

# Nuplex Industries Limited

## Financial Report

for the year ended 30 June 2015

The Directors are pleased to present the Financial Statements of the Nuplex Group for the year ended 30 June 2015.



**PETER SPRINGFORD**  
CHAIRMAN

14 AUGUST 2015



**DAVID JACKSON**  
DIRECTOR

14 AUGUST 2015

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## ***Independent Auditors' Report*** to the shareholders of Nuplex Industries Limited

### ***Report on the Financial Statements***

We have audited the Group financial statements of Nuplex Industries Limited ("the Company") on pages 4 to 48, which comprise the statement of financial position as at 30 June 2015, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for the Group. The Group comprises the Company and the entities it controlled at 30 June 2015 or from time to time during the financial year.

### ***Directors' Responsibility for the Financial Statements***

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Company's preparation and fair presentation of the financial statements 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

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

We are independent of the Group. Our firm carries out other services for the Group in the areas of other assurance services provided. The provision of these other services has not impaired our independence.



## ***Independent Auditors' Report***

Nuplex Industries Limited

### ***Opinion***

In our opinion, the financial statements on pages 4 to 48 present fairly, in all material respects, the financial position of the Group as at 30 June 2015, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

### ***Restriction on Use of our Report***

This report is made solely to the Company's shareholders, as a body, in accordance with the Companies Act 1993. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditors' 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 and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

*PricewaterhouseCoopers*

Chartered Accountants  
14 August 2015

Sydney

# INCOME STATEMENT

for the year ended 30 June 2015



(NZ\$ in millions)	Note	2015	2014
Sales revenue from continuing operations		<b>1,374.7</b>	1,355.3
Cost of sales from continuing operations		<b>(1,067.4)</b>	(1,069.1)
Gross profit		<b>307.3</b>	286.2
Other operating income	5	<b>7.8</b>	16.3
Distribution expenses		<b>(74.7)</b>	(72.9)
Marketing expenses		<b>(63.3)</b>	(63.5)
Administration expenses		<b>(74.2)</b>	(69.6)
Other operating expenses	6	<b>(15.4)</b>	(23.9)
Share of profits of associates	13	<b>1.9</b>	2.1
Operating profit before financing costs and share of profits/(losses) of associates		<b>89.4</b>	74.7
Financial income		<b>6.3</b>	1.2
Financial expenses		<b>(17.2)</b>	(18.8)
Net financing (costs)/income	7	<b>(10.9)</b>	(17.6)
<b>Profit before income tax</b>		<b>78.5</b>	57.1
Income tax expense	23	<b>(17.4)</b>	(11.8)
Profit for the year from continuing operations		<b>61.1</b>	45.3
Profit from discontinued operations	3	<b>12.5</b>	9.4
<b>Profit for the year</b>		<b>73.6</b>	54.7

# STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2015

(NZ\$ in millions)		2015	2014
<b>Profit for the year</b>		<b>73.6</b>	54.7
<b>Other comprehensive income</b>	Note	2015	2014
<i>Items that may be reclassified to profit or loss</i>			
Foreign currency translation differences for foreign operations		<b>31.0</b>	(46.6)
Effective portion of changes in fair value of cash-flow hedges		<b>34.7</b>	(15.2)
Income tax relating to these items	23	<b>(9.8)</b>	4.5
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurement of defined benefit obligations		<b>(0.4)</b>	(4.3)
Income tax relating to these items	23	<b>0.1</b>	1.3
<b>Other comprehensive income for the period, net of income tax</b>		<b>55.6</b>	(60.3)
<b>Total comprehensive income for the year</b>		<b>129.2</b>	(5.6)
<b>Profit attributable to:</b>			
Equity holders of the parent		<b>70.8</b>	52.4
Non-controlling interests		<b>2.8</b>	2.3
		<b>73.6</b>	54.7
<b>Total comprehensive income attributable to:</b>			
Equity holders of the parent		<b>125.2</b>	(6.9)
Non-controlling interests		<b>4.0</b>	1.4
		<b>129.2</b>	(5.5)
<b>Earnings per share for profit attributable to the ordinary equity holders of the company:</b>			
Basic earnings per share (cents per share)	4	<b>35.9</b>	26.4
Diluted earnings per share (cents per share)	4	<b>35.6</b>	26.1

To be read in conjunction with the notes to the financial statements on pages 9 to 48

# STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2015

(NZ\$ in millions)	Note	Attributable to equity holders of the parent					Non-controlling Interest	Total Equity
		Share capital	Share Based Payments reserve	Translation reserve	Retained earnings	Hedging reserve		
Balance at 1 July 2014		368.5	3.4	(80.8)	231.3	(15.2)	7.0	514.2
<b>Other Comprehensive Income</b>								
Foreign currency translation differences		-	-	29.8	-	-	1.2	31.0
Remeasurement of defined benefit obligations, net of tax		-	-	-	(0.4)	-	-	(0.4)
Effective portion of changes in fair value of cash-flow hedges, net of tax		-	-	-	-	25.0	-	25.0
Total other Comprehensive Income		-	-	29.8	(0.4)	25.0	1.2	55.6
<b>Profit for the year</b>		-	-	-	70.8	-	2.8	73.6
<b>Total comprehensive income for the year</b>		-	-	29.8	70.4	25.0	4.0	129.2
<b>Contributions by and distributions to owners</b>								
Performance rights plan	9	-	2.6	-	-	-	-	2.6
Dividends paid	19	-	-	-	(41.6)	-	(2.4)	(44.0)
Share buy-back scheme		(25.6)	-	-	-	-	-	(25.6)
Balance as at 30 June 2015		342.9	6.0	(51.0)	260.1	9.8	8.6	576.4

(NZ\$ in millions)	Note	Attributable to equity holders of the parent					Non-controlling Interest	Total Equity
		Share capital	Share Based Payments reserve	Translation reserve	Retained earnings	Hedging reserve		
Balance at 1 July 2013		368.5	2.7	(35.2)	223.6	(4.5)	7.4	562.5
<b>Other Comprehensive Income</b>								
Foreign currency translation differences		-	-	(45.6)	-	-	(1.0)	(46.6)
Remeasurement of defined benefit obligations, net of tax		-	-	-	(3.0)	-	-	(3.0)
Effective portion of changes in fair value of cash-flow hedges, net of tax		-	-	-	-	(10.7)	-	(10.7)
Total other Comprehensive Income		-	-	(45.6)	(3.0)	(10.7)	(1.0)	(60.3)
<b>Profit for the year</b>		-	-	-	52.4	-	2.3	54.7
<b>Total comprehensive income for the year</b>		-	-	(45.6)	49.4	(10.7)	1.3	(5.6)
<b>Contributions by and distributions to owners</b>								
Performance rights plan	9	-	0.7	-	-	-	-	0.7
Dividends paid	19	-	-	-	(41.7)	-	(1.7)	(43.4)
Balance as at 30 June 2014		368.5	3.4	(80.8)	231.3	(15.2)	7.0	514.2

To be read in conjunction with the notes to the financial statements on pages 9 to 48

# STATEMENT OF FINANCIAL POSITION

As at 30 June 2015



(NZ\$ in millions)	Note	2015	2014
Equity attributable to members of the parent company	19		
Share capital		342.9	368.5
Share based payments reserve		6.0	3.4
Translation reserve		(51.0)	(80.8)
Retained earnings		260.1	231.3
Hedging reserve		9.8	(15.2)
Non-controlling interests		8.6	7.0
<b>Total Equity</b>		<b>576.4</b>	<b>514.2</b>
Property, plant and equipment	11	357.0	303.5
Intangible assets	12	148.0	196.0
Investments in associates	13	7.0	4.8
Deferred tax asset	24	28.4	20.7
<b>Non-current Assets</b>		<b>540.4</b>	<b>525.0</b>
Properties held for sale	11	10.3	15.6
Inventories	14	185.0	233.0
Trade and other receivables	15	351.5	351.1
Income tax receivable		3.8	2.5
Cash and cash equivalents		91.1	73.1
<b>Current Assets</b>		<b>641.7</b>	<b>675.3</b>
<b>Total Assets</b>		<b>1,182.1</b>	<b>1,200.3</b>
Borrowings	20	230.4	304.5
Employee provisions	17	25.3	24.0
Deferred tax liability	24	16.4	15.5
<b>Non-current Liabilities</b>		<b>272.1</b>	<b>344.0</b>
Borrowings	20	0.6	0.3
Trade and other payables	16	286.1	309.1
Employee provisions	17	22.6	19.7
Provisions	18	9.5	3.4
Income tax payable		14.8	9.6
<b>Current Liabilities</b>		<b>333.6</b>	<b>342.1</b>
<b>Total Liabilities</b>		<b>605.7</b>	<b>686.1</b>
<b>Total Net Assets</b>		<b>576.4</b>	<b>514.2</b>

To be read in conjunction with the notes to the financial statements on pages 9 to 48

## CASH FLOW STATEMENT

for the year ended 30 June 2015



(NZ\$ in millions)	Note	2015	2014
Receipts from customers (inclusive of goods and services tax)		<b>1,515.0</b>	1,481.1
Interest received		<b>0.5</b>	0.9
Payments to suppliers and employees (inclusive of goods and services tax)		<b>(1,355.6)</b>	(1,401.8)
Interest paid		<b>(14.4)</b>	(16.5)
Dividends received		<b>0.5</b>	1.7
Income taxes paid		<b>(23.5)</b>	(18.6)
Operating cash flows from discontinued operations		<b>(4.8)</b>	4.3
<b>Net cash from/(used in) operating activities</b>	21	<b>117.7</b>	51.1
Disposal of property, plant and equipment		<b>0.4</b>	2.1
Payments for property, plant, equipment and intangibles		<b>(56.5)</b>	(63.2)
Disposal of businesses, net of cash disposed		<b>133.4</b>	3.3
<b>Net cash from/(used in) investing activities</b>		<b>77.3</b>	(57.8)
Proceeds from borrowings		<b>45.5</b>	47.6
Repayment of borrowings		<b>(162.9)</b>	(7.9)
Buy-back of ordinary share capital		<b>(25.6)</b>	-
Dividends paid to shareholders		<b>(43.9)</b>	(43.4)
<b>Net cash from/(used in) financing activities</b>		<b>(186.9)</b>	(3.7)
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>8.1</b>	(10.4)
Cash and cash equivalents at 1 July		<b>73.1</b>	91.8
Effect of exchange rate fluctuation		<b>9.9</b>	(8.3)
<b>Cash and cash equivalents at 30 June</b>		<b>91.1</b>	73.1
Comprising:			
Cash balances		<b>60.8</b>	52.0
Cash on call deposit		<b>30.3</b>	21.1
		<b>91.1</b>	73.1

