

Financial Statements

FOR THE NINE MONTHS ENDED 31 DECEMBER 2015

The Directors have pleasure in presenting the interim financial statements of Methven Limited, set out on pages 21 to 30, for the nine months ended 31 December 2015. The Directors authorised these financial statements for issue on 25 February 2016.

During the period Methven Limited changed its financial year end from March to June. As a result these interim financial statements are for a nine month period to 31 December 2015 compared to a six month period to 30 September 2014. It is acknowledged that this makes comparability less meaningful and for this reason the Summary Report and Market Review on pages 4 to 17 focuses on comparing our performance for the six months ended 31 December 2015 to the same period in the prior year.



Phil Lough
Chairman



Norah Barlow
Director

Consolidated income statement

FOR THE NINE MONTHS ENDED 31 DECEMBER 2015

NZ \$000	Notes	9 mths ended 31 Dec 15 Unaudited	6 mths ended 30 Sept 14 Unaudited
Sales revenue	5	77,067	48,751
Cost of sales		(41,494)	(27,670)
Gross profit		35,573	21,081
Other income		452	380
Expenses			
Research, design and engineering		(1,853)	(1,386)
Sales, distribution, marketing and brand development		(17,882)	(10,364)
Administration and other expenses		(7,423)	(4,969)
Finance costs		(1,093)	(595)
Profit before income tax		7,774	4,147
Income tax expense		(2,184)	(1,249)
Net profit attributable to shareholders of the parent	5	5,590	2,898
Earnings per share for profit attributable to the shareholders of the parent:			
Basic earnings per share (cents)		7.9	4.2
Diluted earnings per share (cents)		7.9	4.2

Consolidated statement of comprehensive income

FOR THE NINE MONTHS ENDED 31 DECEMBER 2015

NZ \$000	9 mths ended 31 Dec 15 Unaudited	6 mths ended 30 Sept 14 Unaudited
Net Profit for the period	5,590	2,898
<i>Items that may be reclassified subsequently to profit or loss</i>		
Movement in foreign currency translation reserve	2,824	2,387
Movement in cashflow hedge reserve	(1,397)	2,115
Income tax relating to items that may be reclassified	402	(588)
Total items that may be reclassified subsequently to profit or loss	1,829	3,914
Other comprehensive income for the period net of tax	1,829	3,914
Total comprehensive income for the period attributable to the shareholders of the parent	7,419	6,812

Consolidated balance sheet

AS AT 31 DECEMBER 2015

NZ \$000	Notes	As at 31 Dec 15 Unaudited	As at 31 Mar 15 Audited
Assets			
Current assets			
Cash and cash equivalents		3,058	2,008
Trade receivables		13,491	15,259
Inventories		25,526	22,588
Derivative financial instruments		807	1,607
Income tax receivable		-	116
Prepayments and other assets		2,712	3,011
Total current assets		45,594	44,589
Non current assets			
Property, plant and equipment		7,387	6,463
Deferred tax assets		3,225	2,279
Intangible assets		43,905	41,827
Total non current assets		54,517	50,569
Total assets		100,111	95,158
Liabilities			
Current liabilities			
Trade creditors		12,134	9,350
Derivative financial instruments		456	172
Income tax payable		1,623	2,008
Provisions		386	385
Other creditors and accruals		3,418	3,771
Employee accruals		2,388	2,040
Contingent consideration		2,651	1,304
Total current liabilities		23,056	19,030
Non current liabilities			
Interest bearing liabilities	4(c)	24,412	24,762
Derivative financial instruments		70	60
Non current employee accruals		160	169
Contingent consideration		-	1,236
Total non current liabilities		24,642	26,227
Total liabilities		47,698	45,257
Net assets		52,413	49,901
Equity			
Share capital		52,080	52,080
Reserves		(6,928)	(8,820)
Retained earnings		7,261	6,641
Total equity		52,413	49,901

