NZPM GROUP

15 ANNUAL REPORT

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FIVE YEAR FINANCIAL REVIEW & KEY HIGHLIGHTS

	2015 $000	2014 $000	2013 $000	2012 $000	2011 $000
Continuing operations					
Revenue	**174,839**	179,072	175,049	169,649	182,397
Operating earnings before depreciation and amortisation	**2,142**	3,757	5,429	4,178	5,320
Less depreciation and amortisation	**(4,627)**	(2,556)	(1,983)	(1,981)	(1,908)
(Loss)/profit before financing costs	**(2,485)**	1,201	3,446	2,197	3,412
Equity (plus paid-up capital)	**41,512**	48,154	50,007	44,180	46,031
Non-current liabilities	**14,499**	37,880	38,533	28,640	2,569
Current liabilities	**55,406**	29,189	35,339	30,948	68,353
Total equity and liabilities	**111,417**	115,223	123,879	103,768	116,953
Non-current assets	**17,833**	27,384	27,397	24,528	25,308
Current assets	**93,584**	87,939	96,482	79,240	91,645
Total assets	**111,417**	115,323	123,879	103,768	116,953
Redeemable Preference Shares					
Dividend rate (net of tax %)	**5.4**	5.4	5.4	5.4	5.5
Dividend amount paid ($'000)	**812**	642	381	228	221
Shareholder funds:total assets (%)	**37.3**	41.8	40.4	42.6	39.4
Current assets:current liabilities	**1.7:1**	3.0:1	2.7:1	2.6:1	1.3:1
Number of ordinary shareholders	**849**	903	929	942	1,000

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- Strategic decision to **sell Patton Group** and focus on core plumbing business
- **New Plumbing World Dunedin branch location**; two other large upgrades underway
- Decision made to **change computer system** to simplify the business, reduce costs and improve service and functionality
- Continued **improvement to Health and Safety** statistics; Plumbing World achieved ACC primary accreditation
- Post year-end, significant **reduction in bank debt**

THE DIRECTORS

FROM LEFT TO RIGHT:

■ PAUL SMART, Deputy Chairman ■ STU MCIVOR, Director ■ KEITH AVERY, Director
■ JOHN DEBERNARDO, Chairman ■ PETER JACKSON, Director ■ DAVE HENDERSON, Director
■ CRAIG COXHEAD, Director ■ ALISTER LAWRENCE, Director

CHAIRMAN & EXECUTIVE REVIEW

The 2015 year was another difficult trading year for your co-operative with many of our businesses continuing to experience challenging trading conditions.

In conjunction with working with the management team to improve operational performance, the board also made the significant strategic decision to sell the Patton refrigeration business, and to replace the existing Plumbing World computer system with the latest Frameworks system.

These decisions were not taken lightly. Incorporating the feedback we received from shareholders, as well as taking the recommendations from management and advice from independent advisers, divesting Patton and changing to Frameworks provides the best medium to long term return for the business and our shareholders. Through the Connector, special notices and the annual shareholder road shows we have engaged with shareholders to keep you all informed and to allow feedback to be provided via your elected representatives.

Operating earnings before depreciation and amortisations were $2.2 million, a reduction of $1.6 million over the prior year. After deducting depreciation and amortisations, including a $2.3 million charge for the outgoing computer system, the loss before financing costs, dividends, rebates and income tax was $2.5 million.

The net loss after tax and shareholder distributions of $6.1 million includes payment of rebates and dividends of $3.0 million.

$ million	2015	2014
Operating Earnings before depreciation and amortisations	2.2	3.8
Less depreciation and amortisations	(4.6)	(2.6)
(Loss)/profit before financing costs, dividends and rebates and income tax	(2.5)	1.2

PLUMBING SEGMENT

Plumbing World continues to operate in an extremely competitive market. While the New Zealand economy remained strong throughout the year, competition is very robust with all participants fighting to retain or increase their respective market share. Additionally, the business continues to face a range of challenges within the plumbing supply chain as suppliers and customers both seek to take margin from plumbing wholesalers.

Plumbing World has managed to maintain a good portion of our customer base while trying to protect margin. However, this was a particular challenge due to the on-going impact of the computer system on our customers and staff, and from a general price increase of 5% that was required to restore profitability eroded during the previous 18 months.

While the price increase was not universally accepted by all of our customers, it was vital to address a huge range of pricing issues across the network that negatively impacted our margins in the first half of the financial year, and the increase contributed to an improved performance in the second half of the year.

With the margin stabilised and further positive incremental performance changes to our computer system, the business moved into a steady state in the second half of the year. This allowed the management team to review the status of the business and to develop and implement a range of strategies to ensure that the business could again become sustainable and successful. The focus is firmly on improving the overall level and quality of sales, improving the operating margins and reducing operating costs. These strategies are outlined in more detail below.

During the year Plumbing World launched its own mobile device application to service trade customers. This tool contains a range of information on products, specification, catalogues and special trade offers. It also allows Plumbing World to communicate with Young Plumbers Club members and provides a link to Plumbing World's non-trade promotions and its social media updates. The development has provided popular with over 2,000 downloads.

Metrix is building on its reputation as New Zealand's leading importer and marketer of European bathroomware. The team continue to develop the business and refine the value proposition for its customers and NZPM. While Plumbing World is a major customer of Metrix, it is also building strong pull through demand for other distributors through investment in specification with designers and architects in New Zealand. In November, Metrix consolidated its operations into its premier showroom in Parnell and relocated its warehouse to reduce costs and further enhance team cohesion.

REFRIGERATION SEGMENT

Patton had another solid result in the New Zealand market, benefiting from its strong market position and good demand from the dairy and fruit processing sectors. However, Patton Australia had a significant decline in sales due to regulatory changes and the general economic conditions in that market. The reduced Australian demand had a flow on effect to the Patton Thailand manufacturing business. Sales within the Australian business improved as the year progressed which was evidenced by the value placed on the business by its international trade purchaser, Beijer Ref AB.

ASSOCIATES

The decision to allow Aquatherm to sell its products to other distributors has seen the business expand and latterly improve its overall profitability. The business has secured additional sales into the Christchurch commercial rebuild to complement its existing sales portfolio.

CMS continues to trade well with revenues up on the previous year by 11%. The company continue to invest in new market initiatives which will provide increased returns in future years. CMS continues to provide a good level of dividend payment to NZPM.

GROUP BALANCE SHEET

In the second half of the year, the continuing operations were able to reduce working capital through very good debtor management and lower investment in slow moving stock. Management recognise the need to support customers' service needs by maintaining reliable supply levels of faster moving stock, and this will not be compromised by our future stock management plans that include further reductions of slower moving stock over the next calendar year.

The proceeds from the sale of Patton were applied to reducing NZPM Group debt. On 30 June 2015, following the settlement of the Patton sale, net debt due to Westpac had reduced to $10.0 million. We will collect the final $2.2m of settlement proceeds on 31 March 2016.

NZPM renegotiated a number of the terms of its bank facility with Westpac. The amended $15.0 million facility suits the continuing business and has been extended to July 2016.

HEALTH & SAFETY

It was particularly pleasing to improve upon our health and safety record during the year. Our philosophy is that everyone has the fundamental right to go home in at least the same condition as they arrived to work in.

Plumbing World has seen a 40% reduction in accidents and a 60% reduction in lost time injury days over the past four years and the company has been approved by ACC to Primary Accreditation level which not only recognises our robust procedures but also provides a significant reduction in ACC levies.

Plumbing World has also gained accreditation from the Plumbers, Gasfitters and Drainlayers Board for a Health and Safety Module worth five CPD points that is being presented at the NZPM Roadshows this year.

The directors are closely monitoring health and safety in the NZPM Group, and are actively supporting management and staff to achieve continuous improvements.

COMPUTER SYSTEM

Following internal and independent reviews, the board approved the change of our computer system to Frameworks. The reviews confirmed that the current system is not serving the business or our shareholders and customers as originally intended and was inhibiting Plumbing World's ability to support its customers and achieve planned growth.

The review included assessing the cost and risk of a range of options including remaining with the status quo, upgrading the current system, and replacing the current system. The review concluded that we had to improve our technology system to remove complexity and make the urgent step change improvement to our trade website.

The Frameworks system is a significantly less complex software solution when compared to the current system. It will reduce our operating costs, simplify the business, enhance customer service, provide real-time information and allow significant and timely improvements to be made to the trade website.

The decision to change systems has resulted in the write-down of our existing system. The accounting standards require NZPM to record half of this charge as additional depreciation in 2015 with the remaining half to be included in our 2016 financial statements.

The capital cost of the Frameworks implementation is expected to be $1.8 million and the alternative proposals to fully address the current system deficiencies were expected to cost well in excess of this amount, and would take considerably longer to implement with a higher risk of not delivering what the business requires. The reduced on-going operating costs of Frameworks will fund the new capital expenditure in less than three years.

In conjunction with the changes, we reached a confidential settlement with the existing system suppliers over payment claims that were declined from the existing ERP implementation.

PATTON SALE

Throughout the year, we made a number of announcements in relation to the review of our capital structure which ultimately resulted in the sale of the Patton Limited and its subsidiaries (Patton) to Beijer Ref AB.

Patton has been a strong member of the NZPM portfolio and we were content with the ownership of Patton, however an unsolicited approach from the marketplace caused the board to take a serious look at the company's structure. After undergoing a competitive sales review process, the directors unanimously agreed that a sale would add value to the company and was in the best interests of its shareholders.

The sale of Patton to Beijer Ref AB was completed on 1 April 2015. Within the statement of comprehensive income, the Patton group (also referred to as the Refrigeration segment) has been reclassified as a discontinued operation. Within the statement of financial position, the Patton assets and liabilities have been classified as assets and liabilities held for sale.

The sale price of $29.5 million plus working capital adjustments for Patton was $0.6 million below the net book value of the business after deducting the costs of sale. This loss was recorded in the current year accounts by way of an impairment charge to the Patton goodwill. When the final sale transactions are recorded in the 2016 accounts, there will be no further charges to net shareholders' equity, however, the accounting standards require the foreign currency translation reserve to be cycled through earnings with an equal offset in other comprehensive income.

REBATE

In July, NZPM declared a rebate of 3% of A Grade Cash to be paid by way of issuing new rebate shares which convert to new redeemable preference shares in three equal instalments on the anniversary of the issue date.

The board recognises that the level of rebate is modest and the deferred payment method may not meet all shareholders' expectations. However, we continue to operate in a very competitive market where the business is observing historically low operating margins in the plumbing wholesale business. Our shareholder customers are receiving very competitive purchase pricing as a result of our trade discount structure.

In calculating the rebate value, the board recognised that retaining sufficient funds within the business is important for the continued operation and development of our cooperative. The business can fund this modest level of rebate from existing reserves which the board acknowledges is an important criteria for our shareholders.

SHAREHOLDERS

Ordinary shareholder numbers for the year reduced by 54 and stood at 849 at the end of the financial year.

The board's membership sub-committee is actively working with Plumbing World on a number of initiatives to both retain existing and recruit new shareholders including initiatives such as ten-yearly loyalty recognitions, and the highly successful Young Plumbers Club which now has over 400 members. All Plumbing World branches have shareholder recruitment kits which include a DVD on the co-operative and the benefits for being a part of it.

The annual shareholder roadshows also continued to prove a popular forum for shareholders to provide feedback to both Plumbing World and NZPM. The roadshows visited all 45 Plumbing World branches in 2014, and we will visit all branches again this year.

Just over 170 delegates attended the successful Singapore in Style Overseas Convention in May. Of the 54 new delegates that attended this trip, 83% have already expressed their interest in attending our next two overseas destinations, being Rome in 2017 and Fiji in 2018. The Overseas Trips Programme continues to be well supported and our survey results from our Singapre Trip came in during July and the trip scored an average of 8.5/10.

GOVERNANCE

The board held a number of additional meetings during the year as we dealt with the issues relating to the Patton sale and the proposed computer system changes, and the board's sub-committees comprising Audit, Compliance, Health & Safety, MPGD Liaison, Membership and Remuneration meet regularly outside of scheduled board meetings.

Both of NZPM's appointed directors are retiring at the end of their current terms. Paul Smart retired from the board on 30 June 2015 and Keith Avery will retire at the annual meeting on 28 August 2015.

Paul joined the NZPM board in 2009 and has held the roles of Chairman and more latterly Deputy Chairman, in addition to an ongoing role as Chair of the Audit Committee.

Keith also joined the NZPM board in 2009 and has held the on-going role of Chair of the Remuneration Committee during that time.

During their respective terms, the experience and skills of both appointed directors has been invaluable to the NZPM board, particularly as we have worked our way through a difficult structural and business change programme over the last couple of years.

This year elected directors David Henderson and Peter Jackson retire by rotation, and being eligible both have offered themselves for re-election.

On behalf of the board I would like to thank each director for their unwavering effort and support, and their valuable contribution to the NZPM Group.

LOOKING FORWARD

The sale of Patton was part of a broader strategy to refocus your cooperative on its core plumbing and related supplies businesses. Our value proposition must sustain the business in the longer term. Obviously the most important direct value proposition to shareholders is providing market leading service to customers at a competitive price while maintaining a strong trading base to allow reinvestment in the business and fund shareholder returns.

To ensure future success, we are refocusing all of our businesses to ensure that they have very efficient supply chains that provide excellent customer service. Over the past six months, we have implemented the following specific action plans to improve our financial and operating performance:

- Added capability to the procurement and supply chain function to reduce purchasing costs and operational efficiency. This initiative will continue to evolve over the next twelve months to ensure that we can continue to offer competitive pricing and achieve a sustainable margin.
- Made the decision to change the Plumbing World computer system to Frameworks to make it easier for customers and our staff to transact and to quickly enhance our trade website functionality. This change will also reduce our medium to long-term operating costs.
- Implemented staff training that moves the focus from computer technology back to a plumbing product based knowledge.
- Merged the NZPM Group head office function with Plumbing World to reduce costs and get the most value from our senior executives. We are already seeing the benefits of having our senior leadership team collaborate on the business improvement plan.
- Developed the Plumbing World strategy to build on its exclusive brands as these capture an import margin for a modest operational cost and provide the sales teams and customers a point of differentiation in the market.