To be read in conjunction with the notes to the financial statements on pages 9 to 48



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## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015



### 1. Basis of preparation

Nuplex Industries Limited (the 'Company') is a Company registered and domiciled in New Zealand. The consolidated financial statements of the Company comprise the Company and its subsidiaries (the 'Group') and the Group's interest in associated entities. Amounts presented in these financial statements represent the Group as a whole unless otherwise stated.

#### (a) Statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZIFRS), and other applicable Financial Reporting Standards, as appropriate for profit-orientated entities. The financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The accounting policies set out below and in the following notes have been applied consistently to all periods in these financial statements. There have been no changes in the accounting policies during the year.

The International Accounting Standards Board has issued a number of other standards, amendments and interpretations which are not yet effective, detailed below. The Group has not yet applied these in preparing these financial statements and will apply each in the period in which it becomes mandatory.

Standard	Description	Mandatory for the year-ending
NZ IFRS 9	Financial Instruments	June 30, 2019
NZ IFRS 15	Revenue from Contracts with Customers	June 30, 2018

The above standards and interpretations are not considered likely to have a material impact for the Group.

#### (b) Basis of Preparation

Nuplex Industries Limited is a company registered under the Companies Act 1993 and is an FMC reporting entity under Part 7 of the Financial Markets Conduct Act 2013. The financial statements of the Group have been prepared in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013 and the NZX Listing Rules. In accordance with the Financial Markets Conduct Act 2013 because financial statements are prepared and presented for Nuplex Industries Limited and its subsidiaries as a consolidated group, separate financial statements for Nuplex Industries Limited (as a company in its own right) are no longer required to be prepared and presented.

These financial statements are presented in New Zealand dollars, which is the Company's functional currency, except where stated otherwise, rounded to the nearest hundred thousand dollars. They are prepared on the historical cost basis except that previously revalued property, plant and equipment carrying values which on transition to NZIFRS have been deemed as cost, and derivative financial instruments which are stated at their fair values.

The consolidated financial statements were approved by the Board of Directors on 14 August 2015.

The preparation of financial statements in conformity with NZIFRS's requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about carrying values of some assets and liabilities. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. Information about the significant areas of judgement exercised or estimation in applying accounting policies that have had a significant impact on the amounts recognised in the financial statements are described within the relevant note disclosures set out below.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015



### Financial Statements Presentation

Nuplex has revised the structure of our Financial Statements to improve clarity and usefulness. The report is now structured under the following key categories:

- Performance
- Long term assets
- Working capital
- Other liabilities
- Debt and equity
- Other disclosures

### Performance

This section focusses on the Group's financial performance and returns provided to equity holders, including the following notes:

- |                                     |  |
|-------------------------------------|--|
| <b>2</b> Segment analysis           | <b>7</b> Financial income/expense      |
| <b>3</b> Acquisitions and disposals | <b>8</b> Personnel expenses            |
| <b>4</b> Earnings Per Share         | <b>9</b> Share based incentive schemes |
| <b>5</b> Other operating income     | <b>10</b> Auditors fees                |
| <b>6</b> Other operating expenses   |  |

#### 2. Segment analysis

##### Accounting policy

The Group determines and presents operating segments based on the information that is internally provided to the CEO, who is the Group's chief operating decision maker. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the CEO to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, subsidiaries and businesses.

The Group has four reportable geographic segments, as described below. The reportable segments operate in environments with markedly different conditions and are managed separately. For each of the reporting segments the CEO reviews internal management reports monthly. Inter-segment pricing is determined on an arm's length basis. The following summary describes the constitution of each of the Group's reportable segments:

Segment	Country operations included in Segment
ANZ	New Zealand, Australia
Asia	China, Indonesia, Malaysia, Singapore, Thailand, Vietnam
EMEA	Germany, The Netherlands, Russia, UK
Americas	Brazil, USA

In prior periods the Group's reported segments comprised the following business lines, however following the disposal of the Specialties segment in November 2014 the primary resource allocation determinant became geographic and so the above primary segments were adopted.

Resins	Global manufacture of synthetic resins for regional markets. Distribution of complementary functional materials.
Specialties	Manufacture and distribution of a range of functional materials for regional markets.