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

FOR THE NINE MONTHS ENDED 31 DECEMBER 2015

NZ \$000	Unaudited	Share capital	Hedge reserve	Share-based payments reserve	Currency translation reserve	Retained earnings	Total equity
Balance at 1 April 2015		52,080	801	86	(9,707)	6,641	49,901
Movement in foreign currency translation reserve		-	-	-	2,824	-	2,824
Movement in cashflow hedge reserve		-	(1,397)	-	-	-	(1,397)
Movement in deferred tax on hedge reserve		-	402	-	-	-	402
Movement in share-based payments reserve		-	-	63	-	-	63
Profit for the period		-	-	-	-	5,590	5,590
Total comprehensive income		-	(995)	63	2,824	5,590	7,482
Dividends		-	-	-	-	(4,970)	(4,970)
Balance at 31 December 2015		52,080	(194)	149	(6,883)	7,261	52,413

NZ \$000	Audited	Share capital	Hedge reserve	Share-based payments reserve	Currency translation reserve	Retained earnings	Total equity
Balance at 1 April 2014		46,986	(742)	-	(10,167)	6,788	42,865
Shares issued		5,094	-	-	-	-	5,094
Movement in foreign currency translation reserve		-	-	-	460	-	460
Movement in cashflow hedge reserve		-	2,130	-	-	-	2,130
Movement in deferred tax on hedge reserve		-	(587)	-	-	-	(587)
Movement in share-based payments reserve		-	-	86	-	-	86
Profit for the period		-	-	-	-	5,690	5,690
Total comprehensive income		5,094	1,543	86	460	5,690	12,873
Dividends		-	-	-	-	(5,837)	(5,837)
Balance at 31 March 2015		52,080	801	86	(9,707)	6,641	49,901

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated cashflow statement

FOR THE NINE MONTHS ENDED 31 DECEMBER 2015

NZ \$000	Notes	9 mths ended 31 Dec 15 Unaudited	6 mths ended 30 Sept 14 Unaudited
Cashflows from operating activities			
Receipts from customers		78,386	48,793
Government grants		441	408
Payments to suppliers		(48,045)	(35,429)
Payments to employees		(17,493)	(10,252)
		13,289	3,520
Interest received		1	5
Interest paid		(1,088)	(592)
Income taxes paid		(2,920)	(799)
Net cash inflow from operating activities	6	9,282	2,134
Cashflows from investing activities			
Payments for property, plant and equipment, patents, trademarks and software		(2,744)	(1,595)
Payments to acquire Invention Sanitary		-	(2,875)
Proceeds from sale of property, plant and equipment		91	-
Net cash outflow from investing activities		(2,653)	(4,470)
Cashflows from financing activities			
Issue of ordinary shares		-	150
Proceeds from/(repayments of) borrowings		(682)	5,747
Dividends paid	11	(4,970)	(2,997)
Net cash (outflow)/inflow from financing activities		(5,652)	2,900
Net increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the period		2,008	2,104
Foreign currency translation adjustment		73	136
Cash and cash equivalents at the end of the period		3,058	2,804

The above consolidated cashflow statement should be read in conjunction with the accompanying notes.

Notes to the financial statements

FOR THE NINE MONTHS ENDED 31 DECEMBER 2015

1 General information

Methven Limited (the "Company") and its subsidiaries (together "Methven" or the "Group") designs, manufactures and supplies showerware, tapware and water control valves.

The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is 447 Rosebank Road, Avondale, Auckland.

These financial statements have been approved for issue by the Board of Directors on 25 February 2016. The directors do not have the power to amend these financial statements after issuance.

2 Basis of preparation

These interim financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP), IAS 34 and NZ IAS 34 Interim Financial Reporting as applicable for profit-oriented entities.

The interim financial statements should be read in conjunction with the Annual Report for the year ended 31 March 2015 and NZX announcements made by Methven Limited during the interim reporting period.

3 Accounting policies

Except as described below, the accounting policies applied by the Group in these interim financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 March 2015 and the comparative interim reporting period.

4 Key changes

The following key changes to Methven Limited's business have occurred during the nine months ended 31 December 2015.

- (a) During the period Methven Limited changed its financial year-end from 31 March to 30 June so as to:
- More evenly spread trading days over its first and second half year periods;
 - Improve the predictability of year end results by removing stock, and therefore debt, volatility caused by Chinese New Year in February; and
 - Improve the predictability of year end results by having more time to react to the volatile December and January trading months.