One of the best ways to improve NZPM's operating performance is to drive more revenue through the existing network as additional sales are very cost effective to service.

Plumbing World has made a number of changes to its sales team as it was not as effective as it should have been. While further progress is required in the South Island, these personnel changes will greatly strengthen Plumbing World's future. The company will also work to achieve greater shareholder support by increasing their share of wallet spend for their plumbing, gas fitting and drainlaying supplies.

Plumbing World is also continually assessing the effectiveness of its branch network. During the year, it completed the relocations of the Whangarei and Dunedin branches, and has also begun work on upgrading its Brisbane Street branch in Christchurch and the Hamilton branch. NZPM is very focused on retaining capital to reinvest in the core plumbing business and to this end is actively assessing options for future expansion of the Plumbing World network in high growth zones.

These changes and initiatives form part of a programme to review the overall value proposition to sustain and grow the business in the longer term. Both the board and management are confident that these improvements to the value proposition will provide market leading service to customers at a competitive price, together with a strong trading result that will allow NZPM to reinvest in the business and fund future shareholder returns.

JOHN DEBERNARDO
Chairman and on behalf of the executive

THE EXECUTIVE TEAM

FROM LEFT TO RIGHT:

■ ROB KIDD, Plumbing World, General Manager ■ GARRY IVILL, Metrix, General Manager
■ BRETT CRUICKSHANK, Group Chief Financial Officer

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 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 General Meeting, Dave Henderson and Peter Jackson retire by rotation and being eligible offer themselves for re-election. Two independent directors may be appointed by the board and they do not come up for re-election by rotation. Following the retirement of Paul Smart on 30 June 2015, Keith Avery is the sole independent director.

BOARD MEETINGS

Eleven board meetings are scheduled each year with extra meetings if required. The board also meets on other occasions for strategic planning and hold conference calls as required. 19 meetings were held during the financial year.

AUDIT COMMITTEE

The primary role for the Audit Committee is to review the accounting policies and financial statements for the group, to liaise with the auditors and to review the internal controls and related matters of the group. The committee met twice with the auditors during the year. Members of the Audit Committee are Peter Jackson, Stu McIvor and Alister Lawrence. Paul Smart was chairman of the committee until his retirement at 30 June 2015.

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 Peter Jackson (Chair), Dave Henderson, John DeBernardo and Alister Lawrence.

CONFLICTS COMMITTEE

The committee reviews and approves a proposed external position or board appointment for a director where a conflict could arise. Members are John DeBernardo 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 fulfill its responsibilities and to ensure compliance with all legislative and regulatory requirements in relation to the health and safety practices of the Group as those activities affect employees and contractors. Members of the Health and Safety Committee are Dave Henderson (Chair), Peter Jackson and John DeBernardo.

LIAISON COMMITTEE – MASTER PLUMBERS, GASFITTERS & DRAINLAYERS NZ

This committee is the formal liaison with MPGDNZ on behalf of the company. It advises and keeps the board informed on MPGDNZ matters and is to foster good two way communication and strong relationships. Members are Dave Henderson (Chair), Craig Coxhead and Stu McIvor.

MEMBERSHIP COMMITTEE

The Membership Committee reviews shareholder prerequisites and benefits. Members of the Membership Committee are Stu McIvor (Chair), Craig Coxhead and Dave Henderson.

REMUNERATION COMMITTEE

The Remuneration and Appointments Committee makes recommendations to the board in respect of the terms of employment of and the remuneration policies and arrangements for the members of the senior executive group. Members of the Remuneration Committee are Keith Avery (Chair) and John DeBernardo. Paul Smart was a member of the committee until his retirement at 30 June 2015.

DIRECTORS' SHAREHOLDING INTERESTS

	1 Apr 2014	Movement	31 Mar 2015	Movement	1 July 2015
VK & MJ AVERY (AVERY, K)					
New RPS	21,953	1,212	23,165	313	23,478
DEBERNARDO, J					
New RPS	5,497	306	5,803	79	5,882
PADOVA PROPERTIES LTD (DEBERNARDO, J)					
Ordinary	10,000	-	10,000	-	10,000
Development	5,000	-	5,000	-	5,000
New RPS	33,458	1,900	35,358	478	35,836
HENDERSON, D					
New RPS	1,150	65	1,215	17	1,232
H W COYLE LTD (HENDERSON, D)					
Ordinary	10,000	-	10,000	-10,000	-
Development	5,000	-	5,000	-5,000	-
New RPS	903	-903	-	-	-
QUIX COMMERCIAL LIMITED (HENDERSON, D)					
Ordinary	-	10,000	10,000	-	10,000
Development	-	5,000	5,000	-	5,000
STEVENS PLUMBING SERVICES LTD (LAWRENCE, A)					
Ordinary	-	10,000	10,000	-	10,000
Development	-	5,000	5,000	-	5,000
New RPS	9,873	1,654	11,527	156	11,683
Rebate	-	261	261	3	264
LAWRENCE, A J					
New RPS	10,587	584	11,171	151	11,322
H20 DESIGN LTD (JACKSON, P)					
Ordinary	10,000	-	10,000	-	10,000
Development	5,000	-	5,000	-	5,000
New RPS	3,268	3,411	6,679	338	7,017
GP & CA JACKSON (JACKSON, P)					
New RPS	814,006	-576,964	237,042	3,201	240,243
MCIVOR PLUMBERS & GAS FITTERS WANAKA LTD (MCIVOR, S)					
Ordinary	10,000	-	10,000	-	10,000
Development	5,000	-	5,000	-	5,000
New RPS	8,103	24,601	32,704	442	33,146
Rebate	-	4,265	4,265	57	4,322
PLUMBING WORKS LTD (COXHEAD, C)					
Ordinary	10,000	-	10,000	-	10,000
Development	5,000	-	5,000	-	5,000
New RPS	8,181	1,582	9,763	434	10,197
Rebate	-	6,255	6,255	84	6,339
BELLBIRD TRUST (SMART, P)					
New RPS	25,000	-	25,000	-	25,000
SADDLEBACK TRUST (SMART, P)					
New RPS	25,000	-	25,000	-	25,000
	1,041,979	-501,771	540,208	-9,247	530,961

REMUNERATION OF DIRECTORS

During the year the directors received the following remuneration:

GROUP & PARENT	$
J DeBernardo	84,000
P Smart	52,500
K Avery	42,000
C Coxhead	24,500
D Henderson	42,000
P Jackson	42,000
A Lawrence	42,000
S McIvor	42,000
M Whitehead (resigned 31 August 2014)	36,806*

* Includes a retiring allowance of $15,306 for 3 years service. Retiring allowances are paid in accordance with the constitution and take into account length of service.

REMUNERATION OF EMPLOYEES

$	GROUP	PARENT
100,001 - 110-000	17	0
110,001 - 120,000	9	0
120,001 - 130,000	9	0
130,001 - 140,000	7	1
140,001 - 150,000	10	0
150,001 - 160,000	3	0
170,001 - 180,000	1	1
190,001 - 200,000	2	0
200,001 - 210,000	1	0
230,001 - 240,000	2	0
400,001 - 410,000	1	1
450,001 - 460,000	1	0
480,001 - 490,000	1	0

Remuneration has been calculated on a payments basis.

DIRECTORS' INTERESTS

John DeBernardo, Craig Coxhead, Dave Henderson, Alister Lawrence, Peter Jackson, Stu McIvor, Paul Smart (retired) and Mark Whitehead (retired) are directors of companies which regularly trade with Plumbing World on normal trading terms.

Stu McIvor has an interest in a property that is leased to Plumbing World. A formal lease agreement is in place and rent is paid at commercial rates.

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 of $2,926 (parent $0) (2014 $6,410, parent $0).

INSURANCE OF DIRECTORS

The group has arranged directors and officers liability insurance that covers directors and the executive 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.

AUDITORS

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

ANNUAL RESOLUTION BY DIRECTORS OF CO-OPERATIVE COMPANY

Pursuant to Section 10 of the Co-operative Companies Act 1996 on 23 June 2015, the directors resolved:

That in the opinion of the board of directors, NZPM Group Ltd has throughout the financial year ended 31 March 2015 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' DECLARATION

In the opinion of the directors of NZPM Group Ltd, the financial statements and notes on pages 22 to 61:

- Comply with New Zealand generally accepted accounting practice and give a true and fair view of the financial position of the company and group as at 31 March 2015 and the results of their operations and cash flows for the year ended on that date;
- Have been prepared using appropriate accounting policies, which have been consistently applied and supported by reasonable judgments and estimates.

The directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the company and the group and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

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

The directors are pleased to present the financial statements of NZPM Group Ltd for the year ended 31 March 2015.

For and on behalf of the board of directors.

JOHN DEBERNARDO, DIRECTOR
24 July 2015

ALISTER LAWRENCE, DIRECTOR
24 July 2015

Deloitte.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of NZPM Group Limited

REPORT ON THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

We have audited the accompanying consolidated and separate financial statements of NZPM Group Limited and its subsidiaries ('the Group') on pages 22 to 61, which comprise the consolidated and separate statements of financial position as at 31 March 2015, and the consolidated and separate statements of profit and loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.
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.

BOARD OF DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The Board of Directors are responsible for the preparation of consolidated and separate financial statements, in accordance with New Zealand Equivalents to International Financial Reporting Standards, International Financial Reporting Standards and generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the Board of Directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITIES

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated and separate financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates, as well as the overall presentation of the consolidated and separate financial statements.

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

Our firm carries out other assignments for NZPM Group Limited in the area of IT project peer review services, forensic services and taxation advice. In addition to this, 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. These services have not impaired our independence as auditor of the Company and Group. The firm has no other relationship with, or interest in, NZPM Group Limited or any of its subsidiaries.

OPINION

In our opinion, the consolidated and separate financial statements on pages 22 to 61:

- comply with New Zealand Equivalents to International Financial Reporting Standards and generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the financial position of NZPM Group Limited and its subsidiaries as at 31 March 2015, and their financial performance and their cash flows for the year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We also report in accordance with section 16 of the Financial Reporting Act 1993. In relation to our audit of the consolidated and separate financial statements for the year ended 31 March 2015:

- we have obtained all the information and explanations we have required; and
- in our opinion proper accounting records have been kept by NZPM Group Limited as far as appears from our examination of those records.

Deloitte

CHARTERED ACCOUNTANTS
24 July 2015
Auckland, New Zealand

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2015

		GROUP		PARENT	
	Notes	2015 $'000	2014 $'000	2015 $'000	2014 $'000
ASSETS					
CURRENT ASSETS					
Trade and other receivables	13	23,670	37,559	360	32
Current tax assets	8.3	400	753	400	808
Inventories	14	29,273	49,092	0	0
		53,343	87,404	760	840
Assets classified as held for sale	11	40,241	435	18,371	0
TOTAL CURRENT ASSETS		93,584	87,839	19,131	840
NON-CURRENT ASSETS					
Investments in equity accounted associates	15	2,391	2,110	900	900
Investments in subsidiaries	16.1	0	0	24,534	31,713
Related party receivables	32.1	0	0	6,455	24,661
Work in progress		146	206	0	0
Property, plant and equipment	17	3,839	6,207	111	129
Deferred tax assets	8.5	1,514	1,958	268	163
Goodwill	18	6,890	11,675	0	0
Other intangible assets	18	3,053	5,228	0	0
TOTAL NON-CURRENT ASSETS		17,833	27,384	32,268	57,566
TOTAL ASSETS		111,417	115,223	51,399	58,406
LIABILITIES					
CURRENT LIABILITIES					
Bank overdraft	12	3,301	3,411	144	2,465
Trade and other payables	19	16,075	20,800	490	934
Related party payables	32.2	0	0	90	514
Borrowings	20	26,149	1,244	26,149	1,236
Derivative financial instruments	21	37	8	0	0
Provisions for other liabilities and charges	22	1,822	3,726	168	302
Co-operative share capital	23	4	2,141	4	2,141
		47,388	31,330	27,045	7,592
Liabilities directly associated with assets classified as held for sale	11	8,022	0	0	0
TOTAL CURRENT LIABILITIES		55,410	31,330	27,045	7,592
NON-CURRENT LIABILITIES					
Borrowings	20	12,235	35,709	12,235	35,684
Derivative financial instruments	21	1,582	1,503	0	0
Provisions for other liabilities and charges	22	682	668	280	227
Co-operative share capital	23	23,203	20,938	23,203	20,938
TOTAL NON-CURRENT LIABILITIES		37,702	58,818	35,718	56,849
TOTAL LIABILITIES		93,112	90,148	62,763	64,441
NET ASSETS/(LIABILITES)		18,305	25,075	(11,364)	(6,035)

These statements should be read in conjunction with the notes to the financial statements on pages 28 to 61.

		GROUP		PARENT	
	Notes	2015 $'000	2014 $'000	2015 $'000	2014 $'000
EQUITY					
Other reserves	24	(4,271)	(3,381)	0	0
Retained earnings/(deficit)	25	19,993	25,886	(11,364)	(6,035)
Total equity/(deficit) attributable to equity holders of the Parent		15,722	22,505	(11,364)	(6,035)
Non-controlling interests	26	2,583	2,570	0	0
TOTAL EQUITY/(DEFICIT)		18,305	25,075	(11,364)	(6,035)

TOTAL MEMBERS' INTERESTS					
Co-operative share capital*	23	23,207	23,079	23,207	23,079
Other reserves	24	(4,271)	(3,381)	0	0
Retained earnings/(deficit)	25	19,993	25,886	(11,364)	(6,035)
		38,929	45,584	11,843	17,044

* Co-operative share capital is recognised as a current and non-current liability in the statement of financial position.

J DeBernardo
Director (Chairman of the Board)
24 July 2015

A Lawrence
Director
24 July 2015

These statements should be read in conjunction with the notes to the financial statements on pages 28 to 61.

STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2015

		GROUP		PARENT	
	Notes	2015 $'000	2014 $'000 restated	2015 $'000	2014 $'000
Continuing operations					
Revenue		**174,839**	179,072	**0**	0
Cost of sales		**(125,186)**	(128,307)	**0**	0
Gross profit		**49,653**	50,765	**0**	0
Other income	4	**2**	2	**430**	3,382
Depreciation and amortisation	7	**(4,627)**	(2,556)	**(17)**	(1,078)
Share of profit of associates	15	**343**	381	**0**	0
Impairment of assets	7	**(41)**	(149)	**0**	0
Other operating expenses	7	**(47,815)**	(47,242)	**(2,620)**	(4,508)
(Loss)/profit before financing costs, dividends and rebates paid to co-operative shareholders, and income tax		**(2,485)**	1,201	**(2,207)**	(2,204)
Investment income	5	**17**	9	**1,899**	1,641
Finance costs	6	**(2,077)**	(776)	**(3,207)**	(2,952)
Dividends paid to co-operative shareholders		**(812)**	(642)	**(812)**	(642)
Rebates paid to co-operative shareholders	9	**(2,232)**	(3,671)	**(2,232)**	(3,671)
Loss before income tax expense		**(7,589)**	(3,879)	**(6,559)**	(7,828)
Income tax credit/(expense)	8	**1,249**	(6)	**978**	1,526
Loss for the year from continuing operations		**(6,340)**	(3,885)	**(5,581)**	(6,302)
Discontinued operations					
Profit for the year from discontinued operations	10	**198**	2,518	**0**	0
LOSS FOR THE YEAR		**(6,142)**	(1,367)	**(5,581)**	(6,302)
Other comprehensive expense, net of income tax					
Items that will not be reclassified subsequently to profit and loss:					
Loss on revaluation of property	24.1	**0**	(166)	**0**	0
Items that may be reclassified subsequently to profit and loss					
Exchange differences on translating foreign operations	24.2	**(439)**	(3,313)	**0**	0
Other comprehensive expense for the year, net of income tax		**(439)**	(3,479)	**0**	0
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR		**(6,581)**	(4,846)	**(5,581)**	(6,302)
Loss for the year attributable to:					
Co-operative shareholders of the Parent		**(6,258)**	(1,930)	**(5,581)**	(6,302)
Non-controlling interests		**116**	563	**0**	0
		(6,142)	(1,367)	**(5,581)**	(6,302)
Total comprehensive expense for the year attributable to:					
Co-operative shareholders of the Parent		**(6,783)**	(5,060)	**(5,581)**	(6,302)
Non-controlling interests		**202**	214	**0**	0
		(6,581)	(4,846)	**(5,581)**	(6,302)

SUPPLEMENTARY DISCLOSURE

Loss for the year	**(6,142)**	(1,367)	**(5,581)**	(6,302)
Dividends paid to co-operative shareholders	**812**	642	**812**	642
Rebates paid to co-operative shareholders	**2,232**	3,671	**2,232**	3,671
(Loss)/profit before distributions to co-operative shareholders	**(3,098)**	2,946	**(2,537)**	(1,989)

These statements should be read in conjunction with the notes to the financial statements on pages 28 to 61.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2015

	Property revaluation reserve $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Attributable to owners of the Parent $'000	Non-controlling interests $'000	Total equity $'000
GROUP						
Balance at 1 April 2013	531	(782)	27,816	27,565	2,491	30,056
(Loss)/profit for the year	0	0	(1,930)	(1,930)	563	(1,367)
Other comprehensive expense for the year, net of income tax	(166)	(2,964)	0	(3,130)	(349)	(3,479)
Total comprehensive (expense)/income for the year	(166)	(2,964)	(1,930)	(5,060)	214	(4,846)
Payment of dividends to non-controlling interests shareholders	0	0	0	0	(89)	(89)
Disposal of partial interest in Catpri Pty Ltd	0	0	0	0	(46)	(46)
Balance at 31 March 2014	365	(3,746)	25,886	22,505	2,570	25,075
GROUP						
Balance at 1 April 2014	**365**	**(3,746)**	**25,886**	**22,505**	**2,570**	**25,075**
(Loss)/profit for the year	0	0	(6,258)	(6,258)	116	(6,142)
Other comprehensive (expense)/income for the year, net of income tax	0	(525)	0	(525)	86	(439)
Total comprehensive (expense)/income for the year	0	(525)	(6,258)	(6,783)	202	(6,581)
Payment of dividends to non-controlling interests shareholders	0	0	0	0	(86)	(86)
Disposal of partial interest in Ozcold Pty Ltd	0	0	0	0	(103)	(103)
Transfer to retained earnings	(365)	0	365	0	0	0
Balance at 31 March 2015	0	(4,271)	19,993	15,722	2,583	18,305

	Retained earnings $'000	Total equity $'000
PARENT		
Balance at 1 April 2013	267	267
Loss for the year	(6,302)	(6,302)
Total comprehensive expense for the year	(6,302)	(6,302)
Balance at 31 March 2014	(6,035)	(6,035)
PARENT		
Balance at 1 April 2014	(6,035)	(6,035)
Loss for the year	(5,581)	(5,581)
Total comprehensive expense for the year	(5,581)	(5,581)
Amalgamation of subsidiaries	252	252
Balance at 31 March 2015	(11,364)	(11,364)

The Parent has negative equity as at 31 March 2015. Positive net equity can be restored by subsidiaries paying a dividend to NZPM.
This was not requested in the financial year just ended.

These statements should be read in conjunction with the notes to the financial statements on pages 28 to 61.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2015

	Notes	GROUP 2015 $'000	GROUP 2014 $'000	PARENT 2015 $'000	PARENT 2014 $'000
Cash flows from operating activities					
Cash was provided from:					
Receipts from customers		239,471	245,871	0	0
Interest received		50	34	17	0
Dividends received from associates		62	123	0	0
Other income received		223	290		
Other dividends received		2	2	0	60
Income taxes received/(paid)		152	(2,481)	471	(1,473)
Foreign exchange gain/(loss)		200	(182)	0	0
Cash was disbursed to:					
Payments to suppliers and employees		(232,619)	(243,231)	(477)	(5,420)
Interest paid		(3,268)	(2,879)	(3,176)	(2,828)
Dividends and rebates paid		(1,990)	(3,542)	(1,990)	(3,542)
Net cash generated by/(used in) operating activities		2,283	(5,995)	(5,155)	(13,203)
Cash flows from investing activities					
Cash was provided from:					
Proceeds from disposal of property, plant and equipment		524	119	0	0
Cash was disbursed to:					
Payments for intangible assets		(979)	(3,091)	0	(1,755)
Payments for property, plant and equipment		(923)	(1,539)	0	(25)
Net cash outflow on disposal of subsidiaries		(103)	(46)	0	0
Net cash used in investing activities		(1,481)	(4,557)	0	(1,780)
Cash flows from financing activities					
Cash was provided from:					
Proceeds from issue of shares		1,210	5,509	1,210	5,509
Proceeds from finance lease		0	2,358	0	2,325
Proceeds from borrowings		3,661	0	2,700	0
Advances from subsidiaries		0	0	7,062	14,566
Cash was disbursed to:					
Payment for share buy-back		(2,260)	(3,152)	(2,260)	(3,152)
Repayment of finance lease		(1,269)	0	(1,236)	0
Repayment of borrowings		0	(1,450)	0	(1,450)
Dividends paid to non-controlling interests		(86)	(89)	0	0
Net cash generated by financing activities		1,256	3,176	7,476	17,798
Net increase/(decrease) in cash and cash equivalents		2,058	(7,376)	2,321	2,815
Cash and cash equivalents at the beginning of year		(3,411)	3,965	(2,465)	(5,280)
Cash and cash equivalents at end of year	12	(1,353)	(3,411)	(144)	(2,465)

Reconciliation of net operating cash flows to profit/loss for the year ended 31 March 2015

	Notes	GROUP 2015 $'000	GROUP 2014 $'000	PARENT 2015 $'000	PARENT 2014 $'000
Cash flows from operating activities					
Loss for the year		(6,142)	(1,367)	(5,581)	(6,302)
Adjustments for:					
Depreciation and amortisation of non-current assets		5,027	2,945	17	1,078
Movement in deferred tax through income statement		(208)	571	(105)	106
Share of profit of associates		(281)	(258)	0	0
Net loss/(gain) on financial liabilities designated as at fair value		107	(1,012)	0	0
Rebates and dividends not paid in cash		1,054	771	1,054	771
Assets expensed		0	0	0	119
Management fees from subsidiaries		0	0	(475)	(475)
Shared services fee from/(to) subsidiaries		0	0	45	(2,847)
Suppliers and employees not paid in cash		0	0	2,954	0
Loss on disposal of property, plant and equipment and intangible assets		98	66	62	0
Net interest from subsidiaries		0	0	(1,868)	(1,517)
Impairment loss recognised in goodwill		736	0	0	0
Impairment loss recognised on trade receivables		55	464	0	0
		6,588	3,547	1,684	(2,765)
Items classified as investing activities:					
Provision for tax movement via intercompany account		0	0	(813)	(1,843)
		0	0	(813)	(1,843)
Movement in working capital:					
Decrease/(increase) in trade and other receivables		903	4,908	(328)	61
Decrease in inventories		354	494	0	0
Increase/(decrease) in taxation payable		276	(1,941)	408	(1,471)
Increase/(decrease) in trade and other payables		1,130	(8,513)	(444)	(208)
Decrease in provisions		(559)	(409)	(81)	(675)
Net foreign exchange movements relating to working capital		(267)	(2,714)	0	0
		1,837	(8,175)	(445)	(2,293)
Net cash generated from/(used in) operations		2,283	(5,995)	(5,155)	(13,203)

	PARENT 2015 $'000	PARENT 2014 $'000
Other significant non-cash transactions recognised in the Parent's intercompany accounts with subsidiaries include:		
Management fees from subsidiaries	475	475
Shared service fees (to)/from subsidiaries	(45)	2,847
Net interest received from subsidiaries	1,868	1,517
Transfer of provision for tax balances from subsidiaries	813	1,843
Transfer of property, plant and equipment and intangibles at book value	0	4,807

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

1 REPORTING ENTITY

NZPM Group Limited (NZPM), formerly NZ Plumbers' Merchants Limited, is a company domiciled in New Zealand and is a co-operative. It is registered under the Companies Act 1993 and the Co-operative Companies Act 1996. The company is an issuer in terms of the Financial Reporting Act 1993.

The consolidated financial statements of NZPM Group as at and for the year ended 31 March 2015 comprise NZPM and its subsidiaries and the Group's interests in associates, (together referred to as the "Group").

NZPM Group is primarily involved in the provision of plumbing and refrigeration supplies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ('NZ GAAP'). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable New Zealand Financial Reporting Standards as appropriate for profit oriented entities.

The consolidated financial statements also comply with International Financial Reporting Standards.

The significant NZ IFRS accounting policies 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 apart from the application of new standards adopted by the Group during the year as disclosed.

Basis of preparation

The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

The reporting currency used in the preparation of these consolidated financial statements is New Zealand dollars ($), rounded to the nearest thousand.

The accounting principles recognised as appropriate for the measurement and reporting of profit and loss and financial position on a historical cost basis have been applied, with the exception of the following:

- derivative financial instruments are measured at fair value through profit and loss, and
- land and buildings are measured at fair value through an asset revaluation reserve account.

To ensure consistency with the current period, comparative figures have been restated where appropriate. Any adjustments are to ensure the correct classification of financial statement line items.

These financial statements were authorised for issue by the Board of Directors on 24 July 2015. The Board does not have the power to amend the financial statements after issue.

Basis of consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Where subsidiaries have different reporting dates to the Parent, additional financial statements, as of the same date as the Parent company, are prepared for consolidation purposes.

Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with NZ IAS 39 in profit or loss.

Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the amount of any non-controlling interests and the fair value of the acquirer's previously held interest (if any) over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Intercompany transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Changes in the Group's ownership interests in subsidiaries that do not result in loss of control are accounted for as equity transactions. The carrying amount of the Group's interest and the non-controlling interests are adjusted to reflect the changes in the relative interests in the subsidiaries. The difference between fair value of any consideration paid or received and the amount by which the non-controlling interest is adjusted is recorded in equity.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

In the Parent financial statements investments in subsidiaries, associates and joint ventures are recorded at cost less impairment.

Associates and joint ventures

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results, assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate or joint venture is initially recognised in the balance sheet at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale.

When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with NZ IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

Non-controlling interests

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interest's proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, non-controlling interests consist of the amount attributed to such interests at initial recognition and the non-controlling interest's share of changes in equity since the date of the combination. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Amalgamation transactions

Under a business combination where entities under common control are amalgamated, the carrying values of the assets and liabilities of the entities are combined, with any gain or loss on amalgamation recognised in equity.

Foreign currencies

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the functional currency). The consolidated financial statements are presented in New Zealand dollars (the presentation currency), which is the functional currency of the Parent.

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance date are translated to the New Zealand dollars at the foreign exchange rate ruling at that date. Foreign currency differences arising on translation are recognised in profit or loss.

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. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to New Zealand dollars at foreign exchange rates ruling at the dates that the fair value was determined.

Foreign operations
The assets and liabilities of all of the Group companies that have a functional currency that differs from the presentation currency, including goodwill and fair value adjustments arising on consolidation, are translated to New Zealand dollars at foreign exchange rates ruling at the balance date. The revenues and expenses of these foreign operations are translated to New Zealand dollars at rolling average exchange rates. Exchange differences arising from the translation of foreign operations are recognised in other comprehensive income and accumulated, as a separate component of equity, in the foreign currency translation reserve (FCTR).

When a foreign operation is disposed, in part or in full, the relevant amount in the FCTR is reclassified from equity to profit or loss (as a reclassification adjustment), in the period in which the foreign operation is disposed of.

Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers, who are responsible for allocating resources, assessing performance of the operating segments and making strategic decisions for the Group, have been identified as the Group Chief Financial Officer and the Board of Directors.

Information regarding the Group's reportable segments is presented in note 27.

