ANNUAL REPORT 2016

NZPM
GROUP

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FIVE YEAR FINANCIAL REVIEW

	2016 $'000	2015 $'000	2014 $'000 *restated**	2013 $'000 *restated**	2012 $'000 *restated**
Continuing operations					
Revenue *	183,380	174,839	179,072	175,049	169,649
Operating earnings before depreciation and amortisation *	6,094	2,142	3,757	5,429	4,178
Less depreciation and amortisation *	(4,375)	(4,627)	(2,556)	(1,983)	(1,981)
Profit / (loss) before financing costs, dividends and taxation *	1,719	(2,485)	1,201	3,446	2,197
Equity plus co-operative share capital	39,412	41,512	48,154	50,007	44,180
Non-current liabilities less co-operative share capital	11,434	14,499	37,880	38,533	28,640
Current liabilities less co-operative share capital	26,045	55,406	29,189	35,339	30,948
Total equity and liabilities	76,891	111,417	115,223	123,879	103,768
Non-current assets	17,790	17,833	27,384	27,397	24,528
Current assets	59,101	93,584	87,839	96,482	79,240
Total assets	76,891	111,417	115,223	123,879	103,768
Dividend amount paid	940	812	642	381	228
Rebate dividend amount paid	1,830	2,232	3,671	3,062	3,975
Shareholder funds : total assets (%)	51.2	37.3	41.8	40.4	42.6
Current assets : current liabilities	2.3:1	1.7:1	3.0:1	2.7:1	2.6:1
Number of ordinary shareholders	785	849	903	929	942

* Indicates numbers that have been restated to show continuing operations only.

SIX KEY HIGHLIGHTS

1 Growth in revenue and operating earnings before depreciation and amortisation

2 Completion of the Patton sale; significant reduction in bank debt

3 Extension to the shareholder value propositions to grow membership and rewards

4 Met requirements of the new health and safety legislation; severity of accidents reduced over prior year

5 Implementation of a new computer system to simplify the business, reduce costs and improve service and functionality

6 Commitment to open a new branch in Christchurch and further planned upgrades to the branch network

THE DIRECTORS

FROM LEFT TO RIGHT:
Alister Lawrence, Director
Mark Whitehead, Director
Linda Robertson, Director
Craig McCord, Director
John DeBernardo, Chairman
Stu McIvor, Director
Craig Coxhead, Director

THE CHAIRMAN
& EXECUTIVE REVIEW

YOUR CO-OPERATIVE HAS MADE GREAT PROGRESS DURING 2016. THE NZPM GROUP IS SEEING THE BENEFITS OF IMPLEMENTING THE INITIATIVES OUTLINED IN 2015 TO REFOCUS ON OUR CORE PLUMBING BUSINESSES, IMPROVE SYSTEMS AND PROCESSES, FOCUS ON SERVICE AND WIN BACK THE TRUST OF OUR CUSTOMER BASE.

The demand for our products remains buoyant with strong activity levels evident across most of New Zealand, however, the merchant supply chain remains intensely competitive, as participants look to build or protect their market share. This continues to put downward pressure on NZPM's margins.

The focus on customer service and an improving operational performance enabled NZPM to increase revenue by 5% to $183.4 million and grow operating earnings before depreciation and amortisation to $6.1 million, an increase of $4.0 million over the prior year. After deducting depreciation and amortisation, including a $2.4 million charge for the outgoing computer system, the profit before financing costs, dividends, rebate dividends and taxation was $1.7 million.

The net loss after tax from continuing operations of $2.3 million includes payment of rebate dividends and dividends of $2.8 million.

$ MILLION	2016	2015
Operating earnings before depreciation and amortisation	6.1	2.1
Less depreciation and amortisation	(4.4)	(4.6)
Profit/(loss) before financing costs, dividends and taxation	1.7	(2.5)

The board and management have invested a significant amount of time reviewing and developing our shareholder value propositions. We strongly believe that co-operative membership is a key long-term competitive advantage for NZPM and we have therefore made a number of changes to make it easier to become a shareholder; increased the rewards and benefits of membership, added focus to grow our Young Plumbers Club and have extended membership to the co-operative to certain classes of builders.

OPERATIONAL REVIEW

Our businesses continue to enjoy strong market demand from a settled and expanding customer base. Offsetting this dynamic is intense competition from merchants and other market participants seeking to gain market share and disrupt the traditional supply chain.

Plumbing World has grown its customer and revenue base through improvements made to customer relationships which are a direct result of the changes made to our regional sales and management personnel over the past two years. We have used these teams to combine with the improvements to in-store operations and the stabilisation of the computer system to secure new business and equally importantly, achieve a greater share of wallet from existing customers.

The biggest ongoing challenge for Plumbing World is the maintenance of profit margins. There is generally downward pressure on both commodity products and competition from other suppliers. Plumbing World was able to make a small increase on its overall margin for the year, however, the margins were lower in the second half of the year. Plumbing World has a number of initiatives to manage this issue including investing in and promoting our exclusive product range, adding category management capability, extending our procurement efforts and improving our product and customer mix.

The change of computer system has been very successful. The implementation of ProStix and the new trade portal ("tradepass") were completed on 31 March 2016. The forthcoming Frameworks modules and enhancements to the trade portal functionality will progressively be implemented over the next year.

Recruitment and retention of staff in the larger centres continues to be a challenge for the Group. Managing the

LEFT
John DeBernardo, Chair of the Board

balance between retaining staff and managing our cost of people is a continual challenge. We have a range of strategies to manage this issue but like many of our customers, we expect this will be an ongoing challenge.

Metrix capitalised on its strong market position to deliver positive revenue and earnings growth in 2016. The management team have focused on working with the Plumbing World sales staff to create stronger national demand along with the introduction of new products from their leading European brands. The business is well positioned to continue to capitalise on the demand for its high-end portfolio of brands.

The integrated nature of Metrix and Plumbing World and the strong demand for the high-end fashion offering continues to make Metrix a powerful contributor to the overall NZPM offering.

ASSOCIATES

Aquatherm NZ Limited has capitalised on the higher level of demand in the commercial project market, particularly with the Christchurch commercial rebuild, to achieve strong sales growth over the year. More recently, Aquatherm has been working closely with engineering designers and specifiers to agree technical and installation specifications for some segments of its product range.

Construction Marketing Services Limited (CMS) continues to trade well and is expanding into adjacent complementary services. CMS is expected to continue to grow returns to NZPM as well as being a strong specification partner to Plumbing World.

GROUP STATEMENT OF FINANCIAL POSITION

The management team have continued to reduce our investment in working capital through excellent debtor management.

The application of the Patton sale proceeds to reduce debt has greatly improved the quality of NZPM's statement of financial position. Having invested $3.5 million on capital expenditure for the new IT system, branch upgrades and other items, net bank debt was $8.5 million at 31 March 2016.

In February, NZPM favourably renewed its $15 million bank facility with Westpac for a further period of three years. NZPM's stronger financial position allowed us to negotiate additional covenant flexibility and a small reduction in funding costs.

HEALTH & SAFETY (H&S)

The new Health and Safety legislation has driven a change to the safety culture of all New Zealand businesses. In preparation for the changes, NZPM undertook reviews of policies, procedures, reporting and invested in further staff training.

The changes were well received by staff. The most significant impacts related to additional formality around H&S procedures, compliance to hazardous substance regulations, new processes for contractors and visitors at our sites, and a modest investment in upgraded equipment including forklifts, ladders and signage.

To help drive improvement to the health and safety culture, we have emphasised the need to report all minor incidents and accidents and near miss events to support the industry accepted philosophy that reporting smaller events will drive behaviour changes that reduce more significant health and safety events.

Plumbing World has seen a 33% reduction in the number of lost time injuries and a 54% reduction in ACC related injury claims over the past year.

The shareholder roadshows will continue to have a health and safety component to assist our shareholders with ongoing health and safety learning and awareness. We continue to provide our customers with information and support including policy and reporting templates. Through NZPM Extra, our shareholders can receive savings for SafetyMate subscriptions, and a digital Health & Safety platform.

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

SHAREHOLDERS

The board has spent considerable time reviewing the value proposition that NZPM offers its shareholders. Traditionally, NZPM has been innovative in offering shareholder value propositions which started with the formation of the co-operative and were extended with the NZPM Extra benefits programme and latterly the broadening of the membership criteria.

The shareholder innovations that separated NZPM from other suppliers have largely been copied by our competitors.
To ensure that NZPM remains relevant and adds real value to our shareholders, NZPM is progressively rolling out six new value propositions:

- Reducing the capital commitment to enter the co-operative with new shareholders no longer being required to subscribe for development shares. NZPM also lowered the initial payments for the first ten months to $100 per month as well as enabling MaxPoints to be converted to NZPM shares. The membership returns and lifestyle rewards programme will be enhanced to provide more frequent and targeted shareholder returns;
- NZPM has formed a strategic alliance with the Plumbers' Supplies Co-operative in Australia to collaborate on various matters including procurement, product development and information technology systems;
- NZPM is developing a collaboration model with the NZ Master Plumbers to further support industry education and product compliance, and to help support younger members of our industry into future business ownership;
- Extending co-operative membership to certain builder groups to align our shareholder base and customer base with this increasingly influential segment;
- NZPM is spending more time on communicating with our larger investors to ensure that they have a good understanding of the Group's improving financial position;
- Plumbing World is developing the Young Plumbers Club as a forum to educate young plumbers and provide a seeding platform for customers and shareholders of the future.

We added 19 new ordinary shareholders during 2016, however, the number of ordinary shareholders declined as our ageing shareholder demographic continues to retire from the industry. At 31 March 2016, we had 785 ordinary shareholders, a net reduction of 64 shareholders from the prior year.

METRIX CAPITALISED ON ITS STRONG MARKET POSITION TO DELIVER POSITIVE REVENUE AND EARNINGS GROWTH IN 2016.

