

THE CONNECTOR

NEWS 'N VIEWS FROM THE GROUP | APRIL 2018

CHAIRMAN'S UPDATE

I hope that everyone had an enjoyable Easter break, and like NZPM Group, that capped off the end of what has been a very pleasing financial year. Although we did notice a softening of the market in the last quarter we still expect a result in-line with forecast, and a number of economic indicators suggest that positive momentum will continue throughout 2018 for both Plumbing World and Metrix.

Tempering that slightly, all shareholders by now should have received our notice informing members that the co-operative has divested our minority shareholding in Aquatherm NZ Limited. This follows an offer from the other shareholders of the company, however for those who missed it, full details can be found later in this edition of Connector.

Whilst our 30% shareholding in Aquatherm has been a part of the NZPM portfolio since 2005, we recognise the company has been facing a range of challenges in the market over recent times and needs to rebuild and to expand its presence, and the purchase of NZPM's shareholding will allow the remaining Aquatherm shareholders to focus on that task.

Aquatherm's current level of earnings is much lower than in the past and the final sale price agreed reflects this, representing a significant discount to NZPM's carrying value of its shares. Regrettably, the resulting impairment loss on sale will impact on NZPM's earnings in the current financial year, however it would have been necessary to record a similar financial impairment this year, even if the sale had not occurred.

On a more positive note, we expect to fully reinvest the cash from the sale into our Metrix and Plumbing World businesses as we continue to grow our network and expand our footprint across the country. This includes new and refurbished branches, together with a range of innovative technology and customer service solutions. Included in these initiatives will be a new combined distribution centre for our Metrix and Plumbing World businesses that the board approved in February.

This new 5,500m² building will be located at Wiri in South Auckland and will bring our existing East Tamaki and Mt Wellington warehouses together in a single modern high-stud facility, with reserve capacity that will be absorbed as both companies along with our imports and exclusive products programmes continue to grow. This will not only improve our operating efficiency but will also help future proof the co-operative with a combined distribution hub close to SH1 and a number of major arterial routes.

Finally, later on in this edition of Connector is an invitation for shareholders who are interested in the future governance of the co-operative to apply for our 2018 NZPM Future Governance Programme. We're taking applications until 31 May, and this year the programme will accept up to two candidates who will join and participate in our board meetings from September through to May 2019, in addition to them receiving structured Institute of Directors (IOD) governance training, and some one-on-one mentoring from an independent professional director.

Kind regards,

John DeBernardo
Chairman



A MESSAGE FROM PLUMBING WORLD'S GENERAL MANAGER

The 2018 Plumbing World Young Plumber of the Year competition has kicked off with branch events being conducted during April, May and June.

We are really pleased to have 25 key industry sponsors supporting Young Plumber of the Year which reinforces not only the importance of this program for helping to attract, train and retain people in our industry—but the fact that the Young Plumbers Club and corresponding Young Plumber of the Year competition is gaining significant kudos.

Plumbing World opened its 48th branch in Richmond during March and have the plans well under way for opening the 49th branch in Kumeu.

The extensive refurbishment of the Palmerston North branch is now complete, the Rotorua refurbishment almost complete and the large refurbishment of our Lunn Ave store in Mount Wellington, Auckland—due for completion in late April/May.

Store renovations, coupled with the new Metrix/Plumbing World Distribution Centre in South Auckland—as mentioned in John's article—are all about improving the overall efficiency of our service to you as shareholders and trade customers, along with having more attractive and up to date showrooms to make the shopping experience for both the tradesperson and the consumer that much better.

As mentioned in the last Connector, to help enhance the connection between trade and consumer we are undertaking a brand improvement initiative across the country which will see the word "home" strategically placed alongside "Plumbing World" on our buildings—this is designed to help customers understand Plumbing World also provides a range of products for the home (such as heating, kitchen and laundry fixtures), not just bathroom products.

We are now well on the way to having 25% of our branches rebranded including the new look Henderson branch below.