Property, plant and equipment
Recognition and measurement
Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, except where certain assets have been revalued (land and buildings). The cost of purchased property, plant and equipment is the value of the consideration given to acquire the asset plus the value of other directly attributable costs, which have been incurred in bringing the assets to the location and condition necessary for their intended service.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent costs
The Group recognises in the carrying amount of an item of property, plant and equipment, the cost of replacing part of such an item when that cost is incurred, if it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

Revaluations
Land and buildings are shown at fair value, (less subsequent depreciation for buildings), based on valuations by external independent registered valuers, based on the price that would be received to sell the asset in an orderly transaction between market participants under current market conditions at the measurement date. The revaluations are conducted on a systematic basis across the Group so that the asset revaluations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at balance date. Any increase in value that offsets a previous decrease in value of the same asset previously recognised in profit and loss is charged to the income statement. Any other increase in value is recognised directly in other comprehensive income and accumulated in the asset revaluation reserve. Any decrease in value that offsets a previous increase in value of the same asset recognised in other comprehensive income and accumulated in the asset revaluation reserve is charged against the revaluation reserve. Any other decrease in value is charged to the income statement.
Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the re-valued amount of the asset.

Depreciation
Land is not depreciated. Depreciation of other property, plant and equipment, is calculated on a straight-line basis so as to expense the cost of the assets, or the revalued amounts, to their expected residual values over their estimated useful lives as follows:

Buildings	40-50 years
Plant and equipment	4-10 years
Leasehold improvements	10 years
Motor vehicles	4-6 years
Computer equipment	3-5 years

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

Lease assets
The Group is the lessee
The Group leases certain plant, equipment and land and buildings. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Leased assets are depreciated on a straight-line basis over the shorter of the lease term and their useful lives, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. Payments are charged to the income statement.

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance lease. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

Intangible assets
Goodwill
Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and is recognised as an intangible asset at the date of acquisition. Goodwill represents the excess of the consideration transferred and the amount of any non-controlling interests and the fair value of acquired previously held interests (if any) over the fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree. If, after assessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously-held equity interest (if any) in the acquiree, the excess is recognised immediately in profit or loss as a bargain purchase price.

Goodwill is recorded at cost less any accumulated impairment losses.

Other intangible assets
Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Software assets, licences and capitalised costs of developing systems are recorded as intangible assets unless they are directly related to a specific item of hardware and recorded as property, plant and equipment.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Amortisation
Amortisation is charged to the income statement on a straight line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each balance date.

Computer software development costs recognised as assets are amortised over their estimated useful lives as follows:

Software	3 years
ERP software	10 years

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

Inventories
Inventories are stated at the lower of cost and net realisable value. The cost of inventories is calculated using the weighted average cost method. Cost includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Trade and other receivables
Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment.

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. Evidence of impairment may include indication that the debtors or group of debtors is experiencing significant financial difficulty, default in repayments, the probability that they will enter bankruptcy or receivership or liquidation and observable data indicating a measurable decrease in the estimated future cash flows. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

Impairment losses on an individual basis are determined by an evaluation of the exposures on a receivable-by-receivable basis. All individual instruments that are considered significant are subject to this approach. For trade receivables which are not significant on an individual basis, collective impairment is assessed on a portfolio basis based on numbers of days overdue, and taking into account the historical loss experience in portfolios with a similar amount of days overdue.

The carrying amount of the asset is reduced through the use of a provision account and the amount of the loss is recognised in the income statement within 'other operating expenses'.

When a trade receivable is uncollectable, it is written off against the provision account for trade receivables. Subsequent recoveries of amounts previously written off are credited against the provision account.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. 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.

Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that have a finite life and are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, (if any). An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or group of cash-generating units, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level with the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the cash generating unit containing goodwill is compared to its recoverable amount, which is the higher of value-in-use and the fair value less costs to sell. Any impairment loss for goodwill is recognised immediately as an expense and is not subsequently reversed.

The discount rate used for the purposes of goodwill impairment testing is based on a calculated weighted average cost of capital, adjusted for risks specific to the cash flows expected from the goodwill assets. 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.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis.

Recoverable amount

The recoverable amount of assets is the greater of their 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 post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Interest bearing borrowings

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for the intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs, except where otherwise stated, are recognised in the income statement in the period in which they are incurred.

Employee benefits

Long-term employee benefits

The Group's net obligation in respect of long service leave is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

Short-term employee benefits

Employee entitlements to salaries, wages, bonuses and annual leave, to be settled within twelve months of the reporting date, represent present obligations resulting from employees' services provided up to the reporting date, calculated at undiscounted amounts.

Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's and the Group's financial statements in the period in which the dividends are approved by the Board of Directors and notified to the Company's shareholders.

Provisions

A provision is recognised in the balance sheet 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 a reliable estimate can be made of the amount of the obligation.

Provisions are determined at the present value of the expenditure expected to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the obligation.

Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities and is reviewed annually.

Trade and other payables

Trade and other payables are initially recognised when the Parent and Group becomes obliged to make future payments resulting from the purchase of goods and services.

Investments and other financial assets

The Group classifies its financial assets in the following categories: 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 the initial recognition and re-evaluates this designation at every reporting date.

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held-for-trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Derivatives are also categorised as held-for-trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held-for-trading or are expected to be realised within twelve months of the balance date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than twelve months after the balance date which are classified as non-current assets. Loans and receivables are included in 'trade and other receivables' in the balance sheet.

The Group assesses at each balance date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Derivatives and hedging activities

From time to time the Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for speculative purposes.

The Group is party to the following financial derivatives:

- Forward foreign exchange rate contracts
- Interest rate swaps

The Group does not apply hedge accounting, and so derivatives are accounted for as held for trading. Derivative financial instruments are recognised initially at fair value and transaction costs are expensed immediately. Subsequent to initial recognition, derivative financial instruments are stated at fair value. Changes to fair value are recognised immediately in the income statement.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of returns and allowances and trade discounts and Goods and Services Tax (GST). The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met as described below.

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 GST collected from customers. Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

Sale of services

Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the balance date.

Finance income

Finance income comprises interest income on funds invested and on loans to related parties. Interest income is recognised in the income statement as it accrues, using the effective interest method.

Dividend income

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

Expenses

Net finance costs

Net finance costs comprise interest payable on borrowings calculated using the effective interest rate method, effective interest on long-term receivables, the interest element on finance lease liabilities, and interest receivable on funds invested.

Income tax

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or in equity, respectively.

Current tax

Current tax charge is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

Deferred tax

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Goods and Services Tax (GST)
The income statement, statement of comprehensive income and statement of cash flows have been presented with all items exclusive of GST. All items in the balance sheet are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

Non-current assets held for sale
Non-current assets and disposal groups are classified as 'held for sale' if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification as 'held for sale'. In addition the asset must be actively marketed for sale at a reasonable price in relation to its current fair value.

Immediately before classification as 'held for sale', the measurement of the assets (and all assets and liabilities in a disposal group) is brought up to date in accordance with applicable NZ IFRS. Then, on initial classification as 'held for sale', non-current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell.

Impairment losses on initial classification as 'held for sale' are included in the profit and loss. Gains and losses on subsequent remeasurement are recognised in profit and loss.

Standards, amendments, and interpretations effective in 2015
There are no standards or interpretations that are effective for the first time this year that have had a material impact on the Group. The following standards and amendments have been adopted by the Group in the current year:

NZ IFRIC 21, 'Levies'.
NZ IFRIC 21 sets out the accounting for an obligation to pay a levy if that liability is within the scope of NZ IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'.

The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognised. The Group is not currently subjected to significant levies and the impact on the Group is not material.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 April 2014 and not early adopted
New standards, amendments and interpretations issued by the International Accounting Standards Board (IASB) and the External Reporting Board in New Zealand (XRB) have been published that will be mandatory for the Group's accounting periods beginning on or after 1 January 2015. None of these standards have been early adopted by the Group. The relevant new standards, amendments and interpretations include:

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 the income statement. 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 not recycling. 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.

Under NZ IFRS 9 greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

In relation to the impairment of financial assets, NZ IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under NZ IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition.

The standard is effective for accounting periods beginning on or after 1 January 2018 with early adoption permitted. The Group is yet to assess the full impact of adopting NZ IFRS 9.

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 is yet to assess the impact of adopting NZ IFRS 15.

There are no other standards or interpretations that are not yet effective that would be expected to have a material impact on the Group.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a potential risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Goodwill
The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates as to future profitability of the relevant business units to which goodwill has been allocated and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The Board of Directors believe the carrying amount of goodwill is supportable.

Determination of fair values
A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where appropriate, further information about the assumptions made in determining fair values is disclosed in note 28.3.

- Goodwill
  The fair value of intangible assets, which is used in determining whether an impairment has occurred, is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

- Derivatives
  The fair value of other financial assets and liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

- Non-derivative financial liabilities
  Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

4 OTHER INCOME

	GROUP		PARENT	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Continuing operations				
Other dividend income	2	2	0	60
Management fee received from subsidiaries	0	0	475	475
Shared services fee paid to/(received from) subsidiaries	0	0	(45)	2,847
	2	2	430	3,382

5 INVESTMENT INCOME

	GROUP		PARENT	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Continuing operations				
Interest income:				
Bank deposits	17	9	17	0
Interest on loans to related parties	0	0	1,882	1,641
	17	9	1,899	1,641

6 FINANCE COSTS

	GROUP		PARENT	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Continuing operations				
Interest expense on bank overdrafts and loans	1,644	1,426	2,839	2,470
Interest on obligations under finance leases	354	358	354	358
Interest on loans from related parties	0	0	14	124
Loss/(gain)arising on interest rate swaps	79	(1,008)	0	0
	2,077	776	3,207	2,952

7 LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

	GROUP		PARENT	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Loss for the year from continuing operations	(6,340)	(3,885)	(5,546)	(6,302)

Loss for the year has been arrived at after charging/(crediting):

	GROUP 2015	GROUP 2014	PARENT 2015	PARENT 2014
Impairment losses				
Impairment losses on financial assets:				
Impairment loss on trade receivables (see note 13)	41	149	0	0
Other gains and losses				
Gains:				
Gain on disposal of property, plant and equipment and intangible assets	0	(10)	0	0
Losses:				
Net foreign exchange losses	4	1	0	0
Loss arising on forward exchange contracts	8	0	0	0
Loss on disposal of plant, property and equipment and intangible assets	106	0	62	0
	118	1	62	0
Donations				
Donations made during the year	1	6	0	0
Depreciation and amortisation expense				
Depreciation of property, plant and equipment	1,662	1,970	17	653
Amortisation on intangible assets	2,965	586	0	425
	4,627	2,556	17	1,078
Audit fees				
Auditors of the Parent company and Group - Deloitte				
Audit fees for audit of the financial statements	161	175	80	24
Other assurance fees [i]	45	0	45	0
New Zealand tax compliance fees	76	56	76	35
IT project peer review services	232	174	14	70
Forensics inquiries	12	0	0	0
	526	405	215	129

[i] Other assurance services include prospectus' issued in December 2014 and June 2014, share register audit and charging Group audit.

	GROUP		PARENT	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Employee benefits expenses				
Wages and salaries and other benefits	26,783	26,751	701	1,816
Directors' remuneration	388	388	389	388
Directors' retiring allowance	69	78	69	78
KiwiSaver	584	529	25	35
	27,824	27,746	1,184	2,317
Rental expense				
Rent paid during the year	6,030	6,242	272	313
Credit on provision release for onerous leases				
Davis Crescent	0	(39)	0	0
Carbine Road	0	(167)	0	0
	0	(206)	0	0

8 INCOME TAXES RELATING TO CONTINUING OPERATIONS

	GROUP		PARENT	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
8.1 Income tax recognised in profit or loss				
The income tax expense/(credit) for the year can be reconciled to the accounting loss as follows:				
Loss before tax from continuing operations	(7,589)	(3,879)	(6,559)	(7,828)
Income tax calculated at 28% (2014: 28%)	(2,125)	(1,086)	(1,837)	(2,192)
Effect of expenses that are not deductible in determining taxable profit	912	1,178	885	625
Adjustments recognised in the current year in relation to the current tax of prior years	(36)	(86)	(26)	41
Income tax (credit)/expense recognised in profit or loss	(1,249)	6	(978)	(1,526)
Current tax in respect of the current year	(919)	(735)	(847)	(1,673)
Current tax in respect of prior years	(36)	(86)	(26)	41
Deferred tax	(294)	827	(105)	106
Income tax (credit)/expense	(1,249)	6	(978)	(1,526)
8.2 Income tax recognised in other comprehensive income/(expense)				
Arising on income and expenses recognised in other comprehensive income:				
Foreign currency translation reserve				
Net of tax amount	(439)	(3,313)	0	0
Before tax amount	(439)	(3,313)	0	0
Tax benefit	0	0	0	0
Total income tax recognised in other comprehensive income/(expense)	0	0	0	0
8.3 Current tax assets				
Tax refund receivable	(400)	(753)	(400)	(808)
8.4 Imputation credits available for use				
Imputation credits available for use in subsequent reporting periods	11,314	12,000	10,073	10,791

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2015

	GROUP		PARENT	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
8.5 Deferred tax balances				
The following is the analysis of deferred tax assets/(liabilities) presented in the consolidated statement of financial position:				
Deferred tax assets	1,514	1,983	268	163
Deferred tax liabilities	0	(25)	0	0
	1,514	1,958	268	163

	Balance at beginning of year $'000	Continuing operations recognised in profit or loss $'000	Discontinued operations recognised in profit or loss $'000	Transfer to assets classified as held for sale (note 11) $'000	Balance at end of year $'000
GROUP 2015					
Deferred tax (liabilities)/assets in relation to:					
Property, plant and equipment and intangibles	141	140	(53)	(0)	228
Debtors	203	(25)	0	(49)	129
Inventory	372	104	(3)	(171)	302
Provisions and accruals	1,164	(67)	(31)	(353)	713
Other items	78	0	1	(79)	0
Unused tax losses	0	142	0	0	142
	1,958	294	(86)	(652)	1,514

	Balance at beginning of year $'000	Recognised in profit or loss $'000	Balance at end of year $'000
GROUP 2014			
Deferred tax (liabilities)/assets in relation to:			
Property, plant and equipment and intangibles	452	(311)	141
Debtors	218	(15)	203
Inventory	270	102	372
Provisions and accruals	1,560	(396)	1,164
Other items	29	49	78
	2,529	(571)	1,958
PARENT 2015			
Deferred tax (liabilities)/assets in relation to:			
Property, plant and equipment and intangibles	7	(6)	1
Provisions and accruals	156	(31)	125
Unused tax losses	0	142	142
	163	105	268
PARENT 2014			
Deferred tax (liabilities)/assets in relation to:			
Property, plant and equipment and intangibles	(69)	76	7
Provisions and accruals	338	(182)	156
	269	(106)	163

9 REBATES

	GROUP		PARENT	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Rebates paid to co-operative shareholders	2,232	3,671	2,232	3,671

The total amount of rebate has been approved by the directors on a basis consistent with that used in the previous year. The rebate 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. The rebate is fully imputed for tax purposes (including dividend withholding tax). Rebates are paid out of tax paid profits and are therefore deemed to be dividends for tax purposes.