The board and management assess the performance of the operating segments based on a measure of adjusted earnings before Interest, Tax, Depreciation and Amortisation ("Operating EBITDA"). This measurement basis excludes the effects of significant incomes and expenses associated with asset impairments, acquisitions, divestments and legal cases where the income or expense is the result of an isolated non-recurring event.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015



### Performance

The table below sets out information about the Group's reportable segments for the year ended 30 June 2015, with corresponding information for the prior period on the following page.

#### Information about reportable segments

(NZ\$ in millions)	2015				
	ANZ	Asia	EMEA	Americas	Total Group
<b>Sales to outside customers</b>	<b>302.4</b>	<b>316.0</b>	<b>584.9</b>	<b>171.4</b>	<b>1,374.7</b>
Inter-segment sales	5.1	1.8	14.2	1.1	
Segment sales	307.5	317.8	599.1	172.5	
<b>Operating EBITDA before unallocated costs</b>	<b>12.4</b>	<b>38.3</b>	<b>60.6</b>	<b>25.0</b>	<b>136.3</b>
Unallocated costs					(9.0)
<b>Operating EBITDA after unallocated costs</b>					<b>127.3</b>
Depreciation and amortisation	(9.3)	(4.6)	(16.7)	(2.2)	(32.8)
Segment result	3.1	33.7	43.9	22.8	94.5
Net financing costs					(10.9)
Share of profits of associates					1.9
Non-controlling interest					(2.8)
Tax on operating profits					(19.3)
<b>Operating profit after tax</b>					<b>63.4</b>
<b>Significant Items</b>					
Significant items before tax					(7.0)
Income tax credit on non-operating items					1.9
Net profit attributable to equity holders of the parent from continuing operations					58.3
Net profit attributable to non-controlling interests					2.8
<b>Profit for the period from continuing operations</b>					<b>61.1</b>
Profit from discontinued operations					12.5
<b>Profit for the period</b>					<b>73.6</b>

Revenues from one group of customers under common control amount to 12% (2014: 11%) of the Group's total revenues.

<b>Assets</b>	<b>308.1</b>	<b>262.3</b>	<b>413.6</b>	<b>74.8</b>	<b>1,058.8</b>
Unallocated assets					123.3
Assets associated with discontinued operations					-
					1,182.1
<b>Liabilities</b>	<b>70.1</b>	<b>94.5</b>	<b>152.3</b>	<b>26.6</b>	<b>343.5</b>
Unallocated liabilities					262.2
Liabilities associated with discontinued operations					-
					605.7
<b>Other segment information</b>					
Equity accounted investments included in segment assets	-	7.0	-	-	7.0
Acquisition of fixed assets, intangible assets and other non-current assets	16.1	30.6	9.7	1.5	57.9

#### GEOGRAPHIC SEGMENTS

(NZ\$ in millions)	Sales by Destination		Non-current assets	
	2015	2014	2015	2014
ANZ	266.5	296.3	186.0	226.0
Asia	353.5	315.1	139.2	84.1
EMEA	559.3	562.6	195.2	198.6
Americas	195.4	181.3	20.0	16.3
Total Group	1,374.7	1,355.3	540.4	525.0

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015



### Performance

#### Information about reportable segments

(NZ\$ in millions)

2014

	ANZ	Asia	EMEA	Americas	Total Group
<b>Sales to outside customers</b>	305.1	293.3	594.9	162.0	1,355.3
Inter-segment sales	4.9	1.3	16.2	1.0	
Segment sales	310.0	294.6	611.1	163.0	
<b>Operating EBITDA before unallocated costs</b>	9.8	31.7	55.3	20.7	117.5
Unallocated costs					(7.1)
<b>Operating EBITDA after unallocated costs</b>					110.4
Depreciation and amortisation	(9.9)	(3.7)	(17.8)	(2.6)	(34.0)
Segment result	(0.1)	28.0	37.5	18.1	<b>76.4</b>
Net financing costs					(17.6)
Share of profits of associates					2.1
Non-controlling interest					(2.3)
Tax on operating profits					(13.0)
<b>Operating profit after tax</b>					45.6
<b>Significant Items</b>					
Significant items before tax					(3.8)
Income tax credit on non-operating items					1.2
Net profit attributable to equity holders of the parent from continuing operations					43.0
Net profit attributable to non-controlling interests					2.3
<b>Profit for the period from continuing operations</b>					<b>45.3</b>
Profit from discontinued operations					9.4
<b>Profit for the period</b>					<b>54.7</b>

<b>Assets</b>	291.9	183.7	394.1	62.5	932.2
Unallocated assets					96.3
Assets associated with discontinued operations					171.8
					1,200.3
<b>Liabilities</b>	47.9	75.0	165.3	23.1	311.3
Unallocated liabilities					329.9
Liabilities associated with discontinued operations					44.9
					686.1
<b>Other segment information</b>					
Equity accounted investments included in segment assets	-	4.8	-	-	4.8
Acquisition of fixed assets, intangible assets and other non-current assets	22.0	25.8	9.6	1.1	58.5

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015



### Performance

#### 3. Disposals

On 28 November 2014 the Group completed the sale of its Specialties and Masterbatch businesses in Australia and New Zealand. The sale of the Vietnam based Masterbatch business is expected to be completed in the 2015 calendar year after having obtained the required regulatory approvals. The accounting for this disposal, including the disposal of the Vietnam operation, has been included in the results for the period to 30 June 2015.