Regards,

Rob Kidd

General Manager, Plumbing World



2018 FUTURE GOVERNANCE PROGRAMME

Following the successful introduction of this programme initiative last year, the NZPM Group Board is pleased to announce the opening of our 2018 Future Governance Programme, as we continue to help foster future elected director capability from within our ordinary shareholder membership pool.



NZPM
**Future
Governance
Programme**

The objective of the NZPM Future Governance Programme is to identify potential future elected directors for the NZPM Board, by selecting up to two shareholder applicants to participate in the programme in 2018.

It is expected that the successful applicants will be shareholders who have indicated a strong desire to be involved in the future NZPM governance process, and who also demonstrate the core attributes for development and mentoring as potential future directors of the co-operative.

Applicants will be shortlisted and interviewed by an independent selection panel during June and July, and it's anticipated that the successful candidates will be announced at this year's AGM in Tauranga in August.

The selected candidates will be expected to attend and participate in NZPM Board meetings between September 2018 and May 2019, and during that time they'll also receive Institute of Directors structured governance training, and some one-on-one mentoring from an independent professional director.

Last year we had six applications for the programme and selected one candidate, so with up to two candidates being selected in 2018, this year's programme offers even greater opportunity for shareholder members to become involved in the future governance of the co-operative by learning more about your Board and how they operate, whilst at the same time receiving professional mentoring and training as a company director.

We are currently seeking applications to participate in the 2018 programme from interested ordinary shareholder members until 31 May this year.

If you have any questions or would like to apply to participate in the programme please contact us at governance@nzpm.co.nz, or you can speak direct with NZPM Group Chairman John DeBernardo on 021 424 944.

DIVESTMENT OF AQUATHERM SHAREHOLDING

The NZPM Group Limited (NZPM) board of directors has accepted an offer from the other shareholders of Aquatherm NZ Limited (Aquatherm) to purchase our minority shareholding in the company.

Aquatherm has been part of the NZPM portfolio since 2005, however in recent times the company has been responding to a number of market challenges, including the specification of its products in certain applications and the rise of competing non-PPR products. The company is working with specifiers, installers and their customers to ensure that the market understands the correct applications and installation methods for its products, and is in the process of introducing new non-PPR products into its range.

The purchase of NZPM's shareholding will allow the remaining Aquatherm shareholders, together with the General Manager Andrew Sommerville, to continue to rebuild the company and to expand its presence in the wider market, and Aquatherm will remain a long-term committed supplier to Plumbing World.

The final sale price agreed for Aquatherm of \$0.5 million represents a significant discount to NZPM's carrying value of \$1.4 million, however based on Aquatherm's current level of earnings, NZPM would have been required to record a valuation impairment of a similar level this year, even if the sale transaction had not been undertaken.

The impairment will impact on NZPM's earnings in the current financial year, however we expect to fully reinvest the cash from the sale into our Plumbing World and Metrix businesses as we continue to grow our network and expand our footprint across the country.

We would also like to take this opportunity to wish Aquatherm the very best for their future, and to thank all of our NZPM shareholders and customers for their continued support.

SAVE THE DATE

NZPM Group's 54th Annual Meeting will be held at Trinity Wharf in Tauranga on the **17th of August 2018**.

Be sure to put it in your diary and keep an eye out for registration information later in the year.

DIRECTOR'S POINT OF VIEW

Greetings fellow shareholders. I trust the first quarter of the year has gone well for you. These are certainly interesting times. Internationally we have Donald Trump, Vladimir Putin and Xi Jinping all seemingly throwing the rulebook away—and here in New Zealand we can't get tradesmen in some parts of the country for love nor money, and in other parts, they are laying people off. The economy seems to be doing well, yet we have two of our largest companies (Fletchers and Fonterra) heading down dark holes. So it seems now that the only certainty is uncertainty itself.

In this environment, having contingency plans and an ability to change and adapt quickly is paramount. Making sure you have the right mix of fixed and variable costs, and that margin and overhead percentages are monitored closely become critical. Another reality is that even committed work seems to be subject to unpredictable delays which can cause major issues around resource utilisation and cashflow.