OUR STRATEGY IS TO CONTINUE TO FOCUS ON OUR CORE PLUMBING AND RELATED SUPPLIES BUSINESSES.

At the time of writing, we are starting the annual shareholder roadshows which will again visit all 45 branches. These meetings provide a very good opportunity for shareholders to provide feedback to both Plumbing World and NZPM.

Planning for the 2017 'Rendezvous in Rome' and 2018 'Funtimes in Fiji trips' are well advanced. To date, 135 delegates and suppliers have made commitments to Rome.

REBATE DIVIDEND

In June, NZPM declared a rebate dividend of 2% of A Grade Cash to be paid in cash in October 2016.

The directors understand that rebate dividends are an important part of NZPM's value proposition along with service, stock levels, everyday competitive pricing, the overseas trip program, dividends on other share classes and the NZPM Extra benefits programme.

The directors have set a new policy that provides for 80% of NZPM's net profit after tax to be distributed by way of rebate dividend. The policy is a guideline for both the company and our shareholders to ensure that funds are retained for expansion and to manage fluctuation in profits.

The directors also set a policy that, if a rebate dividend is paid, all ordinary shareholders will receive a minimum rebate dividend of $300 per shareholder to recognise the investment of all shareholders in NZPM's capital base. For most shareholders who regularly trade with Plumbing World, their rebate dividend will continue to exceed that minimum threshold.

PATTON SALE

The sale of Patton to Beijer Ref AB was completed on 1 April 2015. The full amount of the proceeds from the sale have now been received and applied to reducing NZPM's debt.

The Group's accounting loss on sale is recorded within discontinued operations. The accounting standards required the foreign currency translation reserve of $4.3 million to be cycled through earnings with an equal offset in other comprehensive income.

In the Parent company accounts, the sale of Patton is a large gain on sale as the profits earned by Patton over the life of the Group's investment in Patton, which had been recognised by the Group, had not been fully recognised by the Parent company as the investment was held on an historical cost basis.

SECURITIES LEGISLATION

Changes to the securities legislation means that we need to change the way we issue our ordinary and redeemable preference shares. The offer of the Redeemable Preference Shares is governed by a trust deed under which an independent licensed supervisor is appointed as trustee for the securities. The Financial Markets Conduct Act 2013 regulates the duties of supervisors which include to act in the best interest of security holders and to exercise reasonable diligence. NZPM has appointed The New Zealand Guardian Trust Company Limited as supervisor. No supervisor is required for ordinary shares.

The new regime requires us to replace our Investment Statement and Prospectus with a Product Disclosure Statement which provides key information for investors when making their investment decision.

YOUNG PLUMBERS CLUB

We are very focused on developing the Young Plumbers Club. We believe that investing in this segment of the industry will provide long term value to both NZPM and the wider industry.

Our approach is to offer a combination of social, educational and business development opportunities with the view to help younger members of the industry to develop their skills and ultimately support them to become stronger members of our industry.

GOVERNANCE

NZPM welcomed three new directors to the board in August 2015. Linda Robertson joined the board as an appointed director on 1 August 2015. Linda is a professional director with a strong background in governance and financial management.

Craig McCord and Mark Whitehead were elected to the board in August 2015, replacing David Henderson and Peter Jackson. Craig and Mark both have previous governance experience and operate large plumbing businesses.

The board would like to thank both David and Peter for their service as directors. Peter's service of over 21 years, including a period as deputy chairman, is one of the longest tenures of any director to NZPM, and one that he and his family can be very proud of.

Following the changes to the directors, the board carried out an internal review and reset membership of the board committees. The directors agreed not to appoint a deputy chair at this time.

With the business operating in a more stable period, the board has been able to focus on strategy and operating improvements within the business. The board's sub-committees comprising Audit, Compliance, Health & Safety, MPGD Liaison, Membership and Remuneration meet regularly.

This year elected directors Alister Lawrence and Stu McIvor retire by rotation, and being eligible both have offered themselves for re-election.

LOOKING FORWARD

Our strategy is to continue to focus on our core plumbing and related supplies businesses. We will continue along the path of improving the operational performance so that we are able to generate improved returns through increased customer loyalty and satisfaction.

The tangible improvements to operational performance will come from refining the computer systems, gaining further benefits from the sales and operational teams and leveraging changes made in 2016, such as deferred sales.

Our most significant challenge for NZPM in the coming year is likely to be margin management as we expect market competition will continue to put downward pressure on our margins. NZPM will counter this through the following actions:

- Further investment in category management to better manage the margins at a product level;
- Further broadening our customer base to include a larger proportion of relatively higher margin smaller customers;
- Extending the penetration of our exclusive branded products where we enjoy both an import margin and a wholesale margin;
- Using additional reporting functionality and system controls to better manage pricing and discounts;
- Extending the benefits of our procurement programme.

Plumbing World will continue to invest in the branch network. Having completed an upgrade at Hamilton and nearly completed the Christchurch upgrade, Plumbing World is planning major upgrades or relocations in a number of other areas. The new branch in Hornby is expected to open in early 2017 by which time we also expect to have secured suitable premises for a new branch in West Auckland.

These changes are all designed to strengthen our business, allow reinvestment and generate improved shareholder returns.

The board and management thank all of our shareholders for your continued support.

JOHN DEBERNARDO
Chairman and on behalf of the board and executive team

THE EXECUTIVE TEAM

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 curently 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, Alister Lawrence and Stu McIvor retire by rotation and being eligible both offer themselves for re-election. Two appointed directors may be elected by the board and they do not come up for re-election by rotation. Following the retirement of Paul Smart and Keith Avery during the year, Linda Robertson was elected in August 2015 as the sole appointed director.

BOARD MEETINGS

Eleven board meetings were scheduled for the year. During the year an additional five meetings took place on an 'as required basis'. A table of meetings attended is provided on page 19.

FROM LEFT TO RIGHT:
BRETT CRUICKSHANK, Group Chief Financial Officer
GARRY IVILL, Metrix, General Manager
ROB KIDD, Plumbing World, General Manager

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 Linda Robertson (Chair), Alister Lawrence and Stu McIvor. Paul Smart (Chair) and Peter Jackson were members of the committee until their respective retirements during 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 Alister Lawrence (Chair), John DeBernardo and Mark Whitehead. Peter Jackson (Chair) and Dave Henderson were members of the committee until their respective retirements in August 2015.

CONFLICTS COMMITTEE

This 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.

The Conflicts Committee did not meet in 2016.

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 Craig McCord (Chair), Craig Coxhead and John DeBernardo. Dave Henderson (Chair) and Peter Jackson were members of the committee until their respective retirements in August 2015.

LIAISON COMMITTEE – MASTER PLUMBERS, GASFITTERS & DRAINLAYERS NZ (MPGD)

This committee is the formal liaison with MPGD on behalf of the company. It advises and keeps the board informed on MPGD matters and is to foster good two-way communication and strong relationships. Members are Stu McIvor (Chair), Craig Coxhead and Craig McCord. Dave Henderson was Chair of the committee until his retirement in August 2015.

MEMBERSHIP COMMITTEE

The Membership Committee reviews shareholder prerequisites and benefits. Members of the Membership Committee are Stu McIvor (Chair), Craig Coxhead and Craig McCord. Dave Henderson was a member of the committee until his retirement in August 2015.

REMUNERATION COMMITTEE

The Remuneration Committee makes recommendations to the board in respect of appointments, the terms of employment and the remuneration policies and arrangements for the members of the senior executive group. Members of the Remuneration Committee are Mark Whitehead (Chair), John DeBernardo and Linda Robertson. Keith Avery (Chair) and Paul Smart were members of the committee until their respective retirements during the year.

DIRECTORS' INTERESTS

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

Stu McIvor has an interest in a property that is leased to Plumbing World. John DeBernardo has an interest in a property to be leased to Plumbing World beginning in March 2017. Both properties have formal lease agreements and rent is based on commercial rates.

DIRECTORS' SHAREHOLDING INTERESTS

	1 Apr 2015	Movement	31 Mar 2016	Movement	30 Jun 2016
DEBERNARDO, J					
New RPS	5,803	311	6,114	72	6,186
PADOVA PROPERTIES LTD (DEBERNARDO, J)					
Ordinary	10,000	-	10,000	-	10,000
Development	5,000	-	5,000	(5,000)	-
New RPS	35,358	1,884	37,242	5,456	42,698
TAURANGA HARDWARE & PLUMBING LTD (MCCORD, C)					
Ordinary	10,000	-	10,000	-	10,000
Rebate2014	8,874	487	9,361	126	9,487
Rebate2015	-	30,207	30,207	405	30,612
THE RUBY TRUST (MCCORD, C)					
New RPS	200,000	(150,000)	50,000	-	50,000
STEVENS PLUMBING SERVICES LTD (LAWRENCE, A)					
Ordinary	10,000	-	10,000	-	10,000
Development	5,000	-	5,000	(5,000)	-
New RPS	11,527	615	12,142	5,143	17,285
Rebate2014	261	16	277	4	281
Rebate2015	-	1,513	1,513	21	1,534
LAWRENCE, A					
New RPS	11,171	596	11,767	138	11,905
MIRO PARTNERS (LAWRENCE, A)					
New RPS	-	10,301	10,301	121	10,422
MCIVOR PLUMBERS & GAS FITTERS WANAKA LTD (MCIVOR, S)					
Ordinary	10,000	-	10,000	-	10,000
Development	5,000	-	5,000	(5,000)	-
New RPS	32,704	1,743	34,447	5,404	39,851
Rebate2014	4,265	235	4,500	61	4,561
Rebate2015	-	16,458	16,458	221	16,679
PLUMBING WORKS LTD (COXHEAD, C)					
Ordinary	10,000	-	10,000	-	10,000
Development	5,000	-	5,000	(5,000)	-
New RPS	9,763	1,853	11,616	338	11,954
Rebate2014	6,255	344	6,599	89	6,688
Rebate2015	-	25,623	25,623	344	25,967
WHITEHEAD PLUMBING & GAS LTD (WHITEHEAD, M)					
Ordinary	10,000	-	10,000	-	10,000
Development	5,000	-	5,000	(5,000)	-
New RPS	40,517	2,158	42,675	5,500	48,175
Rebate2014	2,245	125	2,370	32	2,402
Total	**453,743**	**(55,531)**	**398,212**	**(1,525)**	**396,687**

