responsibility for risk identification, risk control systems and processes, description and measurement of the impact of risk, likelihood of the risk occurring and risk mitigation.

The board ensures each director receives appropriate information on critical risks and the manner in which these are managed or mitigated. This process includes site visits by directors and senior executives to observe treatment of operational and safety risks, regular reports on risk management practices and identification of liability issues to ensure relevant risks receive the appropriate focus.

Director remuneration

The remuneration of the board takes into account the scope and complexity of the company and the responsibilities of the directors and is reviewed on an annual basis using a specialist independent adviser.

The total maximum remuneration payable to the directors of NZPM Group is approved by the shareholders at the Annual Meeting and apportioned by the directors. The current board remuneration was approved at the Annual Meeting held on 27 September 2013.

NZPM Group has purchased directors' and officers' liability insurance to indemnify the directors. No directors received any other benefit that was additional to his or her total remuneration.

The directors of NZPM received the following remuneration from NZPM Group in respect of the year ended 31 March 2018.

Director	Total remuneration ($)
J DeBernardo	89,000
C Coxhead	44,500
A Lawrence [1]	46,500
C McCord [1]	46,500
S McIvor [1]	46,500
L Robertson [1]	46,500
M Whitehead [1]	46,500

[1] Includes $2,000 to undertake the role of a chair of a committee.

In addition to the remuneration, the NZPM Group constitution provides for the payment of director retirement allowances. The directors have previously resolved that at the discretion of all other directors, a retirement allowance may be paid to any non-executive director on their cessation of office at the rate of 5% of the aggregate of the highest three financial years remuneration paid to such director for each year of service as a director of the company.

Annual resolution by directors of co-operative company

Pursuant to Section 10 of the Co-operative Companies Act 1996 on 28 June 2018, the directors resolved:

That in the opinion of the board of directors, NZPM Group Ltd has throughout the financial year ended 31 March 2018 been a co-operative company as defined by Section 3 of the Co-operative Companies Act 1996.

The reasons for this opinion are that the company has:

a. Supplied their voting shareholders with goods and services via a subsidiary company;

b. Retained the one vote per transacting shareholder rule; and

c. Continued to promote the principles of the co-operative enterprises.

Directors' shareholding interest

	Ordinary Shares	Redeemable Preference Shares	Total Shareholding
DeBernardo, J	-	6,660	6,660
Padova Properties Ltd (DeBernardo, J)	10,000	46,993	56,993
Tauranga Hardware & Plumbing Ltd (McCord, C)	10,000	10,967	20,967
Lawrence A.J.	-	2,505	2,505
Miro Partners (Lawrence, A)	-	2,797	2,797
Stevens Plumbing Services Ltd (Lawrence, A)	10,000	22,884	32,884
Quix Commercial Ltd (Lawrence, A)	10,000	-	10,000
Mcivor Plumbers & Gas Fitters Wanaka Ltd (McIvor, S)	10,000	48,861	58,861
Plumbing Works Ltd (Coxhead, C)	10,000	24,348	34,348
Whitehead Plumbing & Gas Ltd (Whitehead, M)	10,000	986	10,986
Scarborough Trust (Whitehead, M)	-	100,852	100,852
	70,000	**267,793**	**337,793**

Board meetings

	Board meetings	Audit & Risk	Compliance	Conflicts	Health & Safety	Membership	Remuneration
Number of meetings	**10**	**6**	**4**	**6**	**5**	**4**	**4**
John DeBernardo	10	4	4	6	5	4	4
Craig Coxhead	10	4	1	-	5	1	-
Alister Lawrence	9	6	4	3	-	-	-
Craig McCord	10	3	-	1	5	4	-
Stu McIvor	10	6	1	-	-	4	-
Linda Robertson	10	6	2	3	1	-	4
Mark Whitehead	10	4	4	5	-	-	4

Directory.

Auditor

Deloitte Limited. Auckland

Bankers

Westpac Banking Corporation

Legal Advisors

Lowndes. Auckland
Fitzherbert Rowe. Palmerston North
Buddle Findlay. Auckland

Board of Directors

John DeBernardo. Chair, Wellington
Alister Lawrence. Auckland
Craig Coxhead. Tauranga
Craig McCord. Tauranga
Linda Robertson. Queenstown
Mark Whitehead. Christchurch
Stu McIvor. Wanaka

Executive Team

Brett Cruickshank. NZPM Group Chief Financial Officer
Rob Kidd. Plumbing World Ltd General Manager
Garry Ivill. Metrix Imports Ltd General Manager

NZPM Group Registered Office

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Group Trading Locations.


NZPM
GROUP