It is acknowledged that the change in balance date, resulting in a nine month interim reporting period, makes comparative reporting against a six month period less meaningful. However, unaudited comparatives of certain key financial features for the six months ended 31 December have been included in the commentary section on pages 4 to 17.

- (b) As a part of the change of balance date Methven announced a special dividend of 3.0 cents per share paid in December 2015. Methven has now changed its dividend payment dates to March and September (previously June and December).

- (c) During the period Methven renewed its existing bank debt facilities, which were due to expire in April 2016, for a further term of 3 years. The existing facility limits, security arrangements and covenants remain unchanged with the exception of the Guaranteeing Group ratio levels which have been lowered from 90% to 85%.

- (d) During the period Methven was awarded a Growth Grant by Callaghan Innovation. The Grant is based on reimbursing 20 per cent of eligible R&D expenditure and continues on from the Technology Development grant that expired on 30 June 2015.

5 Segment information

(a) Description of segments

The Group operates in one industry segment, being the design and supply of showerware, tapware and domestic water control valves.

Management has determined the operating segments based on the reports reviewed by the Group Board of Directors, Group Chief Executive Officer and Group Chief Financial Officer, collectively known as the Chief Operating Decision Maker (CODM) for the purpose of allocating resources, assessing performance and making strategic decisions.

Group Operations

The Group Operations are the global base for:

- Supply chain services with products sourced by Group Operations on behalf of the other segments,
- Research and development leading to new design, technology and Intellectual Property,
- Marketing and brand development activity,
- Manufacturing operations including locations in New Zealand and China, and
- Strategic and management support, IT and corporate services.

New Zealand

Comprises sales and marketing operations in New Zealand supplying showerware, tapware and domestic water control valves.

Australia

Comprises sales and marketing operations in Australia supplying showerware, tapware and domestic water control valves.

United Kingdom

Comprises sales and marketing operations in the United Kingdom, the European Union and the Middle East, supplying showerware, tapware and domestic water control valves.

China sales

Comprises sales and marketing operations in China supplying showerware and tapware.

Once a reportable segment becomes material and enhances the evaluation of business activities, the segment will be reported separately. Profit is before inter-segmental dividends as this is the way it is viewed by the CODM.

Nine months ended 31 December 2015 Unaudited							Inter- segment eliminations/ unallocated	Total
NZ \$000	New Zealand	Australia	UK	China sales	Group Operations			
Sales revenue from external trade customers	26,074	31,157	19,167	141	528	-	77,067	
Sales revenue from internal customers	-	24	-	-	22,947	(22,971)	-	
Total sales revenue	26,074	31,181	19,167	141	23,475	(22,971)	77,067	
Earnings before interest, tax, depreciation and amortisation	3,679	2,635	1,320	(147)	3,868	-	11,355	
Depreciation and amortisation	(144)	(414)	(817)	(6)	(1,107)	-	(2,488)	
Interest received/(paid)	-	(177)	(562)	-	(354)	-	(1,093)	
Profit/(loss) before income tax	3,535	2,044	(59)	(153)	2,407	-	7,774	
Income tax (expense)/credit	(978)	(514)	5	(17)	(680)	-	(2,184)	
Profit/(loss) for the period	2,557	1,530	(54)	(170)	1,727	-	5,590	

5 Segment information (continued)

Six months ended 30 September 2014 (restated*) Unaudited							
NZ \$000	New Zealand	Australia	UK	China sales	Group Operations	Inter-segment eliminations/unallocated	Total
Sales revenue from external trade customers	17,115	19,306	11,858	180	292	-	48,751
Sales revenue from internal customers	-	44	3	3	11,310	(13,360)	-
Total sales revenue	17,115	19,350	11,861	183	11,602	(13,360)	48,751
Earnings before interest, tax, depreciation and amortisation	3,167	1,644	733	(207)	944	-	6,281
Depreciation and amortisation	(271)	(294)	(480)	(13)	(486)	-	(1,544)
Interest received/(paid)	-	(187)	(348)	-	(55)	-	(590)
Profit/(loss) before income tax	2,896	1,163	(95)	(220)	403	-	4,147
Income tax (expense)/credit	(81)	(350)	28	57	(173)	-	(1,249)
Profit/(loss) for the period	2,085	813	(67)	(163)	230	-	2,898

*Inter-segment eliminations that impact earnings and income tax and involve sales within the Group Operations, have been reclassified and are now recorded within Group Operations.