BOARD MEETINGS

	Board meetings	Audit	Compliance	Health & Safety	MPGD Liaison	Membership	Remuneration
Number of meetings	16	2	2	2	1	7	4
J DeBernardo	16		2	2		7	4
K Avery [1]	7						2
C Coxhead	14			2	1	7	
D Henderson [1]	7		1			2	
P Jackson [1]	8		1				
A Lawrence	15	2	2				
C McCord [2]	7			2	1	3	
S McIvor	15	2			1	7	
L Robertson [3]	8	1					2
P Smart [4]	4	1					2
M Whitehead [2]	8		1				2

REMUNERATION OF DIRECTORS

During the year the directors received the following remuneration:

Director	Director's fees ($)	Retirement allowance ($)	Total remuneration ($)
J DeBernardo	84,000	-	84,000
K Avery [1]	17,500	32,416	49,916
C Coxhead	42,000	-	42,000
D Henderson [1]	17,500	30,259	47,759
P Jackson [1]	17,500	112,865	130,365
A Lawrence	42,000	-	42,000
C McCord [2]	24,500	-	24,500
S McIvor	42,000	-	42,000
L Robertson [3]	28,000	-	28,000
P Smart [4]	13,125	48,975	62,100
M Whitehead [2]	24,500	-	24,500

1. Mr Avery, Mr Henderson and Mr Jackson retired from the board on 28 August 2015.
2. Mr McCord and Mr Whitehead were appointed to the board on 28 August 2015.
3. Ms Robertson was appointed to the board on 1 August 2015.
4. Mr Smart retired from the board on 30 June 2015.

Retirement allowances are paid in accordance with the Constitution and take into account length of service.

REMUNERATION OF EMPLOYEES

The number of employees or former employees of NZPM Group who, not being directors of NZPM, received remuneration and any other benefits in their capacities as employees in respect of the year ended 31 March 2016 that in value was or exceeded $100,000 per annum was as follows:

Remuneration Bracket	NZPM (Parent)	NZPM Group
$100,001 – $110,000	0	11
$110,001 - $120,000	0	4
$120,001 - $130,000	0	2
$130,001 - $140,000	1	1
$140,001 - $150,000	0	9
$150,001 - $160,000	0	1
$190,001 - $200,000	0	1
$210,001 - $220,000	0	1
$230,001 - $240,000	0	1
$320,001 - $330,000	1	1
$380,001 - $390,000	0	1

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 $2,814, Parent $0 (2015: $2,926, Parent $0).

INSURANCE OF DIRECTORS

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

AUDITORS

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

DIVERSITY

NZPM believes that our success is intrinsically linked to our people.

The company strongly values and supports diversity, ensuring that the company and its leadership, management and employees reflect the diverse range of individuals and groups within our society.

We have set a clear expectation with the business and to our recruitment providers that a thorough recruitment process for any position will generate a shortlist of candidates that includes suitably qualified people with the skillset and other qualities specified for the role.

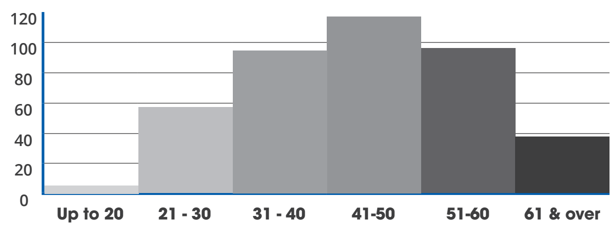
The following table sets out the numbers of men and women at different levels of NZPM's workforce as at 31 March 2015 and 31 March 2016.

	Female				Male			
	2016		2015		2016		2015	
	No.	%	No.	%	No.	%	No.	%
Directors	1	14%	0	0%	6	86%	8	100%
Leadership team [1]	3	37%	3	37%	5	63%	5	63%
Overall workforce	155	38%	157	38%	256	62%	257	62%

1. The Leadership Team consists of direct reports to the board and the senior leadership team of Plumbing World.

We have a diverse range of age (18 to 70) within our employees.

NUMBER OF EMPLOYEES / YEARS OF AGE



HEALTH AND SAFETY

NZPM and our subsidiary companies each have a formal health and safety policy.

The Health and Safety Committee provides a liaison and review forum for the committee and management to ensure that the board is fully informed of health and safety issues and to communicate performance outcomes.

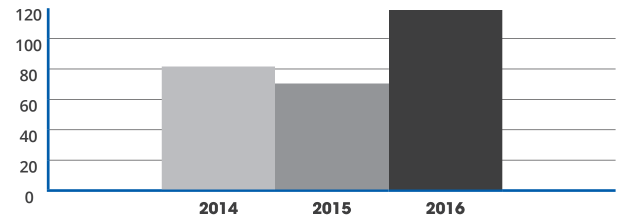
The Committee meets bi-monthly with management to review policy and monitor the health and safety activities across the Group. Management also report to the board on health and safety performance on a monthly basis.

The Group has a fulltime Health and Safety advisor who trains, supports and monitors health and safety across the Group. The role is responsible for coordinating the following activities:

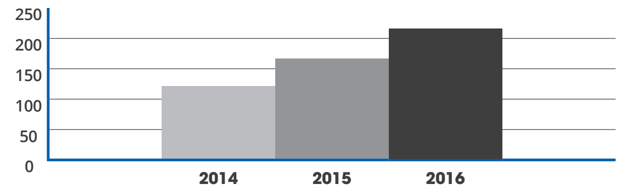
- Training – we provide ongoing training to all employees to ensure that they are aware of our policies and procedures and that they have the necessary skills to perform their duties;
- Induction – all new employees, contractors and visitors receive an induction to each site that they will be working in to ensure that they understand our policies and procedures for that site;
- Reporting – each site manager is responsible for the ongoing reporting of all health and safety matters for their site;
- Reviewing performance – we have a range of review mechanisms including monthly site health and safety meetings, formal reporting of accidents, incidents and near misses, site compliance audits and site reviews which are undertaken annually by a director or member of the senior leadership team.

Our performance in 2016 has been good. Our employees have not experienced any accidents or incidents which have caused them permanent injury or that have caused action to be taken against the Group. We emphasise the need to report all minor accidents, non-injury incidents and near miss events to support the industry accepted philosophy that reporting smaller events will drive behaviour changes that reduce more significant health and safety events. This change of emphasis has seen our reported statistics increase, however, severity has decreased.

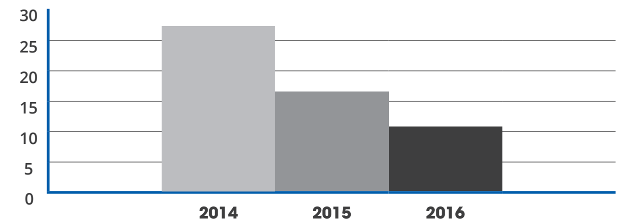
ANNUAL NUMBER OF ACCIDENTS



ANNUAL NUMBER OF NEAR MISS INCIDENTS



LOST TIME INJURIES (DAYS)



ENVIRONMENT

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

Each Plumbing World branch has a recycling programme which is made available to our customers for packaging materials, waste PVC products and brass tailings. We also work with our customers and suppliers to ensure that we are able to meet their environmental policy objectives.

Over the past eighteen months, the Group has reduced emissions from its vehicle fleet by replacing over 50% of its older high emission utility vehicle and truck fleet with leading technology low emission vehicles. The majority of the Group's passenger vehicles are less than four years old with each newer vehicle generally having lower emissions than the older vehicle. Over the past 12 months, a programme to progressively upgrade our forklift fleet has replaced approximately one-third of our forklifts with newer lower emission units.

Plumbing World has committed to a trial to replace the lighting in its North Shore branch with low energy LED lighting to assess the energy savings and extended product life of the new system. Plumbing World has entered into a new contract with a nationwide waste care supplier to ensure all the branches recycling objectives are met.

ANNUAL RESOLUTION BY DIRECTORS OF CO-OPERATIVE COMPANY

Pursuant to Section 10 of the Co-operative Companies Act 1996 on 30 June 2016, the directors resolved:

That in the opinion of the board of directors, NZPM Group Ltd has throughout the financial year ended 31 March 2016 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 28 to 61:

- Comply with New Zealand Generally Accepted Accounting Practice and give a true and fair view of the financial position of the Group and Parent as at 31 March 2016 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 judgements 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 Parent 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 Parent 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 2016.

For and on behalf of the board of directors,

JOHN DEBERNARDO
Director (Chair of the Board)
30 June 2016

LINDA ROBERTSON
Director (Chair of the Audit Committee)
30 June 2016

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 financial statements of NZPM Group Limited and its subsidiaries ('the Group') on pages 28 to 61, which comprise the consolidated and separate statements of financial position as at 31 March 2016, and the consolidated and separate statements of financial performance 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 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 and International Financial Reporting Standards 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 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 taxation compliance. These services have not impaired our independence as auditor of the Company and Group. 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. An executive of NZPM Group Limited is married to a Deloitte partner. The Deloitte partner is not involved in the provision of any services to NZPM Group Limited and this matter has not impacted our independence. 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 28 to 61:

- Comply with New Zealand Equivalents to International Financial Reporting Standards;
- 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 2016, 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 2016:

- 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 and its subsidiaries as far as appears from our examination of those records.