The Group's operations in Brazil, which comprised a sales office and warehouse, ceased operations during the period and were liquidated in December 2014.

Financial information relating to the discontinued operations for the period to the date of disposal is set out below:

(NZ\$ in millions)	5 months to 28 Nov 2014	12 months to 30 June 2014
Sales revenue	124.4	284.7
<b>Operating EBITDA</b>	<b>5.9</b>	<b>15.3</b>
Depreciation and amortisation	(0.7)	(2.5)
Net financing income	0.2	0.1
Tax on operating profits	(1.6)	(3.5)
<b>Operating profit after tax</b>	<b>3.8</b>	<b>9.4</b>
<b>Significant Items</b>		
Gain on sale of operations before tax	12.2	-
Remediation provisions for non-operating sites	(4.9)	-
Recycling of Brazilian translation reserve to profit	(1.2)	-
Income tax credit on significant items	2.6	-
<b>Profit from discontinued operations for the period</b>	<b>12.5</b>	<b>9.4</b>

Details of the sale of the Specialties and Masterbatch business are set out below:

Cash consideration received or receivable net of transaction and other costs	131.6
Carrying amount of net assets sold or related to discontinued business	(119.4)
<b>Gain on sale before income tax</b>	<b>12.2</b>
Income tax credit	0.8
<b>Gain on sale after income tax</b>	<b>13.0</b>

The carrying amounts of assets and liabilities as at the date of sale of the Specialties and Masterbatch businesses were as follows:

(NZ\$ in millions)	28 Nov 2014
Property, plant and equipment	12.9
Intangible assets	45.4
Inventories	63.2
Trade and other receivables	15.2
<b>Total Assets</b>	<b>136.7</b>
Employee benefits	(3.9)
Trade and other payables	(13.4)
<b>Total Liabilities</b>	<b>(17.3)</b>
<b>Total Net Assets</b>	<b>119.4</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015



### Performance

#### 4. Earnings per share

##### Accounting policy

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding during the period for the effects of all dilutive potential ordinary shares, which comprise share based incentive schemes granted to employees.

The calculation of basic earnings per share is based on:	2015	2014
Net profit attributable to ordinary shareholders	<b>70.8</b>	52.4
Weighted average number of ordinary shares (in millions of shares):		
Ordinary shares on issue at 1 July	<b>198.1</b>	198.1
Shares purchased and cancelled under share buyback scheme	<b>(0.9)</b>	-
	<b>197.2</b>	198.1
Basic earnings per share (cents per share)	<b>35.9</b>	26.4
The calculation of diluted earnings per share is based on:		
Net profit attributable to ordinary shareholders	<b>70.8</b>	52.4
Net profit attributable to ordinary shareholders (diluted)	<b>70.8</b>	52.4
Basic weighted average number of ordinary shares (in thousands of shares)	<b>197.2</b>	198.1
Effect of performance rights plan	<b>1.5</b>	2.8
Diluted weighted average number of ordinary shares	<b>198.7</b>	200.9
Diluted earnings per share (cents per share)	<b>35.6</b>	26.1

#### 5. Other operating income

(NZ\$ in millions)	2015	2014
Gain on disposal of property, plant and equipment	<b>0.4</b>	0.7
Gain on sale of interest in Quaker Chemical (Australasia) Pty Ltd	-	7.5
Commissions, royalties and fees received	<b>6.7</b>	7.0
Rental income received	<b>0.7</b>	0.6
Other	-	0.5
	<b>7.8</b>	16.3

#### 6. Other operating expenses

(NZ\$ in millions)	Note	2015	2014
Impairment of Property, Plant and Equipment	11	<b>5.1</b>	0.1
Legal costs and settlements		<b>1.2</b>	1.2
Site remediation costs provided		<b>1.3</b>	1.5
Costs associated with divestments, acquisitions and integrations		-	0.8
Impairment of assets in RPC Pipe Systems Proprietary Limited		-	8.8
Amortisation of intangibles		<b>5.3</b>	5.6
Restructuring and retirement		<b>0.4</b>	3.8
Other		<b>2.1</b>	2.1
		<b>15.4</b>	23.9

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015



### Performance

#### 7. Financial Income and Expense

##### Accounting policy

Net financing costs comprise interest payable on borrowings calculated as it accrues using the effective interest rate method, foreign exchange gains and losses, and gains and losses on hedging instruments that are recognised in profit and loss.