I would add that, if you don't have it already, having a suitably skilled and experienced external advisor for your business can be a real asset. Sometimes we all get too close to our business and having someone to force us to step back and take a different view of it can help us plan ahead and see things coming that we might otherwise miss. This does not need to be a really expensive exercise but it can prove to be invaluable. Perhaps your accountant or a recently retired industry player could fit the bill?

Taking that a stage further it serves to highlight to me the need for good governance in this uncertain world. Company directors can no longer just turn up to board meetings and then move on to other things. They have to have a good level of understanding of the business and the environment in which the company is operating. They need to understand the industry dynamics and the external factors which can profoundly affect the fortunes of the business.

I am pleased to say that at NZPM Group I believe we have very engaged directors who have a really good understanding of the industry and the dynamics in play around us. The fact that most of us work within the industry day-to-day, is a significant benefit of the co-operative model and the way our board is structured and operates.

So in spite of it all I believe the company is in good shape, and I wish you well for the balance of 2018. Whilst we cannot and will not interfere with the management of the company, you have the ability to call directors to discuss any issues around the co-operative at any time, and I am pleased to observe that many of you do.

Best wishes,

Alister Lawrence



NZ PLUMBING AWARDS

Plumbing World was once again proud to be the sponsor of the NZ Plumbing Awards in Hamilton on 23rd March as part of the Master Plumbers, Gasfitters and Drainlayers Conference.

The conference was a great couple of days with some really interesting guest speakers and events. Plumbing World also had a trade stand highlighting products from LeVivi, Toto and Metrix.

A huge congratulations to all the winners on the night, especially Hutt Gas and Plumbing for taking out the Master Plumber of the Year for 2018.

Plumbing World was also proud to announce the 6 Masterlink apprentices who all received a \$1,000 scholarship from Plumbing World. We like to show our support to the young guys coming through as they embark on their plumbing careers and to help future proof our Industry.

Below are the very deserving winners from the NZ Plumbing Awards:

Master Plumber of the Year 2018

Hutt Gas and Plumbing



Hutt Gas and Plumbing Directors (from left) Scott Adin, Colleen Upton and Darren Smith receiving the supreme national award.

Plumber, Gasfitter or Drainlayer of the Year 2018

Michael Goldsworthy, Taumarunui Plumbing Ltd



Michael Goldsworthy (centre) with, from left, Plumbing World General Manager Rob Kidd and Master Plumbers Chair Craig Foley.

Plumbing World Scholarships 2018



Master Plumbers Chair Craig Foley (left) and Plumbing World National Sales and Operations Manager Simon Lavery (right) with Plumbing World Scholarship winners.

Training Leader of the Year 2018

Jon Lewis, The Lewis Plumbing Company (NZ) Ltd



Jon Lewis (centre) receiving his award from Garry Fissenden and Craig Foley.

The Scholarship recipients (from left):

1. Albert Singh - W Mattson Ltd
2. Kaleb Reeve - Morrinsville Plumbing & Gas Services (1992) Ltd
3. Valentino Eyer - Rogers & Rogers
4. Leon Watson - Adams Plumbing & Drainage 2010 Ltd
5. Tom Walls - The Plumber
6. Scott Gillespie - Advantage Ltd

Product of the Year 2018

Marley Twist®

James Douglas Medallion 2018

Kelly Adam

Outstanding Services to the Industry 2018

Roger Herd

Graeme Victor Smith Contribution to the Industry 2018

Gordon Diggie, EG Glennie & Co 1980 Ltd

Project of the Year 2018

Optum Ltd

Kava Cup

Waikato Master Plumbers

METRIX UPDATE

Metrix is pleased to introduce new coloured PVD finishes in the Paini Cox tapware range and the Paini Nove range.

The new Paini Cox colours are black, gunmetal, antique nickel, brushed copper, brushed brass, and of course—good old chrome.