Deloitte

CHARTERED ACCOUNTANTS
30 June 2016
Auckland, New Zealand

NZPM GROUP ANNUAL REPORT 2016

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL PERFORMANCE AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2016

YEAR ENDED 31 MARCH	Note	Group 2016 $'000	Group 2015 $'000	Parent 2016 $'000	Parent 2015 $'000
Continuing operations:					
Revenue		183,380	174,839	0	0
Cost of sales		(129,900)	(125,186)	0	0
Gross profit		53,480	49,653	0	0
Other income	2	383	345	75	0
Depreciation and amortisation expenses	3	(4,375)	(4,627)	(17)	(17)
Other operating expenses	3	(47,769)	(47,856)	(1,839)	(2,190)
Profit/(loss) before net finance costs, rebate dividends and dividends paid, and taxation		1,719	(2,485)	(1,781)	(2,207)
Net financing costs	4	(1,193)	(2,060)	(744)	(1,308)
Rebate dividends and dividends paid	5	(2,770)	(3,044)	(2,770)	(3,044)
Loss before taxation		(2,244)	(7,589)	(5,295)	(6,559)
Taxation (expense)/credit	6	(21)	1,249	583	978
Loss for the year from continuing operations		(2,265)	(6,340)	(4,712)	(5,581)
Discontinued operations:					
(Loss)/profit for the year from discontinued operations	8	(4,392)	198	11,077	0
(Loss)/profit for the year		(6,657)	(6,142)	6,365	(5,581)
Other comprehensive income/(loss):					
Items that may be reclassified subsequently to profit and loss:					
Exchange differences on translation of foreign operations		4,271	(439)	0	0
Total other comprehensive income/(loss) for the year, net of taxation		4,271	(439)	0	0
Total comprehensive (loss)/income for the year		(2,386)	(6,581)	6,365	(5,581)

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

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2016

AS AT 31 MARCH	Note	Group 2016 $'000	Group 2015 $'000	Parent 2016 $'000	Parent 2015 $'000
ASSETS					
Current assets:					
Cash and cash equivalents		337	0	6	0
Trade and other receivables	9	29,290	23,670	203	360
Current tax assets		0	400	0	400
Inventories	10	29,474	29,273	0	0
Assets classified as held for sale	8	0	40,241	0	18,371
Total current assets		59,101	93,584	209	19,131
Non-current assets:					
Property, plant and equipment	11	4,338	3,929	94	111
Intangible assets	12	8,733	9,999	0	0
Investments in subsidiaries and associates	13	2,635	2,391	25,434	25,434
Related party receivables	18	0	0	7,937	6,455
Deferred tax assets	6	2,084	1,514	151	268
Total non-current assets		17,790	17,833	33,616	32,268
Total assets		76,891	111,417	33,825	51,399
LIABILITIES AND EQUITY					
Current liabilities:					
Bank overdraft		0	3,301	0	144
Trade and other payables	14	22,788	16,075	459	490
Related party payables	18	0	0	977	90
Loans and borrowings	15	1,032	26,149	1,032	26,149
Other liabilities	16	2,037	1,859	274	168
Current tax liabilities		188	0	188	0
Co-operative share capital	17	597	4	597	4
Liabilities directly associated with assets classified as held for sale	8	0	8,022	0	0
Total current liabilities		26,642	55,410	3,527	27,045
Non-current liabilities:					
Loans and borrowings	15	9,703	12,235	9,703	12,235
Other liabilities	16	1,731	2,264	115	280
Co-operative share capital	17	25,479	23,203	25,479	23,203
Total non-current liabilities		36,913	37,702	35,297	35,718
Total liabilities		63,555	93,112	38,824	62,763
Net assets		13,336	18,305	(4,999)	(11,364)
Equity:					
Other reserves		0	(4,271)	0	0
Retained earnings/(deficit)		13,336	19,993	(4,999)	(11,364)
Total equity/(deficit) attributable to equity holders of the Parent		13,336	15,722	(4,999)	(11,364)
Non-controlling interests		0	2,583	0	0
Total equity/(deficit)		13,336	18,305	(4,999)	(11,364)

On behalf of the board,

JOHN DEBERNARDO
Director (Chair of the Board)
30 June 2016

LINDA ROBERTSON
Director (Chair of the Audit Committee)
30 June 2016

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2016

	Note	Group					
		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
2016							
Balance at 1 April 2015		0	(4,271)	19,993	15,722	2,583	18,305
Loss for the year		0	0	(6,657)	(6,657)	0	(6,657)
Other comprehensive income for the year			4,271	0	4,271	0	4,271
Total comprehensive income/(loss) for the year		0	4,271	(6,657)	(2,386)	0	(2,386)
Disposal of non-controlling interests	8	0	0	0	0	(2,583)	(2,583)
Balance at 31 March 2016		0	0	13,336	13,336	0	13,336
2015							
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 (loss)/income for the year		0	(525)	0	(525)	86	(439)
Total comprehensive (loss)/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 a non-controlling interest		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

	Parent: Retained earnings / Total equity	
	2016 $'000	2015 $'000
Balance at the beginning of the year	(11,364)	(6,035)
Profit/(loss) for the year	6,365	(5,581)
Total comprehensive income/(loss) for the year	6,365	(5,581)
Amalgamation of subsidiaries	0	252
Balance at the end of the year	(4,999)	(11,364)

The Parent had negative equity as at 31 March 2016. Positive net equity can be restored by subsidiaries paying a dividend to NZPM. This was not requested in the financial year just ended.

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2016

YEAR ENDED 31 MARCH	Note	Group 2016 $'000	Group 2015 $'000	Parent 2016 $'000	Parent 2015 $'000
Cash flows from operating activities:					
Cash receipts from customers		177,760	239,471	0	0
Interest received		14	50	12	17
Dividends received from associates		137	62	75	0
Other income received		2	225	0	0
Taxation received		0	152	0	471
Foreign exchange gain		0	200	0	0
Cash paid to suppliers and employees		(171,318)	(232,619)	(2,193)	(477)
Interest paid		(1,188)	(3,268)	(1,188)	(3,176)
Rebate dividends and dividends paid		(519)	(1,990)	(519)	(1,990)
Net cash generated by/(used in) operating activities	7	4,888	2,283	(3,813)	(5,155)
Cash flows from investing activities:					
Proceeds from sale of property, plant and equipment		63	524	0	0
Acquisition of intangibles		(1,738)	(979)	0	0
Acquisition of property, plant and equipment		(1,794)	(923)	0	0
Cash paid on disposal of subsidiaries		(1,948)	0	0	0
Net cash inflow/(outflow) on disposal of subsidiaries		29,798	(103)	29,798	0
Net cash generated by/(used in) investing activities		24,381	(1,481)	29,798	0
Cash flows from financing activities:					
Proceeds from issue of shares		2,791	1,210	2,791	1,210
Proceeds from borrowings		0	3,661	0	2,700
Advances from subsidiaries		0	0	1,196	7,062
Payment for share buy-back		(2,173)	(2,260)	(2,173)	(2,260)
Repayment of finance lease		(1,149)	(1,269)	(1,149)	(1,236)
Repayment of borrowings		(26,500)	0	(26,500)	0
Repayment of interest rate swap		(548)	0	0	0
Dividends paid to non-controlling interests		0	(86)	0	0
Net cash (used in)/generated by financing activities		(27,579)	1,256	(25,835)	7,476
Net increase in cash and cash equivalents		1,690	2,058	150	2,321
Cash and cash equivalents at the beginning of year		(1,353)	(3,411)	(144)	(2,465)
Cash and cash equivalents at the end of the year		337	(1,353)	6	(144)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

1. ACCOUNTING POLICIES

REPORTING ENTITY

The consolidated financial statements presented are those of the NZPM Group ('the Group'), comprising NZPM Group Limited ('the Parent' or 'NZPM') and its subsidiaries and the Group's associates as at 31 March 2016. The Parent financial statements are also presented.

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

STATUTORY BASE

The parent company, NZPM, is a Co-operative. It is a profit-orientated company incorporated and domiciled in New Zealand. The address of the registered office is Metrix Building, 155 The Strand, Parnell, Auckland. The Parent changed its name from NZ Plumbers' Merchants Limited on 14 August 2008. NZPM is registered in New Zealand under the Companies Act 1993 and the Co-operative Companies Act 1996 and is an issuer in terms of the Financial Reporting Act 1993. The financial statements have been prepared inaccordance with the Financial Reporting Act 1993 and the Companies Act 1993.

BASIS OF PREPARATION

NZPM prepares its consolidated financial statements in accordance with New Zealand Generally Accepted Accounting Practice ('NZ GAAP'). NZ GAAP consists of New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and other applicable financial reporting standards as appropriate to profit-oriented entities. These financial statements comply with NZ IFRS and International Financial Reporting Standards ('IFRS').

The consolidated financial statements were approved by the Board of Directors on 30 June 2016.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, with the exception of certain items as identified in the specific accounting policies. These consolidated financial statements are expressed in New Zealand dollars which is the Parent and Group's functional and presentation currency. All financial information has been rounded to the nearest thousand ($'000) unless otherwise stated.

Use of accounting estimates and judgements

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

Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed within the specific accounting policy or note.

Area of estimate or judgement:

Impairment of non-financial assets, provisions, contingent liabilities and goodwill.

SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies applied by the Group during the year are set out below and have been applied consistently to all periods presented in these consolidated financial statements. There have been no changes to accounting policies apart from the application of new standards adopted by the Group during the year as disclosed.

New standards adopted

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

Reclassification of comparatives

Comparative figures have been reclassified when the presentation of items in the financial statements has been changed. The adjustments are to ensure the consistent classification of financial statement line items.