##### Recognised in profit and loss

(NZ\$ in millions)	2015	2014
Interest income from outside the Group	<b>0.7</b>	1.0
Foreign exchange gain	<b>5.6</b>	0.2
Financial income	<b>6.3</b>	1.2
Interest expense	<b>13.5</b>	16.6
Foreign exchange loss	<b>3.7</b>	2.2
Financial expenses	<b>17.2</b>	18.8
Net financing costs/(income)	<b>10.9</b>	17.6

#### 8. Personnel expenses

Included in cost of sales, distribution, marketing, administration and other expenses are the following personnel expenses:

(NZ\$ in millions)	Note	2015	2014
Wages and salaries		<b>136.0</b>	137.7
Social security contributions		<b>11.5</b>	10.8
Contributions to defined contribution pension plans		<b>9.0</b>	10.8
Expenses related to defined benefit pension plans	17	<b>1.4</b>	1.8
Increase in liability for leave entitlement		<b>4.3</b>	0.8
Share based incentive scheme	9	<b>3.6</b>	1.0
Restructuring and retirement		<b>0.4</b>	3.8
Other benefits		<b>2.1</b>	2.9
		<b>168.3</b>	169.6



## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015



### Performance

#### 9. Share Based Incentive Schemes

The Company has a Performance Rights Plan that entitles key management personnel to receive shares in the Company with the following key characteristics:

Issue date	Rights issued	Vesting period	Performance hurdle bases
November 2010	1,371,668	1 July 2010 to 30 June 2013, retested 30 June 2014	50% Relative TSR and 50% EPS
September 2011	1,702,274	1 July 2011 to 30 June 2014, retested 30 June 2015	50% Relative TSR and 50% EPS
September 2012	2,239,384	1 July 2012 to 30 June 2015, retested 30 June 2016	50% Relative TSR and 50% EPS
September 2013	1,886,886	1 July 2013 to 30 June 2016	50% Relative TSR and 50% ROFE
August 2014	1,368,165	1 July 2014 to 30 June 2017	50% Relative TSR and 50% ROFE

Rights vest on a sliding scale, depending on performance against targets set at grant date in each case. Vesting is also subject to meeting service criteria and rights lapse if unvested at the end of the vesting period. Rights are both equity and cash settled. The fair value of the rights is recognised as an employee expense with a corresponding increase in equity (for equity settled rights) or provisions (for cash settled rights). The fair value of rights are measured at the grant date and spread over the vesting period, taking into account the terms and conditions upon which the rights were granted. The amount recognised as an expense is adjusted to reflect the number of rights for which the service and non-market vesting conditions are expected to be met at the vesting date. The grant date fair value of the rights was measured based on Monte Carlo sampling for those subject to a Relative TSR hurdle. Expected volatility is estimated by considering historic average share price volatility. The inputs used in the measurement of those fair values were:

	2015	2014
Share price at grant date:	NZD2.96	NZD3.50
Risk free rate (based on Govt. bonds)	3.80%	3.36%
Dividend Yield	6.4%	6.7%
Volatility	24%	24%

#### (Income)/Expense recognised in the income statement

(NZ\$ in millions)

	2015	2014
Performance Rights granted in 2011 financial year - equity settled	-	(0.3)
Performance Rights granted in 2012 financial year - equity settled	0.1	-
Performance Rights granted in 2012 financial year - cash settled	-	-
Performance Rights granted in 2013 financial year - equity settled	0.4	0.3
Performance Rights granted in 2013 financial year - cash settled	0.1	0.1
Performance Rights granted in 2014 financial year - equity settled	1.1	0.7
Performance Rights granted in 2014 financial year - cash settled	0.5	0.2
Performance Rights granted in 2015 financial year - equity settled	1.0	-
Performance Rights granted in 2015 financial year - cash settled	0.4	-
	<b>3.6</b>	<b>1.0</b>
Total equity settled	<b>2.6</b>	<b>0.7</b>
Total cash settled	<b>1.0</b>	<b>0.3</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015



### Performance

#### 10. Auditors' remuneration

(NZD in thousands)	2015	2014
<b>Audit services</b>		
Auditors of the Company		
PricewaterhouseCoopers Australia:		
Audit and review of financial reports	<b>713</b>	862
Other PricewaterhouseCoopers Firms:		
Audit and review of financial reports	<b>621</b>	594
	<b>1,334</b>	1,456
Other auditors		
Audit and review of financial reports	<b>11</b>	15
	<b>1,345</b>	1,471

The lead auditors of the Group are PricewaterhouseCoopers Australia.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015



### Long term assets

This section provides information on the Group's investments made in long term business assets, including physical, intangible and investment assets. The section includes the following notes:

- 11 Property, plant and equipment
- 12 Intangibles
- 13 Investments

#### 11. Property, plant and equipment

##### Owned assets

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the related future economic benefits will flow to the Group and its cost can be measured reliably. The carrying value of the replaced part is derecognised. The costs of servicing of property, plant and equipment are recognised in profit or loss as incurred.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the item and are recognised within "other income" in profit or loss.

##### Leased assets

Lease agreements where the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases.