The Paini Nove range are also available in these colours—excluding brushed brass.

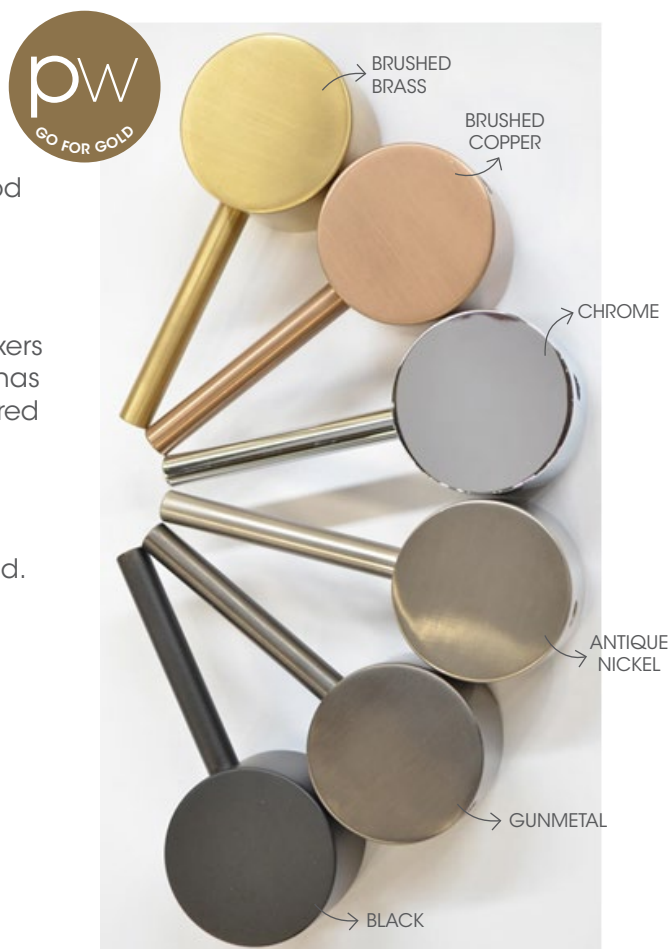
These colours are applied to basin mixers, shower/bath mixers and divertors, kitchen mixers and bath spouts. Metrix also has matching bottle traps and pop-up wastes in the new coloured finishes.

Most Plumbing World stores have some or all of these new colours on display.

The Paini Nove tapware range is exclusive to Plumbing World. The Go For Gold rebate applies to all Metrix products.

 **metrix**
BATHROOMS

Paini



FUNTIMES IN FIJI 2018

It's less than 5 weeks until our group of 232 delegates, suppliers and Plumbing World staff head to Fiji for this much anticipated fun-filled holiday. There are 50 children within the group, and the programme lined up caters for all ages, so without a doubt they'll have a fabulous time at this friendly tropical destination.

We have 110 new attendees on this trip and we extend a very warm welcome to them. There are still plenty of 'regulars' to help them feel part of this new and exciting travel adventure.

Fiji is our 19th Overseas Convention, and has been well received from when it was launched back in 2015. It is well known that the Fijian people are very welcoming, and staying at the beautiful Sheraton Fiji Resort & Spa definitely sets the scene for this break away from the hustle and bustle of everyday life. The activities planned include a Cultural evening, an exclusive island day, selected optional tours, a fun outdoor activity just to name a few.

We would also like to acknowledge the wonderful support from our Sponsoring Suppliers as their contribution allows us to enhance the events within our programme to make them all the more special. Each supplier has a representative travelling with us, and they look forward to spending time with our Shareholders and their families while in Fiji.

And of course at the conclusion of the programme on the final night, the 2020 trip destination will be announced. Where to next?all will be revealed soon!

We wish everyone
Funtimes in Fiji
and safe travels



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YOUNG PLUMBER OF THE YEAR

Young Plumber of the Year 2018 has officially begun!
Palmerston North and Timaru hosted the very first events, followed by Oamaru.