10 DISCONTINUED OPERATIONS

10.1 Disposal of the refrigeration operations

On 18 March 2015, NZPM Group Limited accepted a conditional offer from Beijer Ref AB to purchase the Patton refrigeration group (Patton).

On reclassification of these operations as "assets classified as held for sale", the carrying amount of the related net assets of Patton exceeded the net proceeds of sale. Therefore an impairment loss has been recognised of $635,000 on reclassification of these operations. The disposal of the refrigeration operations is consistent with the Group's long-term policy to focus its activities on the plumbing market.

Pursuant to an agreement that was declared unconditional on the 26 March 2015, the sale of Patton Group was completed and settled on 1 April 2015, on which date control of the refrigeration operations passed to the acquirer, Beijer Ref AB.

Details of the assets and liabilities disposed of are outlined in note 11.

10.2 Analysis of loss for the year from discontinued operations

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

The comparative profit/(loss) and cash flows from discontinued operations have been re-presented to include those operation classified as discontinued in the current year.

	GROUP	
	2015 $'000	2014 $'000 restated
Profit for the year from discontinued operations		
Revenue	63,995	64,605
Cost of sales	(44,297)	(43,703)
Gross profit	19,698	20,902
Other gains	212	(139)
Other losses	(20)	4
Other income	223	290
Depreciation and amortisation	(400)	(389)
Impairment of assets	(649)	(315)
Operating expenses	(16,265)	(15,660)
Profit before net finance costs and income tax expense	2,799	4,693
Attributable net finance costs	(1,237)	(1,070)
Attributable income tax expense	(1,364)	(1,105)
Profit for the year from discontinued operations before dividends	198	2,518
Attributable to:		
Co-operative shareholders of the Parent	82	1,955
Non-controlling interests	116	563
	198	2,518
Cash flows from discontinued operations		
Net cash outflows from operating activities	(3,255)	(2,766)
Net cash outflows from investing activities	(199)	(104)
Net cash inflow/(outflow) from financing activities	826	(69)
Net cash outflows	(2,628)	(2,939)

The refrigeration business has been classified and accounted for at 31 March 2015 as a disposal group held for sale, (see note 11).

11 ASSETS CLASSIFIED AS HELD FOR SALE

	GROUP		PARENT	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Assets related to refrigeration segment (note 11.1)	40,241	0	18,371	0
Freehold land held for sale	0	435	0	0
	40,241	435	18,371	0
Liabilities associated with assets held for sale	8,022	0	0	0

11.1 Refrigeration segment

As described in note 10, the Group is disposing of its refrigeration segment, the Patton refrigeration group. An impairment loss of $635,000 has been recognised on reclassification of the assets and liabilities as held for sale.

The major classes of assets and liabilities of the refrigeration business at the end of the reporting period are as follows:

	GROUP	PARENT
	2015 $'000	2015 $'000
Cash and cash equivalents (including bank overdraft)	1,948	0
Trade and other receivables	12,931	11,192
Inventories	19,465	0
Property, plant and equipment	1,166	0
Goodwill and other intangible assets	4,002	0
Current tax asset	77	0
Deferred tax assets	652	0
Shares in Patton Limited	0	7,179
Assets of refrigeration business classified as held for sale	40,241	18,371
Trade and other payables	(5,731)	0
Borrowings	(961)	0
Derivative financial instruments	1	0
Provisions for other liabilities and charges	(1,331)	0
Liabilities of refrigeration business associated with assets classified as held for sale	(8,022)	0
Net assets of refrigeration business classified as held for sale	32,219	18,371
Total for the year attributable to:		
Co-operative shareholders of the Parent	29,636	18,371
Non-controlling interests	2,583	0
	32,219	18,371

12 CASH AND CASH EQUIVALENTS

	GROUP		PARENT	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Bank overdrafts - secured	(3,301)	(3,411)	(144)	(2,465)
	(3,301)	(3,411)	(144)	(2,465)
Cash and bank balances included in a disposal group held for sale	1,948	0	0	0
	(1,353)	(3,411)	(144)	(2,465)

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks, and investments in fixed deposits, net of bank overdrafts.

Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as shown above.

13 TRADE AND OTHER RECEIVABLES

	GROUP		PARENT	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Trade receivables	20,374	33,669	0	0
Allowance for doubtful debts	(461)	(723)	0	0
	19,913	32,946	0	0
Prepaid expenses and other receivables	3,757	4,613	360	32
	23,670	37,559	360	32

All trade receivables for the year ending 31 March 2015 are related to plumbing and related trades. The prior year ending 31 March 2014 also includes refrigeration and related trades.

13.1 Trade receivables

The average credit period on sales of goods is 30 days. The Group has recognised an allowance for doubtful debts of 100% against receivables over 120 days for specific debtors because historical experience has been that receivables that are past due beyond 120 days for these customers are not recoverable. An allowance for doubtful debts has been recognised on the balance of receivables over 120 days at 20% of receivables. Allowances for doubtful debts of 10% are recognised against trade receivables between 90 and 120 days and allowances for doubtful debts of 5% are recognised against trade receivables between 30 and 60 days. The percentage is based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

Before accepting any new customer, the Group uses an external credit agency or other customer and trade references to assess the potential customer's credit quality and defines credit limits by customer. The Group closely monitors customer payment history and spending trends to ensure that the credit limits remain appropriate to each customer.

13.2 Movements in the allowance for doubtful debts

	GROUP		PARENT	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Balance at beginning of year	(723)	(777)	0	0
Derecognised on disposal of a subsidiary	173	0	0	0
Impairment losses recognised on receivables	(41)	(464)	0	0
Amounts written off during the year as uncollectable	306	741	0	0
Impairment losses reversed	(176)	(223)	0	0
Balance at end of year	(461)	(723)	0	0

13.3 Age of receivables

	Total trade receivables		Impaired trade receivables	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Age of receivables				
0-30 days	14,650	17,215	0	0
31-60 days	2,844	8,634	0	0
61-90 days	870	2,780	0	0
90+ days	2,010	5,040	(461)	(723)
Total	20,374	33,669	(461)	(723)

13.4 Other receivables

All balances are part of normal business practice. No balances are impaired in the Group or Parent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2015

14 INVENTORIES

	GROUP 2015 $'000	GROUP 2014 $'000	PARENT 2015 $'000	PARENT 2014 $'000
Finished goods and goods for sale	30,352	48,672	0	0
Raw materials and work in progress	0	1,705	0	0
Provision for obsolete inventory and shrinkage	(1,079)	(1,285)	0	0
	29,273	49,092	0	0

All inventories for the year ending March 2015 are related to plumbing and related trades. The prior year ending March 2014 also includes refrigeration and related trades.

15 ASSOCIATES

Details of each of the Group's associates at the end of the reporting period are as follows:

Name of associate	Place of incorporation and operation	Principal activity	Proportion of ownership interest held by the Group 2015	2014
Aquatherm NZ Limited	New Zealand	Plumbing Supplies Importer	30.0%	30.0%
Construction Marketing Services Limited	New Zealand	Building Services Consultancy	12.5%	12.5%

All of the above are accounted for using the equity method in these consolidated financial statements. The balance date of both associates is 31 March.

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 three directors to the board of directors of that company.

Set out below is the summarised financial information for Aquatherm NZ Limited and Construction Marketing Services Limited. The aggregate information for the associates is shown as they are not individually material.

The summarised information below represents amounts shown in the associates financial statements prepared in accordance with NZ IFRSs (adjusted by the Group for equity accounting purposes).

	2015 $'000	2014 $'000
Summarised balance sheet		
Total current assets	5,539	3,681
Total non-current assets	1,551	1,436
Total current liabilities	(2,465)	(1,334)
Total non-current liabilities	0	(200)
Summarised income statements		
Revenue	8,916	9,103
Depreciation and amortisation	(262)	(183)
Interest expense	(9)	(7)
Post tax profit for the year	1,455	1,816
Other comprehensive income for the year	0	0
Total comprehensive income for the year	1,455	1,816

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

	GROUP 2015 $'000	GROUP 2014 $'000	PARENT 2015 $'000	PARENT 2014 $'000
Balance at the beginning of year	2,110	1,852	900	900
Group's share of post-tax profit	343	381	0	0
Group's share of dividends paid	(62)	(123)	0	0
Aggregate carrying amount of the Group's interest in these associates	2,391	2,110	900	900

16 INVESTMENTS IN SUBSIDIARIES

Details of the Group's subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Place of incorporation and operation	Principal activity	Proportion of ownership interest held by the Group 2015	2014
Plumbing World Limited	New Zealand	Wholesale and Retail Plumbing Supplier	100%	100%
Metrix Imports Limited	New Zealand	Wholesale and Retail Plumbing Supplier	100%	100%
Plumbing World Properties Limited*	New Zealand	Property Management	0%	100%
Held for sale:				
Patton Limited	New Zealand	Refrigeration Equipment Supplier	100%	100%
Patton Australia Pty Limited	Australia	Refrigeration Equipment Supplier	100%	100%
Metjak Pty Limited	Australia	Refrigeration Equipment Supplier	60%	60%
Air Conditioning & Refrigeration Parts CQ Pty Limited	Australia	Refrigeration Equipment Supplier	60%	60%
OZCOLD Pty Limited**	Australia	Non Trading	0%	60%
Mcdalea Pty Limited	Australia	Refrigeration Equipment Supplier	60%	60%
Catpri Pty Limited***	Australia	Non Trading	0%	60%
Patton Aero Company Limited	Thailand	Refrigeration Equipment Supplier	60%	60%
Patton Refrigeration India Pvt Limited	India	Refrigeration Equipment Supplier	100%	100%

Patton Aero Company Limited has a 31 December balance date. It is different to the Group balance date of 31 March due to the regulatory environment in the country of incorporation.

There are no significant restrictions (e.g. resulting from borrowing arrangements or regulatory requirements) on the ability of subsidiaries to transfer funds to the Parent in the form of cash dividends or to repay loans or advances.

* Plumbing World Properties Limited was amalgamated with NZPM Group Ltd on 31 October 2014.

** OZCOLD Pty Ltd was deregistered on 19 November 2014.

*** Catpri Pty Limited ceased trading on 1 August 2012; the company was deregistered on 14 May 2014.

16.1 Interests in subsidiaries

	PARENT 2015 $'000	PARENT 2014 $'000
Plumbing World Limited	13,134	13,134
Metrix Imports Limited	11,400	11,400
Patton Limited (note 11)	0	7,179
	24,534	31,713

The Parent's investment in subsidiaries comprises shares at cost less impairment.

There has been no impairment in the investment of subsidiaries (2014: nil).

17 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings $'000	Leasehold improvements $'000	Plant, property and equipment $'000	Motor vehicles $'000	Computer equipment $'000	Total $'000
GROUP 2014						
Balance at 1 April 2013						
Cost or valuation	620	3,302	18,663	1,106	3,416	27,107
Accumulated depreciation and impairment	(13)	(1,978)	(14,483)	(796)	(2,030)	(19,300)
Carrying amount	607	1,324	4,180	310	1,386	7,807
Movements during the year						
Cost or valuation						
Acquisitions	0	557	588	56	132	1,333
Revaluations	(166)	0	0	0	0	(166)
Reclassification to assets held for sale	(454)	0	0	0	0	(454)
Reclassification at carrying amount	0	3,572	(4,205)	0	633	0
Disposals	0	0	(100)	(253)	(35)	(388)
Movements in foreign exchange	0	(6)	(4)	0	0	(10)
Accumulated depreciation and impairment						
Reclassification to assets held for sale	20	0	0	0	0	20
Reclassification at carrying amount	0	(1,556)	2,101	0	(545)	0
Disposals	0	26	62	214	43	345
Depreciation charge	(7)	(665)	(749)	(96)	(763)	(2,280)
Balance at 31 March 2014						
Cost or valuation	0	7,425	14,942	909	4,146	27,422
Accumulated depreciation and impairment	0	(4,173)	(13,069)	(678)	(3,295)	(21,215)
Carrying amount	0	3,252	1,873	231	851	6,207
GROUP 2015						
Balance at 1 April 2014						
Cost or valuation - continuing operations		6,470	13,308	460	3,729	23,967
Cost or valuation - discontinued operations		955	1,634	449	417	3,455
Accumulated depreciation and impairment - continuing operations		(3,727)	(12,049)	(314)	(2,986)	(19,076)
Accumulated depreciation and impairment - discontinued operations		(446)	(1,020)	(364)	(309)	(2,139)
Carrying amounts		3,252	1,873	231	851	6,207
Movements during the year						
Cost or valuation						
Acquisitions - continuing operations		243	277	15	140	675
Acquisitions - discontinued operations		44	136	22	46	248
Disposals - continuing operations		(338)	(3,104)	(67)	(11)	(3,520)
Disposals - discontinued operations		0	(59)	(37)	0	(96)
Accumulated depreciation and impairment						
Disposals - continuing operations		299	3,080	67	9	3,455
Disposals - discontinued operations		0	21	13	0	34
Depreciation charge - continuing operations		(581)	(436)	(57)	(588)	(1,662)
Depreciation charge - discontinued operations		(99)	(154)	(32)	(51)	(336)
Balance at 31 March 2015-continuing operations						
Cost or valuation		6,375	10,481	408	3,858	21,122
Accumulated depreciation and impairment		(4,009)	(9,405)	(304)	(3,565)	(17,283)
Carrying amounts		2,366	1,076	104	293	3,839
Balance at 31 March 2015 - discontinued operations (see note 11)		454	558	51	103	1,166