New standards, amendments and interpretations not yet adopted

New standards, amendments and interpretations have been published that will be mandatory for the Group's accounting periods beginning on or after 1 April 2016. The standards that will have an impact on the Group are discussed below. None of these have been early adopted:

NZ IFRS 9 'Financial Instruments'

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

NZ IFRS 15 'Revenue from contracts with customers'

This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. This standard provides a single comprehensive principles-based five step model to be applied to all contracts with customers. The standard replaces NZ IAS 18 'Revenue' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 although early adoption is permitted. The Group is yet to assess the impact of adopting NZ IFRS 15.

NZ IFRS 16 'Leases'

The new leases standard eliminates the distinction between operating and finance leases for lessees and will result in lessees bringing most leases onto their balance sheets. Highlights of NZ IFRS 16 include the use of a control model to distinguish between leases and service contracts on the basis of whether there is an identified asset controlled by the customer and assets and liabilities will now be recognised in respect of all leases, with the exception of certain short-term lease and leases of low value assets. NZ IFRS 16 supersedes NZ IAS 17 and associated interpretative guidance. Early application is permitted, provided that NZ IFRS 15 is also early adopted. The Group is yet to assess the impact of adopting NZ IFRS 16.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

1. ACCOUNTING POLICIES (CONTINUED)

BASIS OF CONSOLIDATION

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

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

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

Associates are entities over which the Group has significant influence but not control. Investments in associates are accounted for using the equity method and are measured in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets, less dividends. Goodwill relating to associates is included in the carrying amount of the investment. If the carrying amount of the equity accounted investment exceeds its recoverable amount, it is written down to the latter. When the Group's share of accumulated losses in an associate equals or exceeds its carrying value, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

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

FOREIGN CURRENCY TRANSLATION

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

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

VALUATION OF ASSETS

Property, plant and equipment

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

Capital Work In Progress
Amounts expended on Capital Work in Progress are capitalised until such time as the asset is placed in service and then is transferred to property, plant and equipment or intangibles and is depreciated or amortised from that date.

Capital Work in Progress includes the cost of materials, services, labour and direct production overheads.

Leased assets
Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased assets are measured at amounts equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance cost portion of lease payments is expensed to profit or loss over the lease period.

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

Intangible assets

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

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

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

Computer software
Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will generate probable economic benefit exceeding the costs beyond on year, are recognised as intangible assets. Costs include the employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

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

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

Cash flows are included in the statement of cash flows net of Goods and Services Tax.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

1. ACCOUNTING POLICIES (CONTINUED)

Trade and other receivables

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

All trade receivables are individually reviewed regularly for impairment as part of normal operating procedures and provided for where appropriate, refer note 9.

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

Inventories

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

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

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.

Financial assets

The Group classifies its financial assets as:

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

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

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

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

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

Fair value estimation

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

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

Impairment

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

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

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

FINANCIAL INSTRUMENTS

Derivative financial instruments

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

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

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

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

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

Non-derivative financial instruments

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

1. ACCOUNTING POLICIES (CONTINUED)

VALUATION OF LIABILITIES

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

The preparation of the financial statements requires management to make estimates about items that are not known at balance date or prior to the Group reporting its final result. These items may ultimately affect the amount of tax payable by the Group. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised in the statement of financial position and the amount of the other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the statement of financial performance.

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

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

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

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

Trade and other payables
Trade creditors and other liabilities are stated at cost or estimated liability where accrued.

Other liabilities

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

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

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

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

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

INCOME DETERMINATION

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

Specific accounting policies are as follows:

Sale of goods
Revenue comprises amounts received and receivable by the Group for goods supplied in the ordinary course of business. Revenue is stated net of returns, trade discounts and Goods and Services Tax (GST). Revenue from the sale of goods is recognised in the statement of financial performance when the significant risks and rewards of ownership have been transferred to the buyer.

Other revenue
Dividend revenue is recognised when the right to receive payment is established.

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

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

EXPENSES AND COMMITMENTS

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

• Plant and equipment	1-10 years
• Leasehold improvements	10 years
• Motor vehicles	4 - 6 years
• Computer equipment	3 - 5 years
• Software	3 years
• ERP software	10 years

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

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

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

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

Goods and services tax (GST)
The statement of financial performance, statement of other comprehensive income and statement of cash flows have been presented with all items exclusive of GST. All items in the statement of financial position sheet are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

2. OTHER INCOME

The following disclosure provides additional information in relation to Other Income included within the Statement of Financial Performance.

	Group		Parent	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Dividends	2	2	75	0
Share of profit from associates	381	343	0	0
	383	345	75	0

3. OTHER OPERATING EXPENSES

The following disclosure provides additional information in relation to Other Operating Expenses included within the Statement of Financial Performance.

	Group		Parent	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
(a) OTHER GAINS AND LOSSES				
Net foreign exchange losses	1	4	0	0
Loss arising on forward exchange contracts	3	8	0	0
(Gain)/loss on disposal of plant, property and equipment and intangible assets	(48)	106	0	62
	(44)	118	0	62
(b) AUDIT FEES				
Auditors of the Parent company and Group - Deloitte:				
Audit of the financial statements (Group and individual subsidiary companies)	101	161	80	80
Other assurance fees (i)	27	45	27	45
New Zealand tax compliance fees	30	76	30	76
IT project peer review services	0	232	0	14
Forensics inquiries	0	12	0	0
	158	526	137	215
(i) Other assurance services include review of the equity prospectuses and amendments, and share register audit.				
(c) EMPLOYEE BENEFITS EXPENSES				
Wages and salaries and other benefits	27,253	26,783	722	701
Contributions to KiwiSaver	601	584	17	25
Directors' remuneration	353	389	353	389
Directors' retiring allowance	57	69	57	69
	28,264	27,825	1,149	1,184
(d) RENTAL EXPENSE				
Net property rent expense	6,065	6,030	290	272
(e) DEPRECIATION AND AMORTISATION EXPENSES				
Leasehold improvements	543	581	17	17
Plant and equipment	487	436	0	0
Motor vehicles	64	57	0	0
Computer equipment	277	588	0	0
Software	3,004	2,965	0	0
	4,375	4,627	17	17

4. NET FINANCING COSTS

	Group		Parent	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
(a) FINANCE INCOME				
Interest income	(14)	(17)	(12)	(17)
Interest on loans to related parties	0	0	(305)	(1,882)
	(14)	(17)	(317)	(1,899)
(b) FINANCE COSTS				
Interest expense on borrowings and bank facility and line fees	770	1,644	771	2,839
Interest expense on finance lease liabilities	254	354	254	354
Interest on loans from related parties	0	0	36	14
Loss arising on interest rate swaps	183	79	0	0
	1,207	2,077	1,061	3,207
Net financing costs	1,193	2,060	744	1,308

5. REBATE DIVIDENDS AND DIVIDENDS PAID

	Group		Parent	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Rebate dividends paid	1,830	2,232	1,830	2,232
Dividends paid	940	812	940	812
	2,770	3,044	2,770	3,044

6. TAXATION

	Group		Parent	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
(a) INCOME TAX RECOGNISED IN PROFIT OR LOSS				
Current tax expense/(credit):				
Current year	620	(919)	(731)	(847)
Adjustment for prior periods	(29)	(36)	31	(26)
Deferred tax (credit)/expense:				
Current year	(570)	(294)	117	(105)
Total recognised in profit or loss	21	(1,249)	(583)	(978)
(b) RECONCILIATION OF EFFECTIVE TAX RATE				
Loss before tax	(2,244)	(7,589)	(5,295)	(6,559)
Income tax at 28% (2015: 28%)	(628)	(2,125)	(1,483)	(1,837)
Non-deductible items	678	912	869	885
(Understatement)/overstatement of prior year's provision	(29)	(36)	31	(26)
Total recognised in profit or loss	21	(1,249)	(583)	(978)
(c) IMPUTATION CREDITS				
Imputation credits available for use in subsequent reporting periods	9,373	10,377	9,373	10,377

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

6. TAXATION (CONTINUED)

(d) DEFERRED TAX BALANCES

Deferred tax assets and liabilities are attributable to the following:

	Property, plant and equipment and intangibles $'000	Debtors $'000	Inventory $'000	Provisions and accruals $'000	Unused tax losses $'000	Net tax assets $'000
GROUP						
Balance as at 1 April 2014 - continuing operations	88	154	198	780	0	1,220
Recognised in profit or loss	140	(25)	104	(67)	142	294
Balance as at 31 March 2015	228	129	302	713	142	1,514
Recognised in profit or loss	669	(17)	5	44	(131)	570
Balance as at 31 March 2016	897	112	307	757	11	2,084
PARENT						
Balance as at 1 April 2014	7	0	0	156	0	163
Recognised in profit or loss	(6)	0	0	(31)	142	105
Balance as at 31 March 2015	1	0	0	125	142	268
Recognised in profit or loss	1	0	0	13	(131)	(117)
Balance as at 31 March 2016	2	0	0	138	11	151

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

7. RECONCILIATION OF LOSS/(PROFIT) TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	Group		Parent	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
(Loss)/profit for the year	(6,657)	(6,142)	6,365	(5,581)
Adjustments for:				
Depreciation and amortisation of non-current assets	4,375	5,027	17	17
Movement in deferred tax through income statement	(570)	(208)	117	(105)
Share of profit of associates	(244)	(281)	0	0
Net loss on financial liabilities designated as at fair value	186	107	0	0
Rebate dividends and dividends not paid in cash	2,251	1,054	2,251	1,054
Interest unwind on debt	(163)	0	(163)	0
Management fees and shared services from subsidiaries	0	0	(230)	(430)
Net interest from subsidiaries	0	0	(269)	(1,868)
Suppliers and employees not paid in cash	0	0		2,954
(Gain)/loss on disposal of property, plant and equipment and intangible assets	(48)	98	0	62
Loss/(gain) on disposal of subsidiary	4,271	0	(11,078)	0
Impairment loss recognised on goodwill	0	736	0	0
Impairment loss recognised on trade receivables	41	55	0	0
	10,099	6,588	(9,355)	1,684
Items classified as investing activities:				
Provision for tax movement via intercompany account	0	0	(1,291)	(813)
	0	0	(1,291)	(813)
Movement in working capital:				
(Increase)/decrease in trade and other receivables	(5,661)	903	(30)	(328)
(Increase)/decrease in inventories	(201)	354	0	0
Increase/(decrease) in taxation payable	588	276	588	408
Increase/(decrease) in trade and other payables	6,713	1,130	(31)	(444)
Increase/(decrease) in provisions	7	(559)	(59)	(81)
Net foreign exchange movements relating to working capital	0	(267)	0	0
	1,446	1,837	468	(445)
Net cash generated from/(used in) operations	4,888	2,283	(3,813)	(5,155)

Other significant non-cash transactions recognised in the Parent's intercompany accounts with subsidiaries include:

	Parent	
	2016 $'000	2015 $'000
Management fees from subsidiaries	275	475
Shared service fees to subsidiaries	(45)	(45)
Net interest received from subsidiaries	269	1,868
Transfer of provision for tax balances from subsidiaries	1,291	813

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

8. DISCONTINUED OPERATIONS

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). 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.