(b) Non GAAP measures

Methven comments on this non-GAAP measure to provide data that management uses in assessing the financial position of the Group.

Reconciliation of net debt to the consolidated balance sheet

NZ \$000	As at 31 Dec 15 Unaudited	As at 31 Mar 15 Audited
Cash and cash equivalents	3,058	2,008
Non-current Interest bearing liabilities	(24,412)	(24,762)
Net Debt	(21,354)	(22,754)

6 Reconciliation of profit after income tax to net cash inflow from operating activities

NZ \$000	9 mths ended 31 Dec 15 Unaudited	6 mths ended 30 Sept 14 Unaudited
Profit for the period	5,590	2,898
Depreciation	1,491	962
Amortisation of intangible assets	997	582
Share options expensed	63	23
Net loss on disposal of assets	11	4
Impacts of changes in working capital items		
Trade receivables	1,318	261
Inventories	(1,955)	485
Prepayments and other assets	467	(535)
Trade creditors	1,084	(2,231)
Employee accruals	262	384
Provisions and other creditors and accruals	689	(1,149)
Tax (payable)/receivable	(267)	674
Deferred income tax	(468)	(224)
Net cash inflow from operating activities	9,282	2,134

7 Related party transactions

Rent payments of \$355,000 were made to Heshan City ASBF Sanitary Fitting Company Limited during the period. An immediate family member of Hui Zhuang, who was a Director of Heshan Methven Bathroom Fittings Co Ltd during the period, has a relevant interest in this company.

Tooling and consultancy payments of \$372,000 were made to Heshan City Yiao Advisory Service Co., Ltd during the period. An immediate family member of Hui Zhuang, has a relevant interest in this company.

Consumables payments of \$78,000 were made to Invention Sanitary Ltd during the period. Hui Zhuang is a Director of Invention Sanitary Ltd.

8 Fair Value Measurement

The carrying value of all balance sheet financial instruments approximates their fair value. Derivatives are carried at fair value. Receivables and payables are short term in nature and therefore approximate to their fair value. Interest bearing bank deposits and bank finance facilities re-price between every 1 to 90 days and are therefore approximate to their fair value.

The Group's hedging derivatives, being interest rate swaps and forward exchange contracts, are over-the-counter derivatives and are classified as tier 2 financial instruments under NZIFRS 7, meaning that their fair value is estimated using present value and other valuation techniques based on observable market rates.

9 Events occurring after the reporting period

The following events have occurred subsequent to the half year end:

- The Board of Directors resolved to pay an interim dividend of 4.0 cents per share. The dividend will be paid on 31 March 2016 to all shareholders on the Company's register at the 18 March 2016.

There have been no other events occurring after balance date which would materially affect the accuracy of these financial statements.

10 Capital Commitments and Contingencies

The Group had capital commitments of \$1,080,000 as at 31 December 2015 (September 2014: Nil) and no contingent liabilities or assets as at 31 December 2015 (September 2014: Nil). The capital commitments were in relation to the fit out of new premises in New Zealand and product tooling.

11 Dividends

	9 mths ended 31 Dec 15 Unaudited Cents per share	6 mths ended 30 Sept 14 Unaudited Cents per share	9 mths ended 31 Dec 15 Unaudited NZ \$000	6 mths ended 30 Sept 14 Unaudited NZ \$000
Special dividend	3.0	-	2,130	-
Final dividend for the year ended 31 March 2015	4.0	-	2,840	-
Final dividend for the year ended 31 March 2014	-	4.5	-	2,997
	7.0	4.5	4,970	2,997

The special dividend and the 2015 dividend were imputed at a rate of 28%. The 2014 final dividend was imputed at a rate of 14%.

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