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

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	Plant, property and equipment $'000	Computer equipment $'000	Total $'000
PARENT 2014			
Balance at 1 April 2013			
Cost or valuation	806	1,638	2,444
Accumulated depreciation and impairment	(393)	(453)	(846)
Carrying amount	413	1,185	1,598
Movements during the year			
Cost or valuation			
Acquisitions	0	25	25
Disposals	0	(36)	(36)
Transfers	(633)	(1,624)	(2,257)
Accumulated depreciation and impairment			
Disposals	0	36	36
Transfers	545	871	1,416
Depreciation charge	(196)	(457)	(653)
Balance at 31 March 2014			
Cost or valuation	173	3	176
Accumulated depreciation and impairment	(44)	(3)	(47)
Carrying amount	129	0	129
PARENT 2015			
Balance at 1 April 2014			
Cost or valuation	173	3	176
Accumulated depreciation and impairment	(44)	(3)	(47)
Carrying amount	129	0	129
Movements during the year			
Cost or valuation			
Acquisitions	0	0	0
Disposals	(5)	(3)	(8)
Accumulated depreciation and impairment			
Disposals	4	3	7
Depreciation charge	(17)	0	(17)
Balance at 31 March 2015			
Cost or valuation	168	0	168
Accumulated depreciation and impairment	(57)	0	(57)
Carrying amount	111	0	111

18 INTANGIBLE ASSETS

	Goodwill $'000	Software $'000	Total $'000
GROUP 2014			
Balance at 1 April 2013			
Cost	15,940	4,460	20,400
Accumulated amortisation and impairment	(3,666)	(1,524)	(5,190)
Carrying amounts	12,274	2,936	15,210
Movements during the year			
Cost or valuation			
Acquisitions	0	3,091	3,091
Disposals	0	(123)	(123)
Movements in foreign exchange	(599)	2	(597)
Accumulated depreciation and impairment			
Disposals	0	(13)	(13)
Amortisation charge	0	(665)	(665)
Balance at 31 March 2014			
Cost	15,341	7,430	22,771
Accumulated amortisation and impairment	(3,666)	(2,202)	(5,868)
Carrying amounts	11,675	5,228	16,903

	Goodwill $'000	Software $'000	Total $'000
GROUP 2015			
Balance at 1 April 2014			
Cost-continuing operations	9,956	6,901	16,857
Cost-discontinued operations	5,385	529	5,914
Accumulated amortisation and impairment-continuing operations	(3,066)	(1,841)	(4,907)
Accumulated amortisation and impairment-discontinued operations	(600)	(361)	(961)
Carrying amounts	11,675	5,228	16,903
Movements during the year			
Cost or valuation			
Acquisitions-continuing operations	0	958	958
Acquisitions-discontinued operations	0	21	21
Disposals-continuing operations	0	(166)	(166)
Accumulated depreciation and impairment			
Disposal-continuing operations	0	166	166
Amortisation charge-continuing operations	0	(2,965)	(2,965)
Amortisation charge-discontinued operations	0	(64)	(64)
Movements in foreign exchange	(172)	0	(172)
Write-off goodwill	(101)	0	(101)
Impairment-discontinued operations	(635)	0	(635)
Balance at 31 March 2015-continuing operations			
Cost	9,956	7,693	17,649
Accumulated amortisation and impairment	(3,066)	(4,640)	(7,706)
Carrying amounts	6,890	3,053	9,943
Balance at 31 March 2015-discontinued operations (see note 11)	3,877	125	4,002

On 24 June 2015, NZPM Group announced that it would replace the current ERP system software within its Plumbing World subsidiary. The accounting standards require the company to re-estimate the useful life of this intangible asset from the previous balance stated to the expected date the asset will be replaced which NZPM estimates will be 31 March 2016. The change in estimate increased the amortisation charge (and decreased the net carrying amount) by $2,326,000 in the year end 31 March 2015.

	Software $'000	Total $'000
PARENT 2014		
Balance at 1 April 2013		
Cost	2,842	2,842
Accumulated amortisation	(87)	(87)
Carrying amounts	2,755	2,755
Movements during the year		
Cost		
Acquisitions	1,755	1,755
Disposals	(119)	(119)
Transfers	(4,316)	(4,316)
Accumulated depreciation and impairment		
Disposals	0	0
Transfers	350	350
Amortisation charge	(425)	(425)
Balance at 31 March 2014		
Cost	162	162
Accumulated amortisation	(162)	(162)
Carrying amounts	0	0

	Software $'000	Total $'000
PARENT 2015		
Balance at 1 April 2014		
Cost	162	162
Accumulated amortisation	(162)	(162)
Carrying amounts	0	0
Movements during the year		
Cost		
Disposals	(162)	(162)
Accumulated depreciation and impairment		
Disposals	162	162
Balance at 31 March 2015		
Cost	0	0
Accumulated amortisation	0	0
Carrying amounts	0	0

Impairment tests for goodwill

Management reviews the business performance based on geography and type of business. Goodwill is monitored at the CGU level within the operating segments. Goodwill is allocated to the following cash-generating units (CGU) for the purpose of impairment testing:

	New Zealand Refrigeration CGU $'000	Australian Refrigeration CGU $'000	Indian Refrigeration CGU $'000	Plumbing CGU $'000	Total $'000
GROUP 2015					
Opening balance	902	3,782	101	6,890	11,675
less impairment of discontinued operations		(635)	0	0	(635)
Movements in foreign exchange	0	(172)	0	0	(172)
Write off goodwill	0	0	(101)	0	(101)
less items included in the disposal group as held for sale	(902)	(2,975)	0	0	(3,877)
	0	0	0	6,890	6,890

The impairment test for goodwill assesses the estimated value in use of the above entities 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 CGUs. Following the classification of Patton to discontinued operations, NZPM has a single NZ Plumbing CGU.

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

NZ Plumbing CGU

- Revenue growth rates ranging from 2.1% to 3.6% during the 5 year forecast period, (2014: 4.4% to 5.0%).

- Terminal growth rate of 3.0%, (2014: 3.0%)

- Post tax weighted average cost of capital (WACC) of 10.0% (2014: 10.5%)

At year end, the carrying amount of CGU, including goodwill, was determined to be lower than the recoverable amounts; as such no impairment loss has arisen. There is adequate headroom in the NZ Plumbing CGU impairment test, (approximately $38m), but the calculation for this goodwill is sensitive to relatively small movements in the key assumptions, particularly the forecast growth rate and cash flows during the 5 year forecast period and the WACC.

Sensitivity analysis

In relation to the goodwill attached to the NZ Plumbing CGUs, 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 +/- $9m. Similarly a +1% movement in the discount rate would alter the recoverable amount by - $12m and a -1% movement in the discount rate would alter the recoverable amount by + $16m.

	New Zealand Refrigeration CGU $'000	Australian Refrigeration CGU $'000	Indian Refrigeration CGU $'000	Plumbing CGU $'000	Total $'000
GROUP 2014					
Balance at beginning of year	902	4,381	101	6,890	12,274
Movements in foreign exchange	0	(599)	0	0	(599)
Balance at end of year	902	3,782	101	6,890	11,675

19 TRADE AND OTHER PAYABLES

	GROUP		PARENT	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Trade payables	13,905	16,466	0	0
Other payables and accrued liabilities	2,170	4,334	490	934
	16,075	20,800	490	934

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.

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20 BORROWINGS

	GROUP		PARENT	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Secured - at amortised cost				
Current				
Finance lease liabilities (see note 20.2)	1,149	1,244	1,149	1,236
Bank loans	25,000	0	25,000	0
	26,149	1,244	26,149	1,236
Non-current				
Finance lease liabilities (see note 20.2)	2,235	3,409	2,235	3,384
Bank loans	10,000	32,300	10,000	32,300
	12,235	35,709	12,235	35,684
Total borrowings	38,384	36,953	38,384	36,920

The Group minimises interest risk by using short and long term borrowing as well as interest rate swaps. There were no defaults during the period of principal, interest or terms of the loans payable.

20.1 Interest bearing loans

Security

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

Bank facilities

The banking facilities in place are as follows:

Facility type	Amount	Expiry date
Multi Option Credit Facility (MOCL)	$35 million	31 July 2016 (2014: $35 million)
Overdraft facility	$5 million	31 July 2016 (2014: $5 million)

As at 31 March 2015 $35,000,000 was drawn down in credit facilities (2014: $32,300,000). In conjunction with the settlement of the Patton sale in 1 April 2015, NZPM repaid $25,000,000 of its interest bearing loans and the MOCL was reduced to $10,000,000 on the same date.

Interest rates
Secured bank loans 4.92% - 5.80% (2014: 4.57% - 5.05%)
Bank overdraft base rate 8.45% - 9.45% (2014: 8.45%)
SWAP transaction rate spread: 2.97% - 3.71% (2014: 2.65% - 2.97%)

20.2 Finance lease liabilities

	Commitment in relation to minimum lease payments		Present value of minimum lease payments	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
GROUP 2015 and 2014				
Not later than one year	1,404	1,592	1,149	1,244
Later than one year and not later than five years	2,468	3,872	2,235	3,409
Minimum future lease payments	3,872	5,464	3,384	4,653
less future finance charges	(488)	(811)	0	0
	3,384	4,653	3,384	4,653
Classified as:				
Current			1,149	1,244
Non-current			2,235	3,409
			3,384	4,653

Security
Finance lease liabilities are secured by the assets leased. Finance leases relate to hardware and software equipment and telephone equipment.

Facility type
The hardware and the software have lease terms of 3 years and 6 years respectively. The interest rate for the hardware is 6.00% and for software 9.90%.
At settlement date of the rental facility agreement, NZPM sold the equipment to Quadrent Limited and agreed to rent the same back from Quadrent.
At the conclusion of the lease agreement the equipment is returned to the lessor.

The Telecom New Zealand equipment has two leases both with lease terms of 3 years. The interest rate for one lease is 4.85% (2014: 4.85%) and the other is 7.34% (2014: 7.34%).

21 DERIVATIVE FINANCIAL INSTRUMENTS

	GROUP 2015 $'000	GROUP 2014 $'000
Derivatives that are designated and effective as hedging instruments carried at fair value:		
Interest rate swaps	1,582	1,503
Forward foreign exchange contracts	37	8
	1,619	1,511
Classified as:		
Current	37	8
Non-current	1,582	1,503
	1,619	1,511

The Parent has no derivative financial instruments (2014:nil).

21.1 Forward foreign exchange contracts

In order to protect against exchange rate movements, the Group has entered into forward exchange contracts to purchase AUD, USD and EUR currencies for the payment of imports.

21.2 Interest rate swaps

The Group has entered into interest rate swaps to protect against the effect of interest rate movements on the interest expense associated with a portion of its long-term borrowings. The Group has contracted to pay a fixed rate of interest in return for receiving payments based on a variable rate of interest.

22 PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	Onerous leases $'000	Other $'000	Employee entitlements $'000	Warranties $'000	Directors' retiring allowance $'000	Total $'000
GROUP 2014						
Balance at 1 April 2013	241	215	4,011	150	186	4,803
Additional provisions made during the year	0	0	2,298	50	84	2,432
Provisions used during the year	(206)	0	(2,592)	0	(43)	(2,841)
Balance at 31 March 2014	35	215	3,717	200	227	4,394
Classified as:						
Current	35	100	3,391	200	0	3,726
Non-current	0	115	326	0	227	668
	35	215	3,717	200	227	4,394
GROUP 2015						
Balance at 1 April 2014 - continuing operations	35	215	2,561	0	227	3,038
Balance at 1 April 2014 - discontinued operations	0	0	1,156	200	0	1,356
	35	215	3,717	200	227	4,394
Additional provisions made during the year - continuing operations	0	0	2,160	0	68	2,228
Additional provisions made during the year - discontinued operations	0	0	1,684	0	0	1,684
Provisions used during the year - continuing operations	(35)	0	(2,712)	0	(15)	(2,762)
Provisions used during the year - discontinued operations	0	0	(1,709)	0	0	(1,709)
Balance at 31 March 2015 - continuing operations	0	215	2,009	0	280	2,504
Balance at 31 March 2015 - discontinued operations (see note 11)	0	0	1,131	200	0	1,331
Classified as:						
Current	0	100	1,722	0	0	1,822
Non-current	0	115	287	0	280	682
	0	215	2,009	0	280	2,504

	Other $'000	Employee entitlements $'000	Warranties $'000	Directors' retiring allowance $'000	Total $'000
PARENT 2014					
Balance at 1 April 2013	100	918	0	186	1,204
Additional provisions made during the year	0	160	0	84	244
Provisions used during the year	0	(876)	0	(43)	(919)
Balance at 31 March 2014	100	202	0	227	529
Classified as:					
Current	100	202	0	0	302
Non-current	0	0	0	227	227
	100	202	0	227	529
PARENT 2015					
Balance at 1 April 2014	100	202	0	227	529
Additional provisions made during the year	0	154	0	68	222
Provisions used during the year	0	(288)	0	(15)	(303)
Balance at 31 March 2015	100	68	0	280	448
Classified as:					
Current	100	68	0	0	168
Non-current	0	0	0	280	280
	100	68	0	280	448

Provision for employee entitlements
The provision for employee entitlements relates to employee benefits such as accrued annual leave, long service leave, employee bonuses and sick leave. Most of the liability is expected to be incurred over the next twelve months.

Other - site restoration provision and key man provision
An obligation exists to restore certain valued sites to their original condition. The estimated future obligations include the cost of removing the fixtures and restoring the affected areas.

A provision has been established for financial exposure in the event of key staff leaving the organisation.

Directors' retiring allowance
A provision is maintained for the payment of a retiring allowance for directors in accordance with the Constitution.