The entities disposed of comprise: Patton Limited, Patton Australia Pty Limited and Patton Refrigeration India Pvt Limited and joint ventures Metjak Pty Limited, Air Conditioning & Refrigeration Parts CQ Pty Limited, Mcdalea Pty Limited, and Patton Aero Company Limited. The disposal of the refrigeration operations is consistent with the Group's long-term policy to focus its activities on the plumbing market.

(a) RESULTS FOR THE YEAR FROM DISCONTINUED OPERATIONS

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

	Group		Parent
	2016 $'000	2015 $'000	2016 $'000
(Loss)/profit for the year from discontinued operations:			
Revenue	0	63,995	11,077
Cost of sales	0	(44,297)	0
Gross profit	0	19,698	11,077
Other income	0	223	0
Depreciation and amortisation	0	(400)	0
Foreign exchange loss on investment recognised	(4,271)	0	0
Other operating expenses	(121)	(16,722)	0
(Loss)/profit before net finance costs and taxation	(4,392)	2,799	11,077
Attributable net finance costs	0	(1,237)	0
Attributable income tax expense	0	(1,364)	0
(Loss)/profit for the year from discontinued operations before dividends	(4,392)	198	11,077
Attributable to:			
Co-operative shareholders of the Parent	(4,392)	82	11,077
Non-controlling interests	0	116	0
	(4,392)	198	11,077
CASH FLOWS FROM DISCONTINUED OPERATIONS			
Net cash outflows from operating activities	(121)	(3,255)	0
Net cash inflows/(outflows) from investing activities	29,798	(199)	29,798
Net cash inflows from financing activities	0	826	0
Net cash inflows/(outflows)	29,677	(2,628)	29,798

(b) ASSETS CLASSIFIED AS HELD FOR SALE

	Group		Parent	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Assets related to refrigeration business	0	40,241	0	18,371
Liabilities associated with assets held for sale	0	8,022	0	0

9. TRADE AND OTHER RECEIVABLES

	Group		Parent	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Gross trade receivables	23,376	20,374	0	0
Less: allowance for doubtful debts	(400)	(461)	0	0
	22,976	19,913	0	0
Prepayments and other receivables	6,314	3,757	203	360
	29,290	23,670	203	360

(a) MOVEMENTS IN THE ALLOWANCE FOR DOUBTFUL DEBTS

	Group	
	2016 $'000	2015 $'000
Balance at the beginning of the year	(461)	(550)
Impairment losses recognised on receivables	(41)	(41)
Amounts written off during the year as uncollectable	349	306
Impairment losses reversed	(247)	(176)
Balance at the end of the year	(400)	(461)

See note 19 with respect to impairment of trade receivables.

(b) OTHER RECEIVABLES

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

10. INVENTORIES

	Group	
	2016 $'000	2015 $'000
Finished goods and goods for sale	30,571	30,352
Provision for obsolete inventory and shrinkage	(1,097)	(1,079)
	29,474	29,273

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

11. PROPERTY, PLANT AND EQUIPMENT

	Group		Parent	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
PROPERTY, PLANT AND EQUIPMENT CARRYING VALUE COMPRISES:				
Capital work in progress	88	90	0	0
Leasehold improvements	2,096	2,366	94	111
Plant and equipment	1,681	1,076	0	0
Motor vehicles	198	104	0	0
Computer equipment	275	293	0	0
Total carrying amount at the end of the year	4,338	3,929	94	111
PROPERTY, PLANT AND EQUIPMENT				
Cost	21,212	23,967	168	176
Accumulated depreciation	(17,283)	(19,076)	(57)	(47)
Carrying amount at the beginning of the year	3,929	4,891	111	129
Movements during the year				
Cost or valuation:				
Acquisitions	1,794	765	0	0
Disposals	(1,620)	(3,520)	0	(8)
Accumulated depreciation:				
Disposals	1,606	3,455	0	7
Depreciation for the year	(1,371)	(1,662)	(17)	(17)
Cost or valuation	21,386	21,212	168	168
Accumulated depreciation	(17,048)	(17,283)	(74)	(57)
Carrying amount at the end of the year	4,338	3,929	94	111

Security

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

12. INTANGIBLE ASSETS

	Group		Parent	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
INTANGIBLE ASSETS CARRYING VALUE COMPRISES:				
Software	1,843	3,109	0	0
Goodwill	6,890	6,890	0	0
Total carrying amount at the end of the year	8,733	9,999	0	0
SOFTWARE				
Cost	7,749	6,901		162
Accumulated amortisation and impairment losses	(4,640)	(1,841)		(162)
Carrying amount at the beginning of the year	3,109	5,060		0
Movements during the year				
Cost or valuation:				
Acquisitions	1,738	1,014		0
Disposals	(6,369)	(166)		(162)
Accumulated amortisation and impairment losses:				
Disposals	6,369	166		162
Amortisation for the year	(3,004)	(2,965)		0
Cost	3,118	7,749		0
Accumulated amortisation and impairment losses	(1,275)	(4,640)		0
Carrying amount at the end of the year	1,843	3,109		0
GOODWILL				
Cost	9,956	9,956		
Accumulated impairment losses	(3,066)	(3,066)		
Carrying amount at the end of the year	6,890	6,890		

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 date stated to the expected date the asset will be replaced, which was 31 March 2016. The change in estimate increased the amortisation charge (and decreased the net carrying amount) by $2,368,000 in the year to 31 March 2016, (2015: $2,326,000).

(a) IMPAIRMENT TESTS FOR GOODWILL

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

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

- Revenue growth rates ranging from 2% to 5% during the 5 year forecast period (2015: 2% to 4%).
- Terminal growth rate of 3% (2015: 3%).
- Post tax weighted average cost of capital (WACC) of 9% (2015: 10%).

At year end, the carrying amount of CGU, including goodwill, was determined to be lower than the recoverable amount; as such no impairment loss has arisen. There is adequate headroom in the CGU impairment test, (approximately $9,600,000), 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

12. INTANGIBLE ASSETS (CONTINUED)

Sensitivity analysis

In relation to the goodwill attached to the CGU, it is estimated that a +/- 1% movement in the terminal growth rate used in the calculation would result in a corresponding movement in the recoverable amount of +/- $7,000,000. Similarly a +1% movement in the discount rate would alter the recoverable amount by ($8,000,000) and a -1% movement in the discount rate would alter the recoverable amount by + $12,000,000.

13. INVESTMENTS IN OTHER ENTITIES

	Group		Parent	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Investments in subsidiaries	0	0	24,534	24,534
Investments in associates	2,635	2,391	900	900

(a) SUBSIDIARIES

The Parent's investments in subsidiaries in 2016 and 2015 include:

	Country of incorporation	Principal activity	Interest 2016 $'000	Interest 2015 $'000
Plumbing World Limited	New Zealand	Wholesale and Retail Plumbing Supplier	13,134	13,134
Metrix Imports Limited	New Zealand	Wholesale and Retail Plumbing Supplier	11,400	11,400
			24,534	24,534

All subsidiary entities above have a balance date of 31 March and are 100 percent owned. The Parent's investment in subsidiaries comprises shares at cost less impairment. There has been no impairment in the investment of subsidiaries (2015: nil).

(b) ASSOCIATES

The Group's investments in associates in 2016 and 2015 are:

	Country of incorporation	Principal activity	Interest 2016	Interest 2015
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 associates are equity accounted by the Group. 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.

(i) 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 associate's financial statements prepared in accordance with NZ IFRSs (adjusted by the Group for equity accounting purposes).

	Group	
	2016 $'000	2015 $'000
ASSETS AND LIABILITIES OF ASSOCIATES ARE AS FOLLOWS:		
Total current assets	5,375	5,539
Total non-current assets	1,671	1,551
Total current liabilities	(1,545)	(2,465)
Total non-current liabilities	0	0
RESULTS OF ASSOCIATES - 100%		
Revenue	9,891	8,916
Depreciation and amortisation	(161)	(262)
Interest expense	(8)	(9)
Post tax profit for the year	1,958	1,455
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,958	1,455

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

	Group		Parent	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Aggregate carrying amount of the Group's interest in these associates:				
Balance at the beginning of the year	2,391	2,110	900	900
Group's share of post-tax profit	381	343	0	0
Group's share of dividends paid	(137)	(62)	0	0
Balance at the end of the year	2,635	2,391	900	900

(iii) Transactions with associates of the Group:
The Group has entered into the following transactions with its associates during this year:

	Group	
	2016 $'000	2015 $'000
Purchase of goods and services - associates	2,786	2,240
Sale of goods to associates	189	130
Receivables from associates	28	33
Payables to associates	179	246

Transactions were conducted on normal trading terms, as per note 19(b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

14. TRADE AND OTHER PAYABLES

	Group		Parent	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Trade payables	17,421	13,905	0	0
Other payables and accrued liabilities	5,367	2,170	459	490
	22,788	16,075	459	490

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.

15. LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, see note 19.

	Group		Parent	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Current				
Finance lease liabilities	1,032	1,149	1,032	1,149
Secured bank loans	0	25,000	0	25,000
	1,032	26,149	1,032	26,149
Non-current				
Finance lease liabilities	1,203	2,235	1,203	2,235
Secured bank loans	8,500	10,000	8,500	10,000
	9,703	12,235	9,703	12,235
	10,735	38,384	10,735	38,384

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

(a) SECURITY AND BANK FACILITIES

The Group banking facilities are as follows:

Facility type	Amount	Expiry date
Multi Option Credit Facility (MOCL)	$12 million (2015: $35 million)	31 December 2018
Overdraft facility	$3 million (2015: $5 million)	

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

As at 31 March 2016, $8,500,000 was drawn down in credit facilities (2015: $35,000,000). 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 on the same date to $10,000,000, this was subsequently increased to $12,000,000.

(b) INTEREST RATES

Interest was charged on secured bank loans throughout the year at an interest rate between 3.76% and 5.58% (2015: 4.92% and 5.80%). The bank overdraft base rate throughout the year was between 5.70% and 9.45% (2015: 8.45% and 9.45%).

(c) FINANCE LEASE LIABILITIES

	Group		Parent	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Repayable as follows:				
Not later than one year	1,193	1,404	1,193	1,404
Later than one year and not later than five years	1,276	2,468	1,276	2,468
Future minimum lease payments	2,469	3,872	2,469	3,872
Less future finance charges	(234)	(488)	(234)	(488)
Present value of finance lease liabilities	2,235	3,384	2,235	3,384
The present value of the future minimum lease payments is repayable as follows:				
Not later than one year	1,032	1,149	1,032	1,149
Later than one year and not later than five years	1,203	2,235	1,203	2,235
	2,235	3,384	2,235	3,384

Security

Finance lease liabilities are secured by the assets leased. Finance leases relate to hardware and software 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 6.0% and for software 9.9%. 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.

16. OTHER LIABILITIES

(a) DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	2016 $'000	2015 $'000
Derivatives carried at fair value through profit and loss:		
Interest rate swaps	1,217	1,582
Forward foreign exchange contracts	40	37
	1,257	1,619
Classified as:		
Current	40	37
Non-current	1,217	1,582
	1,257	1,619

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

16. OTHER LIABILITIES (CONTINUED)

This note provides information about the contractual terms of the Group's derivative financial instruments. For more information about the Group's exposure to interest rate and foreign currency risk, see note 19.

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. Swaps currently in place $8,000,000 (2015: $12,000,000) cover approximately 94% (2015: 34%) of the secured bank loans outstanding.

In conjunction with the renegotiation of the Group banking facility, MOCL, the Group closed $4,000,000 interest rate swaps for a settlement of $548,000 (2015: nil).

The Group has contracted to pay a fixed rate of interest in return for receiving payments based on a variable rate of interest. The fixed interest rates average 6.52% (2015: 7.55%). The variable rates are set at the 90 day bank bill settlement rate, which at balance date was 2.56% (2015: 3.63%). The contracts require settlement of net interest receivable or payable each 90 days as appropriate, and are settled on a net basis.

(b) PROVISIONS

	Group		Parent	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
EMPLOYEE ENTITLEMENTS				
Balance at the beginning of the year	2,289	2,788	448	529
Additional provisions made during the year	2,666	2,228	266	222
Provisions used during the year	(2,524)	(2,727)	(325)	(303)
Balance at the end of the year	2,431	2,289	389	448
Classified as:				
Current	1,997	1,722	274	168
Non-current	434	567	115	280
	2,431	2,289	389	448
OTHER				
Balance at the beginning of the year	215	250		
Additional provisions made during the year	0	0		
Provisions used during the year	(135)	(35)		
Balance at the end of the year	80	215		
Classified as:				
Current	0	100		
Non-current	80	115		
	80	215		

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.

A provision is also maintained for the payment of a retiring allowance, $115,139 (215: $280,090), for directors in accordance with the Constitution.

Other - site restoration 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.

17. CO-OPERATIVE SHARE CAPITAL

The movements in shares by class for the Group and Parent is as follows:

	Group		Parent	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
On issue at the beginning of the year	23,207	23,078	23,207	23,078
Net (redemptions/transfers)/issues:				
Ordinary shares	(470)	(378)	(470)	(378)
Development shares	8	64	8	64
Redeemable preference shares (RPS)	(95)	(1,169)	(95)	(1,169)
New redeemable preference shares (New RPS)	1,670	3,184	1,670	3,184
Redeemable preference rebate shares	1,750	(848)	1,750	(848)
Subscriptions in advance	6	(724)	6	(724)
On issue at the end of the year	26,076	23,207	26,076	23,207
ORDINARY SHARES				
Issued capital				
7,545,936 (2015: 8,640,502) ordinary shares of $1 each	7,991	8,641	7,991	8,641
less uncalled and unpaid capital	(445)	(625)	(445)	(625)
	7,546	8,016	7,546	8,016
DEVELOPMENT SHARES				
Issued capital				
700,079 (2015: 1,240,000) development shares of $1 each	1,300	1,240	1,300	1,240
less uncalled and unpaid capital	(600)	(548)	(600)	(548)
	700	692	700	692
REDEEMABLE PREFERENCE SHARES (RPS)				
165,245 (2015: 260,389) redeemable preference shares of $1 each fully paid	165	260	165	260
NEW REDEEMABLE PREFERENCE SHARES (NEW RPS)				
15,339,463 (2015: 13,670,005) redeemable preference shares of $1 each fully paid	15,339	13,670	15,339	13,670
REDEEMABLE PREFERENCE REBATE SHARES				
2014 redeemable preference rebate shares	597	565	597	565
2015 redeemable preference rebate shares	1,719	0	1,719	0
	2,316	565	2,316	565
Share subscriptions in advance	10	4	10	4
TOTAL PAID-UP CO-OPERATIVE CAPITAL	26,076	23,207	26,076	23,207
Classified as:				
Current	597	4	597	4
Non-current	25,479	23,203	25,479	23,203
	26,076	23,207	26,076	23,207

The current portion of co-operative share capital represents the value of share subscriptions in advance as at 31 March and shares due to be paid out within 12 months of balance sheet date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

17. CO-OPERATIVE SHARE CAPITAL (CONTINUED)

The Group has five classes of shares with different rights attached:

Ordinary shares

Ordinary shares may be surrendered at the option of the shareholder, directors or Group according to the Constitution at the nominal value of $1 per fully paid share. Consideration for the surrender is subject to the directors' right to postpone payment for up to five years. Ordinary shares carry certain rights as to voting and rebate dividends.

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 rebate dividends. In January 2016, NZPM amended the development shares requirement from 5,000 shares of $1 per share to nil. In conjunction with this change, NZPM resolved to allow existing shareholders to redeem their development shares for cash and cancel any unpaid portion of their development shares. As at 31 March 2016, the dividend rate was 7.5% (2015: 8.5%).

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 rebate dividends. The directors are able to postpone repayment. As at 31 March 2016, the dividend rate was 7.0% (2015: 8.0%).

2014 Redeemable preference rebate shares (2014 rebate shares)

The 2014 rebate shares are redeemable preference shares in the capital of NZPM with a nominal value of $1 per share. The terms of issues converted the 2014 rebate shares 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). In June 2016, NZPM resolved to redeem the 2014 rebates shares for cash in August 2016.

2015 Redeemable preference rebate shares (2015 rebate shares)

The 2015 rebate shares are redeemable preference shares in the capital of NZPM with a nominal value of $1 per share. They will be converted into redeemable preference shares in three equal annual instalments with a first conversion to be made on the first anniversary of their issue date, and the second and third conversions to be made on the second and third anniversaries of their issue date respectively. As at 31 March 2016, the dividend rate vas 8.0% (2015: not applicable).

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.

18. RELATED PARTY TRANSACTIONS

Identity of related parties

The Parent and Group have related party relationships with its subsidiaries, associates, 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. No shareholder has any sufficient influence that they could be deemed to be a risk to the Group.

(a) TRANSACTIONS INVOLVING THE PARENT ENTITY

The Parent received the following from subsidiaries and associates:

	Parent	
	2016 $'000	2015 $'000
Interest expense paid to subsidiaries on intercompany balances	36	14
Interest income from subsidiaries on intercompany balances	(305)	(1,882)
Dividends from associates	75	0
Management fees from subsidiaries	275	475
Shared service fees to subsidiaries	(45)	(45)
Transfer of provision for tax balances from subsidiaries (included in the NZ tax Group)	1,291	813
The Parent was due from /(owed to) the subsidiaries at balance date:		
Related party receivables from subsidiaries	7,937	6,455
Related party payables to subsidiaries	(977)	(90)

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% (2015: 8%) payable on the last day of each month. No related party debts have been written off or forgiven during the year.

(b) TRANSACTIONS WITH DIRECTORS

Directors Messer's Coxhead, DeBernardo, Lawrence, McCord, McIvor and Whitehead are also directors of companies which regularly trade with Plumbing World Limited on normal trading terms as noted in note 14 and 19(b). In total the companies associated with the directors purchased $4,789,000 (2015: $3,269,000) during the year from Plumbing World Limited. The outstanding balance as at 31 March 2016 was $665,000 (2015: $366,000).

Director S McIvor has an interest in a property that is leased to Plumbing World Limited at Wanaka, $85,000 (2015: $85,000). Director J DeBernardo has an interest in a property to be leased to Plumbing World Limited at Christchurch beginning in March 2017. Formal lease agreements are in place for both properties and rent is based on commercial rates.

As at the date of this annual report there are no outstanding loans to directors, (2015: nil).