Without giving too much away—the contestants complete a theory examination and are challenged through skills tests ranging from valve assembly to pipe knowledge.

Results will be recorded on our YPC website.



Results to date are:

| | |
|------------------|---|
| Palmerston North | Jackson Ruakere - Supreme Plumbing |
| Timaru | Daniel Johnson - Aitkens Plumbing Service |
| Oamaru | Daniel Warren - Hi Flo Plumbing |
| Levin | Liam Dewar - Harris & Eckersley Plumbing & Gasfitting Ltd |
| Paraparaumu | Rory McGrath - Rob McEwan Plumbing |

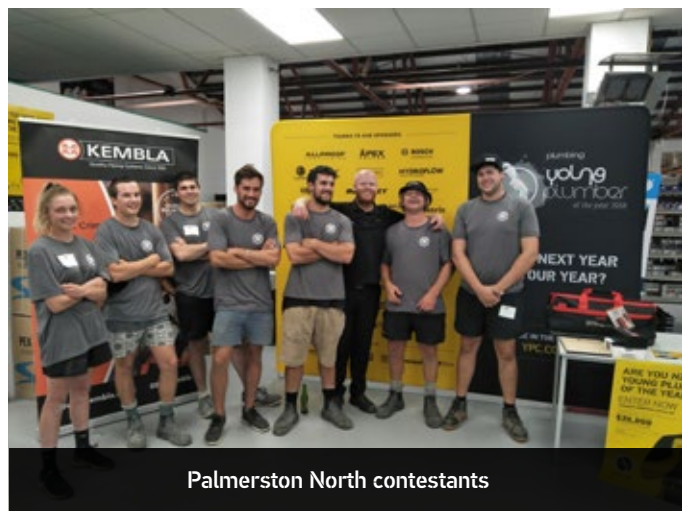
Registrations will remain open until your local branch event. A copy of the event timeline can be found on ypc.co.nz under Young Plumber of the Year > <https://youngplumbersclub.co.nz/young-plumber-of-the-year>.

Every entrant gets a goodie bag on the night—just for entering!

There are amazing prizes up for grabs at all stages and we haven't forgotten about you—the employer.

If one of your team takes out the title, as the employer will receive:

1. A tour of the Toto Factory, Indonesia in 2019, including flights and accommodation
2. A complete racing simulator package for your business—Valued at \$2500 courtesy of Adrenaline Events
3. \$500 in NZPM RPS Shares
4. \$500 Fuel Voucher towards the running of winners van
5. An employer's certificate
6. An employer's plaque



Palmerston North contestants



Jackson Ruakere
Supreme Plumbing



Daniel Johnson
Aitkens Plumbing Service

Congratulations to those who have already won their branch event and a huge good luck to those entrants that will be competing over the coming weeks.

SHAREHOLDER LOYALTY

Thank you for your continued support and congratulations on reaching your shareholding milestones.



(from left) Mark Fox - Regional Manager, Barbara Funnell, Colin Funnell and Blair Funnell - Palmerston North Branch Manager.

**30
YEARS**



(from left) Blair Funnell - Palmerston North Branch Manager and Henry Hintz from Henry's Plumbing Ltd

**10
YEARS**



(from left) Gary Long from Long Plumbers 2010 Ltd and Jeff Abbott - Papanui Branch Manager.

**10
YEARS**



(from left) Brian Roycroft and Scott Walker - Timaru Branch Manager.

**10
YEARS**

GETTING YOUR WORKPLACE HEALTH & SAFETY SORTED

Keen to know how you can get your workplace Health and Safety risks sorted? Take a look at the online tool by going to <http://www.aroundtheblock.worksafe.govt.nz>



Hazardous Substances

New Hazardous Substances Regulations came into force on 1 December 2017 which set out rules for work related activities involving hazardous substances. You can find out more information here: <https://www.hazardoussubstances.govt.nz/>

PURPOSE

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

PART OF THE NZPM COOPERATIVE

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metrix