Warranties
Provisions for warranty costs are recognised at the date of sale of the relevant product at management's best estimate of the expenditure required to settle the Group's obligations.

Onerous leases
Provision has been made for the rental cost for the remaining lease term on a discounted cash flow basis for two property leases which are no longer occupied by the Group.

23 CO-OPERATIVE SHARE CAPITAL

	GROUP		PARENT	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Ordinary shares				
Issued capital				
8,640,502 (2014: 9,244,283) ordinary shares of $1 each	8,641	9,244	8,641	9,244
less uncalled and unpaid capital	(625)	(849)	(625)	(849)
	8,016	8,395	8,016	8,395
Development shares				
Issued capital				
1,240,000 (2014: 1,050,000) development shares of $1 each	1,240	1,050	1,240	1,050
less uncalled and unpaid capital	(548)	(422)	(548)	(422)
	692	628	692	628
Redeemable preference shares				
260,389 (2014: 1,429,430) redeemable preference shares of $1 each fully paid	260	1,429	260	1,429
New redeemable preference shares				
13,670,005 (2014: 10,486,393) redeemable preference shares of $1 each fully paid	13,670	10,486	13,670	10,486
Redeemable preference rebate shares				
2008 redeemable preference rebate shares	0	1,413	0	1,413
2014 redeemable preference rebate shares	565	0	565	0
	565	1,413	565	1,413
Share subscriptions in advance	4	728	4	728
Total paid-up co-operative capital	23,207	23,079	23,207	23,079
Classified as:				
Current	4	2,141	4	2,141
Non-current	23,203	20,938	23,203	20,938
	23,207	23,079	23,207	23,079

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 rebates.

Development shares
Development shares will be redeemed at NZPM's option according to the Constitution at the nominal value of $1 per fully paid share. Consideration for the redemption is subject to the directors' right to postpone payment. Development shares can only be redeemed in conjunction with the surrender of the ordinary shares held by that shareholder. Development shares carry certain rights to receive dividends. Development shares carry no voting rights' (except as required by section 117 of the Companies Act 1993), or rights to rebates.

Redeemable preference shares
NZPM has issued various redeemable preference shares. Redeemable preference shares issued at different times and with different terms each constitute a separate class of redeemable preference shares. Redeemable preference shares are redeemable at the option of the shareholder at the nominal value of $1 per share. Redeemable preference shares carry certain rights to receive dividends. Redeemable preference shares carry no voting rights (except as required by section 117 of the Companies Act 1993) or rights to rebates. The directors are able to postpone repayment.

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

General
All shares carry equal rights on any winding up of NZPM to be repaid the paid up capital, in proportion to the capital paid up on each share. Each ordinary share and development share also carries the further right to share equally in the distribution of any further residual assets of NZPM following repayment of the paid-up capital. The Constitution and the Companies Act 1993 gives the directors the discretion to pay different rates of dividend (if any) to different classes of shares. All share capital is classified as a liability as it is redeemable on a specific date or at the option of the shareholders.

23.1 Movement in co-operative share capital

	GROUP and PARENT
	Capital attributable to co-operative shareholders $'000
GROUP and PARENT 2014	
Balance at 1 April 2013	19,951
Shares issued	5,917
Shares redeemed	(2,219)
Share subscriptions in advance (previous year)	(365)
Share subscriptions in advance	728
2007 redeemable preference rebate shares paid	(933)
Balance at 31 March 2014	23,079
Classified as:	
Current	2,141
Non-current	20,938
	23,079
GROUP and PARENT 2015	
Balance at 1 April 2014	23,079
Total shares issued	6,222
Total shares redeemed	(3,957)
Share subscriptions in advance (previous year)	(728)
Share subscriptions in advance	4
2008 redeemable preference rebate shares paid	(1,413)
Balance at 31 March 2015	23,207
Classified as:	
Current	4
Non-current	23,203
	23,207

The current portion of co-operative share capital represents the value of share subscriptions in advance as at 31 March.

Co-operative shares have a face value of $1 per share.

24 OTHER RESERVES

	GROUP		PARENT	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Property revaluation	0	365	0	0
Foreign currency translation	(4,271)	(3,746)	0	0
	(4,271)	(3,381)	0	0

24.1 Property revaluation reserve

	GROUP		PARENT	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Balance at beginning of year	365	531	0	0
Transferred to retained earnings	(365)	0	0	0
Decrease arising on revaluation of property	0	(166)	0	0
Balance at end of year	0	365	0	0

24.2 Foreign currency translation reserve

	GROUP		PARENT	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Balance at beginning of year	(3,746)	(782)	0	0
Exchange differences arising on translating the foreign operations	(439)	(3,313)	0	0
less exchange difference on translation of foreign operations on non-controlling interests	(86)	349	0	0
Balance at end of year	(4,271)	(3,746)	0	0

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve (FCTR) are reclassified to profit and loss on the disposal of the foreign operations.

The FCTR relates to NZPM's investment in foreign operations within the discontinued refrigeration segment (Patton group). This balance will be reclassified to profit or loss on disposal of Patton (1 April 2015).

25 RETAINED EARNINGS/(DEFICIT)

	GROUP		PARENT	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Balance at beginning of year	25,886	27,816	(6,035)	267
(Loss)/profit before distributions to co-operative shareholders from continuing operations	(3,296)	428	(2,537)	(1,989)
Profit before distributions to co-operative shareholders from discontinued operations	82	1,955	0	0
Dividends provided for and paid	(812)	(642)	(812)	(642)
Rebates provided for and paid	(2,232)	(3,671)	(2,232)	(3,671)
Loss attributable to co-operative shareholders of the Parent	(6,258)	(1,930)	(5,581)	(6,302)
Transfer from property revaluation reserve	365	0	0	0
Amalgamation of subsidiaries	0	0	252	0
Balance at end of year	19,993	25,886	(11,364)	(6,035)

The Parent company retained earnings deficit arises due to not all retained earnings of subsidiary companies having been passed to the parent company.

26 NON-CONTROLLING INTERESTS

	GROUP		PARENT	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Balance at beginning of year	2,570	2,491	0	0
Profit attributable to non-controlling interests	116	563	0	0
Dividends paid to non-controlling interests shareholders	(86)	(89)	0	0
Disposal of interest in non-controlling interests	(103)	(46)	0	0
Exchange differences arising on translating the foreign operations	86	(349)	0	0
Balance at end of year	2,583	2,570	0	0

27 SEGMENT INFORMATION

Following the classification of the Refrigeration segment to discontinued operations in 2015, the NZPM Group has a single segment in New Zealand.

27.1 Operating segments

Information regarding the Group's reportable segments is as follows:

	Plumbing $'000	Refrigeration $'000	Other $'000	Total $'000
GROUP 2014				
Total segment revenue	179,072	64,971	0	244,043
Inter-segment revenue	(7)	(359)	0	(366)
Revenue	179,065	64,612	0	243,677
Depreciation	1,310	310	660	2,280
Amortisation	161	79	425	665
Impairment	149	315	0	464
Net foreign exchange gain	(1)	(181)	0	(182)
Operating profit/(loss) by reportable segment	3,162	4,680	(2,219)	5,623
Inter-segment items	(63)	9	(60)	(114)
Share of profit in associates	118	0	263	381
Profit/(loss) before financing costs, distributions to shareholders and income tax	3,217	4,689	(2,016)	5,890
Net finance income/(cost)	544	(1,066)	(1,311)	(1,833)
Distributions to shareholders	0	0	(4,313)	(4,313)
Profit/(loss) before income tax	3,761	3,623	(7,640)	(256)

Revenue reported above represents revenue generated from external customers less any intercompany sales within the segment. The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2. Items that eliminate on consolidation such as intercompany dividends and intercompany balances have not been included in the figures. Segment operating profit/(loss) represents the earnings of each segment before interest, tax, the share of profit/(loss) of associates, foreign exchange gain/(loss), and dividends and rebates paid to co-operative shareholders. Operating profit/(loss) is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

	Plumbing $'000	Refrigeration $'000	Other $'000	Total $'000
GROUP 2014				
Total assets	68,052	41,470	5,701	115,223
Total liabilities	24,945	6,910	58,293	90,148

For the purposes of monitoring segment performance and allocating resources between segments, the chief operating decision maker monitors tangible, intangible, financial assets and liabilities attributable to each segment. All assets are allocated to reportable segments.

	Revenue from external customers 2014 $'000	Non-current assets 2014 $'000
GROUP 2014		
New Zealand	206,207	20,527
Australia	34,779	4,610
Other	2,691	289
Total	243,677	25,426

The basis for attributing revenues from external customers to geographical areas is aligned to the country of incorporation of the companies in the Group.

28 FINANCIAL RISK MANAGEMENT

The Group is subject to a number of financial risks which arise as a result of its activities, including importing and domestic trading. Exposure to credit, interest rate, foreign currency, and liquidity risks arises in the normal course of the Group's business. The Group manages commodity price risks through negotiated supply contracts and forward physical contracts. These contracts are for the purpose of the receipt in accordance with the Group's expected usage requirements only and are accounted for as financial instruments.

Treasury activities are performed by a central Treasury function and are governed by Group policies approved by the Board of Directors. The Group's treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks in relation to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risk.

28.1 Capital risk management

The main objective of capital risk management is to ensure the Group operates as a going concern, meeting debts as they fall due, maintaining the best possible capital structure and reducing the cost of capital. Group capital consists of other reserves and retained earnings. To maintain or alter the capital structure the Group has the ability to review the size of the dividends paid to shareholders, return capital or issue new shares, reduce or increase debt or sell assets.

The Group's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and sustain future development of the business.

The Group's policy in respect of capital management and allocation are regularly reviewed by the Board of Directors. There have been no material changes in the Group's management of capital during the year.

There are a number of externally imposed bank financial covenants required as part of term debt facilities. These covenants are calculated monthly and reported to the bank quarterly.

Under the Facility Agreement the Group must maintain:

i. Funding cost cover ratio - adjusted EBIT (earnings before non-recurring items, interest and tax) for the Group against its total borrowing costs and requires these ratios to exceed 1.25 times. Given the low profitability of the business, NZPM and Westpac agreed that these ratios would apply again as from 1 April 2015. In July 2015, the company agreed a clarification to the definition of borrowing costs to include the cash flow component of interest rate swaps. The funding cost cover ratio was reduced from 1.5 to 1.25 times. A waiver was provided by Westpac for the June 2015 quarter. The funding cost cover ratio will be tested for two quarters at 30 September 2015, three quarters at 31 December 2015 and on a rolling 12 month basis thereafter.

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

iii. 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.

28.2 Financial instruments by category

		GROUP		PARENT	
	Notes	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Financial assets					
Loans and receivables	13	23,670	37,559	6,815	24,693
Financial liabilities					
Bank overdraft	12	3,301	3,411	144	2,465
Fair value through profit or loss:					
- Held for trading derivatives	21	1,619	1,511	0	0
At amortised cost					
- Trade payables	19	16,075	20,800	490	934
- Related party payables		0	0	90	514
- Borrowings	20	38,384	36,953	38,384	36,920
- Co-operative share capital	23	23,207	23,079	23,207	23,079
		82,586	85,754	62,315	63,912

28.3 Fair value of financial instruments

The directors consider that the carrying amounts of loans and receivables, cash and cash equivalents, and financial liabilities at amortised cost in the financial statements approximate their fair values.

The following assumptions were used to estimate the fair values for each class of financial instrument:

- Forward exchange contracts are measured using observable market forward rates and yield curves derived from observable market interest rates matching maturities of the contracts,

- Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from observable market interest rates.

Fair value measurement hierarchy

The following table presents the Group and Parent's financial instruments that are measured, subsequent to initial recognition, at fair value at 31 March 2015 and 2014.

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 assets or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices);

Level 3: Inputs for assets or liabilities that are not based on observable market data (that is, unobservable inputs).

All financial instruments measured at fair value, are classified as level 2.

	GROUP		PARENT	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Level 2:				
Derivative financial liabilities at fair value through profit or loss	1,619	1,511	0	0

Derivatives
Fair value of derivative instruments is calculated using quoted market prices where applicable. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instrument.

There were no transfers between categories in the period.

28.4 Credit risk

Credit risk is the potential risk for loss arising from the failure of a debtor to meet their repayment obligations. The objective of the Group is to minimise 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 minimised by having a spread of customers with no significant concentration of credit risk.

All trade receivables are individually reviewed regularly for impairment as part of normal operating procedures and provided for where appropriate, refer note 13.

Trade receivables that are less than three months past due are not considered impaired. Overdue amounts that have not been provided for relate to customers that have a credit history of more than twelve months and have no recent history of default or they are on an existing payment plan.

28.5 Liquidity risk

The Group manages liquidity risk by continuously monitoring cash flows and forecasts and matching maturity profiles of financial assets and liabilities. The Group also maintains adequate headroom on its loan facilities.

Policies are established to ensure all obligations are met within a timely and cost effective manner. The secured bank facility with Westpac imposes various undertakings on NZPM and requires compliance with several covenants. During the year the Group received a waiver from Westpac that the Funding Cost Cover Ratio would not apply. Westpac also agreed to lower the Quasi Group Equity ratio from 27.5% to 25%. Subject to these concessions, all undertakings and covenants were met during the year.

On 31 March 2015, the Group agreed to a new facility arrangement with Westpac. On this date the Group was compliant with all undertakings and covenants.

The table below analyses the Group's financial liabilities into relevant contractual maturity groupings based on the remaining period at the reporting date to the contractual maturity date. For the purposes of this table, it is assumed that year end interest rates applicable to the term loan will apply through to expiry of the term loan facility.