(c) TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Key management personnel compensation comprised short and long term benefits on an accrual basis for the 12 months ended 31 March 2016 of $1,283,000 (2015: $1,218,000). The long term benefit is offerred to three senior executives and is for a three year period ending on 31 March 2017. The incentive is based on the Group achieving certain revenue targets in the 2017 year. There were no long term incentive payments made in 2016. As at 31 March 2001, the Group had accured $310,000 (2015: $120,000).

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.

(d) TRANSACTIONS WITH ASSOCIATES

The Group has related party transactions with its associates. The details of the transactions are contained in note 13.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

19. 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.

Treasury activities are managed at the business unit level and governed by a Group treasury policy. The use of derivative financial instruments is governed by the Group policies approved by the Board. The Group does not engage in speculative transactions.

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

(a) MARKET RISK

(i) Foreign currency 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, United States dollar, and Euro (EUR).

At year end, the Group had foreign exchange exposures relating to cash and creditors.

The Group uses foreign exchange contracts, spot purchases of foreign currency and foreign bank accounts to manage these exposures.

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

	Group	
	2016 $'000	2015 $'000
United States dollar (USD)	1,062	333
European Community Euro (EUR)	834	632
Australian dollar (AUD)	712	335
	2,608	1,300

At balance date the Parent had no foreign exchange contracts (2015: nil).

(ii) Interest risk

The Group is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates.

Interest rate risk is identified by forecasting cash flow requirements, short-term through to long-tem.

The Group has floating rate borrowings used to fund on-going activities, which are repriced at the 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.

Interest rate derivatives

The Group's treasury policy requires a portion of the Group's core debt to be fixed via interest rate derivates to protect the Group from exposure to fluctuations in interest rates. Accordingly, the Group has entered interest rate swap contracts under which it is obliged to receive interest at variable rates and pay interest at fixed rates.

Interest rate sensitivity

At year end all loans are at fixed rates for defined periods of up to three months, after which interest rates will be reset. Additionally the Group has overnight deposits that are subject to fluctuations of interest rates. If the Group's year end loan and deposit rates had remained the same through the year and interest rates moved by 1% then the impact would be a $85,000 gain or loss on pre-tax profits (2015: $133,840).

(iii) Price / commodity risk

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

(b) CREDIT RISK

In the normal course of business, the Group is exposed to counter party credit risks from trade debtors and transactions with financial institutions. The maximum exposure at year end is equal to the carrying value for cash and equivalents and trade and other receivables.

The objective of the Group is to minimize the risk through evaluation and monitoring of the credit quality of customers and through control over credit in accordance with the credit policy. The potential risk is further minimized by having a spread of customers with no significant concentration of credit risk.

Trade receivables is represented by:

	Group	
	2016 $'000	2015 $'000
Age of receivables:		
0-30 days	17,290	14,650
31-60 days	3,658	2,844
61-90 days	696	870
90+ days	1,732	2,010
Total	23,376	20,374
Allowance for doubtful debts	(400)	(461)
	22,976	19,913

The average credit period on sales of goods is 30 days. Trade receivables that are less than three months past due are not considered impaired. The Group has recognised an allowance for doubtful debts of 100% against receivables 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 overdue at varying percentages, depending on the length of time overdue. The percentage is based on estimated irrecoverable amounts determined by reference to past default experience. The Group does not charge interest on overdue receivables.

(c) LIQUIDITY RISK

Liquidity risk represents the Group's ability to meet its contractual obligations. 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 for the quarter ending June 2015. Subject to this concession, all undertakings and covenants were met during the year. On 3 February 2016, the Group agreed to a new facility agreement with Westpac.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 purpose 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, even though the Group has the option to repay the loan prior to its expiry date.

The amounts disclosed below are contractual undiscounted cash flows at reporting date.

	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						
Fair value through profit & loss:						
Derivative financial instruments	1,619	1,599	234	234	468	663
At amortised cost:						
Bank overdraft	3,301	3,301	3,301	0	0	0
Trade and other payables	16,075	16,075	16,075	0	0	0
Finance lease liabilities	3,384	3,872	776	627	1,193	1,276
Secured bank loans	35,000	35,748	25,283	279	10,186	0
Co-operative share capital	23,207	23,207	4	0	0	23,203
Balance as at 31 March 2015	82,586	83,802	45,673	1,140	11,847	25,142
GROUP						
Fair value through profit & loss:						
Derivative financial instruments	1,257	1,308	160	160	319	669
At amortised cost:						
Trade and other payables	22,788	22,788	22,788	0	0	0
Finance lease liabilities	2,235	2,468	606	587	988	287
Secured bank loans	8,500	9,427	168	168	337	8,753
Co-operative share capital	26,076	26,076	597	0	0	25,479
Balance as at 31 March 2016	60,856	62,067	24,319	915	1,644	35,188
PARENT						
At amortised cost:						
Bank overdraft	144	144	144	0	0	0
Trade and other payables	490	490	490	0	0	0
Related party payables	90	90	90	0	0	0
Finance lease liabilities	3,384	3,872	776	627	1,193	1,276
Secured bank loans	35,000	35,748	25,283	279	10,186	0
Co-operative share capital	23,207	23,207	4	0	0	23,203
Balance as at 31 March 2015	62,315	63,551	26,787	906	11,379	24,479
PARENT						
At amortised cost:						
Trade and other payables	459	459	459	0	0	0
Related party payables	977	977	977	0	0	0
Finance lease liabilities	2,235	2,468	606	587	988	287
Secured bank loans	8,500	9,427	168	168	337	8,753
Co-operative share capital	26,076	26,076	597	0	0	25,479
Balance as at 31 March 2016	38,247	39,407	2,807	755	1,325	34,519

(d) 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. During the year, the development share requirement was reduced from 5,000 shares of $1 per share to nil. NZPM resolved to allow shareholders to redeem all existing development shares on issue. In February 2016, NZPM agreed a renewed $15,000,000 bank facility with Westpac, that expires on 31 December 2018. The renewed facility has additional covenant flexibility. There have been no other 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:

- Funding cost cover ratio - adjusted EBIT (earnings before non-recurring items, additional amortisation for the computer system, interest and tax) for the Group against its total borrowing costs (including cash flows for derivative instruments but excluding market value changes of the derivative instruments) and requires this ratio to exceed 1.5 times. The funding cost cover ratio is tested on a rolling 12 month basis.
- Quasi equity ratio – an equity ratio of 40% which excludes intangible assets, investment in associates, advances to and from subsidaries and co-operative share capital.
- Liquidity ratio – a liquidity ratio whereby the aggregate value of stock and trade debtors is at least 1.5 times the value of trade creditors and all outstanding balances due to Westpac under the Facility Agreement.

(e) FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets

All financial assets (cash and cash equivalents, trade and other receivables, and related party receivables) are categorised as *loans and receivables.*

Financial liabilities:

Financial liabilities include several categories:

Fair value through profit or loss:
- Derivatives

Measured at amortised cost:
- Bank overdraft
- Trade and other payables, and related party payables
- Borrowings
- Co-operative share capital

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) FAIR VALUE HIERARCHY

(i) Level 1

The fair value of financial instruments traded in an active market is based on the quoted market prices at the balance date balance date. These instruments are included in Level 1.

(ii) Level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques.Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on the observable yield curve;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance date, with the resulting value discounted back to present value.

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

(iii) Level 3

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

The fair value of the following financial assets and liabilities approximate their carrying amounts: cash and cash equivalents, trade and other receivables, trade and other payables and loans and borrowings.

	Group	
Level 2	2016 $'000	2015 $'000
Interest rate swaps	1,217	1,582
Forward foreign exchange contracts	40	37

20. COMMITMENTS

(a) CAPITAL COMMITMENTS

As at 31 March, the Group is committed to the following capital expenditure:

	Group	
	2016 $'000	2015 $'000
Upgrade leasehold premises	76	400
Software	371	0
Motor vehicles	20	0

(b) OPERATING LEASE COMMITMENTS

The Group leases premises, plant and equipment and motor vehicles 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. There are no renewal options or options to purchase in respect of operating plant and equipment and motor vehicles. The following amounts have been committed to by the Group, but are not recognised in the financial statements.

	Group	
	2016 $'000	2015 $'000
Within one year	7,039	6,249
One to two years	5,298	5,515
Two to three years	4,208	3,752
Three to four years	2,650	2,903
Four to five years	1,512	1,772
Over five years	1,097	1,243

The Parent company has no operating lease commitments (2015: nil).

21. 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 1986 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 has filed a defence to the claims and intends to vigorously defend the proceedings. A 10 day trial has been set down in the High Court of New Zealand starting on 22 August 2016. 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 NZPM Group until replacement branded plumbing supplies are introduced.

22. SUBSEQUENT EVENTS

In June, NZPM declared a gross rebate dividend to all ordinary shareholders that is the greater of $300 or 2% of their Grade A Cash. The rebate dividend is payable in cash in October 2016 to all ordinary shareholders on the share register at 30 June 2016 who are not in default of their monthly obligations. The net rebate dividend payment will be approximately $1,270,000. The rebate dividend will be fully imputed for tax purposes.

The company also resolved to redeem the 2014 rebates shares that were due for redemption on 28 February 2018 for cash in August 2016. The redemption will result in a net payment (including calculated interest to the payment date) to 2014 rebate shareholders of approximately $610,000.

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DELOITTE. Auckland

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CRAIG McCORD. Tauranga
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MARK WHITEHEAD. Christchurch

MANAGEMENT REPRESENTATIVES
BRETT CRUICKSHANK. Group Chief Financial Officer

PLUMBING WORLD LTD
ROB KIDD. General Manager

METRIX IMPORTS LTD
GARRY IVILL. General Manager

KIERAN READ
PLUMBING WORLD
BRAND AMBASSADOR

GROUP TRADING LOCATIONS