	Notes	Balance sheet $'000	Contractual cash flows $'000	Less than 6 months $'000	Between 6 - 12 months $'000	Between 1 - 2 years $'000	Over two years $'000
GROUP 2015							
Bank overdraft	12	3,301	3,301	3,301	0	0	0
Trade and other payables	19	16,075	16,075	16,075	0	0	0
Finance lease liabilities	20	3,384	3,872	702	702	1,192	1,276
Interest bearing loans	20	35,000	35,748	25,283	279	10,186	0
Co-operative share capital	23	23,207	23,207	4	0	0	23,203
Derivative financial instruments	21	1,619	1,599	234	234	468	663
Total financial liabilities		82,586	83,802	45,599	1,215	11,846	25,142

	Notes	Balance sheet $'000	Contractual cash flows $'000	Less than 6 months $'000	Between 6 - 12 months $'000	Between 1 - 2 years $'000	Over two years $'000
GROUP 2014							
Bank overdraft		3,411	3,411	3,411	0	0	0
Trade and other payables		20,800	20,800	20,800	0	0	0
Finance lease liabilities		4,653	5,464	796	796	1,404	2,468
Interest bearing loans		32,300	35,507	802	802	33,903	0
Co-operative share capital		23,079	23,079	2,141	0	0	20,938
Derivative financial instruments		1,511	2,319	290	290	580	1,159
Total financial liabilities		85,754	90,580	28,240	1,888	35,887	24,565
PARENT 2015							
Bank overdraft	12	144	144	144	0	0	0
Trade and other payables	19	490	490	490	0	0	0
Finance lease liabilities	20	3,384	3,872	702	702	1,192	1,276
Interest bearing loans	20	35,000	35,748	25,283	279	10,186	0
Co-operative share capital	23	23,207	23,207	4	0	0	23,203
Balance owing to subsidiaries	32.1	90	90	90	0	0	0
Total financial liabilities		62,315	63,551	26,713	981	11,378	24,479
PARENT 2014							
Bank overdraft		2,465	2,465	2,465	0	0	0
Trade and other payables		934	934	934	0	0	0
Finance lease liabilities		4,620	5,464	796	796	1,404	2,468
Interest bearing loans		32,300	35,507	802	802	33,903	0
Co-operative share capital		23,079	23,079	2,141	0	0	20,938
Balance owing to subsidiaries		514	514	514	0	0	0
Total financial liabilities		63,912	67,963	7,652	1,598	35,307	23,406

28.6 MARKET RISK

Foreign currency exchange risk

The Group operates internationally and has exposure to foreign currency risk as a result of transactions denominated in foreign currencies from normal trading activities. Major trading currencies include the Australian Dollar, US Dollar and Euro.

Exchange rate exposures greater than NZD$50,000, for a period of up a year, are managed under the foreign exchange policy approved by the NZPM Board of Directors.

The Group uses the following to reduce foreign exchange risk:

- foreign exchange contracts
- foreign exchange bank accounts
- spot purchases of foreign currency
- historic rate rollovers of foreign exchange contracts

At balance date the Group had the following forward exchange contracts (notional amounts):

	GROUP 2015 $'000	GROUP 2014 $'000
United States Dollar (USD)	333	1,325
European Community Euro (EUR)	632	1,037
Thailand Baht (THB)	0	643
Australian Dollar (AUD)	335	336
	1,299	3,341

At balance date, the Parent had no forward foreign exchange contracts (2014: nil).

Foreign currency exchange sensitivity analysis

At year end the Group has foreign currency exposures relating to cash and external/intercompany debtors and creditors. The Parent has no foreign exchange exposure (2014:nil)

The Group carrying amount of foreign currency denominated monetary assets and liabilities at 31 March are as follows:

	GROUP 2015 $'000	GROUP 2014 $'000
Cash		
Thailand Baht (THB)	0	(178)
Australian Dollar (AUD)	0	1,966
India Rupee (INR)	0	(134)
Trade payables		
Thailand Baht (THB)	0	718
Australian Dollar (AUD)	34	2,994
India Rupee (INR)	0	80
European Community Euro (EUR)	37	5
United States Dollar (USD)	122	108
Swiss Franc (CHF)	0	1
Trade receivables		
Thailand Baht (THB)	0	689
Australian Dollar (AUD)	0	6,746
India Rupee (INR)	0	530

10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible movement in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in foreign exchange rates.

The impact of a +/- 10% movement in foreign exchange rates would not have a material impact on the profit after tax, as the Group utilises foreign exchange risk management products over a six to twelve month period, and has the ability to manage selling prices as very little of the imported product range is subject to locally manufactures substitution.

Interest rate

The Group is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. Interest rate risk is the potential for a change in interest rates to change funding costs.

Interest rate risk is identified by forecasting cash flow requirements, short-term through to long-term. Short term funding is provided by the bank.

The Group has term floating rate borrowings used to fund on-going activities, which are repriced at the option of the borrower on roll-over dates.

The Parent lends to and borrows from its subsidiary companies. Interest is calculated at the end of each month on the outstanding total, at an interest rate of 8%.

Interest rate swap

Under the interest rate swap contract for $12,000,000 (2014: $12,000,000), the Group agrees to exchange the difference between fixed and floating exchange rate interest amounts calculated on agreed notional principal amounts. The fixed interest rate is 7.55% (2014: 7.55%). The interest rate swap is settled on a quarterly basis. The floating rate on the interest rate swap is the local interbank rate in New Zealand. The Group will settle the difference between the fixed and floating interest rate on a net basis.

Interest rate sensitivity

At 31 March 2015, after the proforma adjustment for the reduction in bank debt of $25,000,000, it is estimated that a general increase of one (2014: one) percentage point in interest rates would decrease the Group's profit before income tax by approximately $133,840 (2014: $369,530); a general decrease of one (2014: one) percentage point in interest rates would increase the Group's profit before income tax by approximately $133,840 (2014: $369,530).

29 LEASE COMMITMENTS

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

	GROUP 2015 $'000	GROUP 2014 $'000
Within one year	6,249	7,795
One to two years	5,515	6,554
Two to three years	3,752	5,214
Three to four years	2,903	3,192
Four to five years	1,772	2,595
Over five years	1,243	2,862

The Group leases a number of warehouse and office facilities under operating leases. 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.

During the year ended 31 March 2015 $6,030,000 was recognised as an expense in the statement of comprehensive income in respect of operating leases (2014: $6,242,000).

The Parent company has no lease commitments (2014: nil).

30 CAPITAL COMMITMENTS

The Group has a commitment of $400,000 to upgrade leasehold premises (2014: nil).
The Parent has no capital commitments (2014: nil).

31 CONTINGENCIES

Astivita Limited (Astivita), an Australian public company, has issued legal proceedings against Plumbing World Limited (Plumbing World), a subsidiary of NZPM. The proceedings relate to an agreement between Astivita and Plumbing World regarding the trade mark ASTIVITA in New Zealand (Agreement). After entering into the Agreement, Plumbing World registered the trade mark ASTIVITA in New Zealand on 25 October 2007 under registration No. 767155 (Trade Mark). Astivita has purported to terminate the Agreement and has issued proceedings against Plumbing World alleging breach of contract, breach of the Fair Trading Act and rights arising from equitable estoppel. Astivita has sought a number of remedies including an injunction requiring Plumbing World to transfer ownership of the Trade Mark to Astivita and an injunction preventing Plumbing World, its directors, servants or agents from importing, producing, or offering for sale or selling plumbing supplies under or by reference to the trade mark ASTIVITA. Astivita has also sought an enquiry as to damages or, at its election, an account of profits.

Plumbing World denies the claims and is vigorously defending the proceedings. A 5 day trial was set down to begin in the High Court of New Zealand starting on 13 April 2015. In March 2015, Astivita sought, and were granted, orders adjourning the trial and for joinder of Mr John Beith as a second defendant. Mr Beith is a former director of Astivita and Astivita now claim Plumbing World and Mr Beith were involved in a conspiracy of unlawful means to injure Astivita in trade. This claim is also being vigorously defended by Plumbing World. If found liable, Plumbing World could be required to transfer ownership of the Trade Mark to Astivita and to cease selling plumbing supplies under the Astivita name, and damages or an account of profits could be awarded against Plumbing World. The Board considers that if Astivita is successful in obtaining the remedies it seeks, such remedies could have material adverse impact on the operations and financial position of the Issuing Group until replacement branded plumbing supplies are introduced.

32 RELATED PARTY TRANSACTIONS

Identity of related parties

The Parent and Group have related party relationships with its subsidiaries (refer note 16), associates (refer note 15), Board of Directors and executive officers.

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 or by application of rebates to outstanding debts. No shareholder has any sufficient influence that they could be deemed to be a risk to the Group.

32.1 Transactions involving the Parent entity

	PARENT	
	2015 $'000	2014 $'000
The Parent received the following from subsidiaries and associates:		
Interest expense paid to subsidiaries on intercompany balances	14	124
Interest income from subsidiaries on intercompany balances-continuing operations	(687)	(1,641)
Interest income from subsidiaries on intercompany balances-discontinued operations	(1,195)	0
Dividends from associates	0	60
Management fees from subsidiaries-continuing operations	275	275
Management fees from subsidiaries-discontinued operations	200	200
Shared service fees (to)/from subsidiaries	(45)	2,847
Transfer of provision for tax balances from subsidiaries (included in the NZ tax Group)	813	1,843
Transfer of PPE and intangibles at book value	0	4,807
The Parent was due from /(owed to) the subsidiaries at balance date:		
Related party receivables from subsidiaries-continuing operations	6,455	24,661
Related party receivables from subsidiaries-discontinued operations	11,192	0
Related party payables to subsidiaries	(90)	(514)

There is no set date for the repayment of the debts to subsidiaries and they are treated as current liabilities. Balances owing by subsidiaries are treated as current assets if they are trading balances and non-current assets if they are in substance part of the net investment in the related party/subsidiary.

The interest rate on related party balances is 8% (2014: 8%) payable on the last day of each month. No related party debts have been written off or forgiven during the year.

32.2 Associates

	Transaction value 2015 $'000	Balance outstanding 2015 $'000	Transaction value 2014 $'000	Balance outstanding 2014 $'000
Sale of goods				
From associates to the Group	2,240	0	5,608	0
From the Group to associates	130	33	454	101

32.3 Board of Directors and Executive Officers

There are no executive directors.

Directors Messer's Lawrence, Smart (retired 30 June 2015), Jackson, De Bernardo, Henderson, Coxhead and McIvor, are also directors of companies which regularly trade with Plumbing World Limited on normal trading terms. In total the companies associated with the directors purchased $3.269,000 (2014: $2.370,000) during the year from Plumbing World Limited. The outstanding balance as at 31 March 2015 was $366,000 (2014: $398,000).

Director S McIvor has an interest in a property that is leased to Plumbing World Limited at Wanaka. A formal lease agreement is in place and rent is based on commercial rates.

As at the date of this annual report there are no outstanding loans to directors.

32.4 Key management personnel compensation

Key management personnel compensation comprised short term benefits for the 12 months ended 31 March 2015 of $1,217,706 (2014: $2,844,540). There are no post employment, termination, or other long term benefits, other than part of a normal incentive scheme for a few senior executives that is earned over several years and paid in cash.

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.

33 SUBSEQUENT EVENTS

Patton sale

The Patton sale agreement settled on 1 April 2015 with further working capital settlements completed during the three month period to 30 June 2015. These net sales proceeds of $27,300,000 have been applied to the reduction of bank debt. A further $2,200,000 of deferred settlement proceeds are due to be paid to NZPM on 31 March 2016.

On a Group basis, after recording an impairment of $635,000 to the carrying value of the Patton goodwill on 31 March 2015, the sale proceeds net of transaction costs were equal to the carrying value of the Patton net assets disposed of on 1 April 2015. The foreign currency translation reserve of $4,271,000, which relates to NZPM's investment in foreign operations within the discontinued refrigeration segment (Patton group), will be reclassified to profit or loss on disposal of Patton (1 April 2015).

In conjunction with the settlement, the Group's bank loan and overdraft facility was reduced from $40,000,000 to $15,000,000. In July 2015, the company agreed a clarification to the definition of borrowing costs to include the cash flow component of interest rate swaps. The funding cost cover ratio was reduced from 1.5 to 1.25 times. A waiver was provided by Westpac for the June 2015 quarter.

Computer System

In June, following internal and independent reviews, the board approved the change of NZPM's computer system to Frameworks. The reviews confirmed that the current system is not serving the business or our shareholders and customers as originally intended and is inhibiting Plumbing World's ability to support its customers and achieve planned growth.

Following this decision, NZPM revised its estimate of the useful life of the existing computer system which increased the 31 March 2015 amortisation of software charge by $2,326,000 to $3,000,000. The remaining $3,000,000 carrying value will be expensed in the year to 31 March 2016. The capital cost of the Frameworks implementation is expected to be $1,800,000.

2015 Rebate

In July, NZPM declared a rebate of 3% of A Grade Cash to be paid by way of issuing new rebate shares which convert to new redeemable preference shares in three equal instalments on the anniversary of the issue date. The new rebate shares will pay an 8% per annum dividend that compounds quarterly.

NZPM anticipates that it will issue approximately 1,675,000 new $1 Rebate shares in September 2015 to meet this declaration. Rebate shares are a class of redeemable preference shares. The shares will be issued with full imputation credits attached ($700,000) and after payment of dividend withholding tax ($125,000). The rebate does not qualify for recognition in the statement of comprehensive income in the current year and the estimated expense of $2,500,000 will be recognized in the 2016 financial statements.

AUDITOR

DELOITTE. *Auckland*

BANKERS

WESTPAC BANKING CORPORATION

LEGAL ADVISORS

LOWNDES ASSOCIATES. *Auckland*
FITZHERBERT ROWE. *Palmerston North*
BUDDLE FINDLAY. *Auckland*
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BOARD OF DIRECTORS

JOHN DEBERNARDO. *Chairman, Wellington*
ALISTER LAWRENCE. *Auckland*
CRAIG COXHEAD. *Tauranga*
DAVE HENDERSON. *Auckland*
KEITH AVERY. *Auckland*
PETER JACKSON. *Queenstown*
STU MCIVOR. *Wanaka*

MANAGEMENT REPRESENTATIVES

BRETT CRUICKSHANK. *Group Chief Financial Officer*

PLUMBING WORLD LTD

ROB KIDD. *General Manager*

METRIX IMPORTS LTD

GARRY IVILL. *General Manager*

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DIRECTORY

KEY

PLUMBING WORLD LTD

METRIX IMPORTS LTD

GROUP TRADING LOCATIONS