##### Depreciation

Depreciation is charged to profit and loss on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment. Depreciation is classified as Distribution, Marketing, Administration or other based on the function of the underlying asset to which the charge relates. The land component of land and buildings is not depreciated. The estimated useful lives for the current and prior year fall within the following ranges:

Buildings	20 - 50 years
Plant and equipment	3 - 20 years
Motor vehicles	5 years

Accounting  
policy

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015



### Long term assets

#### 11. Property, plant and equipment (continued)

(NZ\$ in millions)	Land and buildings	Plant and equipment	Under construction	Total
<b>Cost</b>				
Balance at 1 July 2013	208.0	322.9	20.4	551.3
Acquisitions through business combinations	-	4.7	-	4.7
Additions/transfers	7.6	20.3	27.1	55.0
Disposals	-	(1.7)	-	(1.7)
Movements in foreign exchange	(17.8)	(31.0)	(2.7)	(51.5)
Balance at 30 June 2014	197.8	315.2	44.8	557.8
Balance at 1 July 2014	197.8	315.2	44.8	557.8
Additions/transfers	31.5	67.0	(42.4)	56.1
Disposals	(0.7)	(12.0)	-	(12.7)
Movements in foreign exchange	20.3	41.8	7.3	69.4
Balance at 30 June 2015	<b>248.9</b>	<b>412.0</b>	<b>9.7</b>	<b>670.6</b>
<b>Depreciation and impairment losses</b>				
Balance at 1 July 2013	49.0	189.1	-	238.1
Depreciation charge for the year	6.0	20.9	-	26.9
Movements in foreign exchange	(5.0)	(21.3)	-	(26.3)
Balance at 30 June 2014	50.0	188.7	-	238.7
Balance at 1 July 2014	50.0	188.7	-	238.7
Depreciation charge for the year	6.2	19.0	-	25.2
Disposals	-	(2.0)	-	(2.0)
Impairment	5.1	-	-	5.1
Movements in foreign exchange	6.0	30.3	-	36.3
Balance at 30 June 2015	<b>67.3</b>	<b>236.0</b>	<b>-</b>	<b>303.3</b>
<b>Carrying amounts</b>				
At 1 July 2013	159.0	133.8	20.4	313.2
At 30 June 2014	147.8	126.5	44.8	319.1
At 1 July 2014	147.8	126.5	44.8	319.1
At 30 June 2015	<b>181.6</b>	<b>176.0</b>	<b>9.7</b>	<b>367.3</b>
Held for sale	10.3	-	-	10.3
Not held for sale	171.3	176.0	9.7	357.0

In accounting for Property, Plant and Equipment management is required to make judgements on the expected life of the asset, the likelihood of the assets obsolescence and the likelihood that the asset will continue to be utilised. Management reassesses useful lives at least annually and considers whether indicators of impairment have occurred that might necessitate impairment testing. Assessing impairment where required may involve estimation and valuation of future cash-flows that an asset is expected to generate and making assumptions thereon. As the outcomes of the next financial period may differ from the assumptions made, it is impractical to predict the impact that could result in a material adjustment to the carrying amount.

#### Properties held for sale

Land and buildings above includes NZD10.3m in relation to one Australian property that is no longer in use and is in a suitable condition for sale.

#### Impairment

The impairment charge recognised in 2015 represents the reduction in value of an Australian available for sale property to its realisable amount.

#### Leased plant and machinery

The Group leases plant and equipment under a number of finance lease agreements. At 30 June 2015, the net carrying amount of leased plant and machinery was NZD0.8m (2014: NZD0.8m). The leased equipment secures the underlying lease obligations.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015



## Long term assets

### 12. Intangible assets

#### Goodwill

All business combinations are accounted for by applying the acquisition method. Goodwill represents amounts arising on acquisition of subsidiaries and associates, being the difference between the cost of the acquisition and the fair value of the identifiable net assets acquired. Goodwill is stated at cost less any accumulated impairment losses. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate. Negative goodwill arising on an acquisition is recognised directly in profit and loss.

#### Intellectual property

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge, is recognised in profit and loss as an expense as incurred. Expenditure on product or process development activities, whereby research findings are applied to the development of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible with the probability of future economic benefits, the Group has sufficient resources to complete development and costs can be measured reliably. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. Other development expenditure is recognised in profit and loss as an expense as incurred.

#### Agencies

Agencies represent the fair value assessed at the time of acquisition of certain indefinite life agency agreements acquired as part of the PML Holdings Limited group of companies and Med-Chem business. These were disposed of in the year as part of the sale of the Specialties business as disclosed in note 3.

#### Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

(NZ\$ in millions)					
Cost	Goodwill	Agencies	Intellectual property	Other	Total
Balance at 1 July 2013	168.1	31.8	40.1	24.5	264.5
Acquisitions	-	-	-	3.6	3.6
Movements in foreign exchange	(12.3)	-	(5.9)	(3.6)	(21.8)
Balance at 30 June 2014	155.8	31.8	34.2	24.5	246.3
Balance at 1 July 2014	155.8	31.8	34.2	24.5	246.3
Disposals	(13.5)	(31.8)	-	-	(45.3)
Acquisitions	-	-	-	1.8	1.8
Movements in foreign exchange	1.7	-	1.2	(0.1)	2.8
Balance at 30 June 2015	144.0	-	35.4	26.2	205.6
<b>Amortisation</b>					
Balance at 1 July 2013	17.5	-	23.2	4.5	45.2
Amortisation for the year	-	-	5.6	4.0	9.6
Disposals	-	-	-	-	-
Movements in foreign exchange	(1.2)	-	(1.6)	(1.7)	(4.5)
Balance at 30 June 2014	16.3	-	27.2	6.8	50.3
Balance at 1 July 2014	16.3	-	27.2	6.8	50.3
Amortisation for the year	-	-	4.2	4.9	9.1
Disposals	0.1	-	-	-	0.1
Movements in foreign exchange	(0.4)	-	1.2	(2.7)	(1.9)
Balance at 30 June 2015	16.0	-	32.6	9.0	57.6
<b>Carrying amounts</b>					
At 1 July 2013	150.6	31.8	16.9	20.0	219.3
At 30 June 2014	139.5	31.8	7.0	17.7	196.0
At 1 July 2014	139.5	31.8	7.0	17.7	196.0
At 30 June 2015	128.0	-	2.8	17.2	148.0

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015



### Long term assets

#### 12. Intangible assets (continued)

##### Accounting policy

##### Amortisation

Amortisation is charged to profit and loss on a straight-line basis over the estimated useful lives of the finite life intangible assets. Goodwill and intangible assets with an indefinite useful life are not amortised but tested for impairment at each annual balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives for the current and comparative years are as follows:

Intellectual property	up to 15 years
Other	up to 10 years

The amortisation charge is recognised in the following line items in profit and loss:

(NZ\$ in millions)	2015	2014
Administration expenses	<b>4.9</b>	4.0
Other operating expenses	<b>4.2</b>	5.6
	<b>9.1</b>	9.6

The following segments have significant carrying amounts of goodwill and capitalised agencies:

(NZ\$ in millions)	2015	2014
ANZ	<b>30.2</b>	76.5
Asia	<b>17.1</b>	14.7
EMEA	<b>77.0</b>	76.9
Americas	<b>3.7</b>	3.2
	<b>128.0</b>	171.3

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015



### Long term assets

#### 12. Intangible assets (continued)

##### Impairment tests for cash generating units containing goodwill and capitalised agencies

The carrying amounts of the Group's assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated. For intangible assets that have an indefinite useful life the recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of other assets in the unit on a pro-rata basis. The recoverable amount of other assets is the greater of their net selling price and value in use.

This assessment requires management to estimate future cash flows to be generated by cash generating units to which goodwill has been allocated. Estimating future cash flows entails making judgements including the expected rate of growth of revenues and expenses, margins and market shares to be achieved, and the appropriate discount rate to apply when discounting future cash flows as detailed below. As the outcomes in the next financial period may be different to the assumptions made, it is impracticable to predict the impact that could result in a material adjustment to the carrying amount.

For the purposes of impairment testing, goodwill and agencies are allocated to the countries within the group which represent the lowest level within the Group at which goodwill is monitored for internal management purposes. The recoverable amount of each cash-generating unit ("CGU") is based on value in use calculations. Those calculations use cash flow projections based on actual operating results, budgets and forecasts. Key budget and forecast assumptions, including market growth rates, wages growth rates and inflation are set based on independent economic forecasts for each relevant jurisdiction and approved at Board level. Detailed budgets and forecast cash flows are prepared for a two year period and are extrapolated using growth rates in accordance with current business plans and forecasts and with reference to long term independent economic forecasts.

The period over which cash-flows are considered for each region is consistent with the Group's long term commitment and certainty of cash-flows in each region. The following pre-tax discount rates and growth rates have been used in discounting the projected cash flows:

	Discount rates used		Growth rate	
	2015	2014	2015	2014
ANZ	<b>14.2 - 15.6%</b>	15.2 - 15.6%	3%	2 - 3%
Asia	<b>14.2%</b>	14.2%	5 - 7%	5 - 7%
Europe	<b>11.0 - 11.9%</b>	11.0 - 11.9%	2%	2%
Americas	<b>15.1%</b>	15.1%	3%	1%

There was a significant amount of headroom between the recoverable amount and the carrying value of goodwill by CGU and no impairment was recognised. The value in use calculations are sensitive to changes in interest rates, earnings and foreign exchange rates varying from the assumptions and forecast data used in the impairment testing. Sensitivity analysis was undertaken to examine the effect of a change in a variable on each CGU. Any reasonably possible change in the key assumptions on which recoverable amount is based would not create a situation where the carrying value of goodwill allocated to a particular CGU would exceed its recoverable amount.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015



### Long term assets

#### 13. Investments

##### Investments in associates

The Group has the following investments in associates:

	Principal activities	Country	Reporting Date	% Held 2015	% Held 2014
Innospec Valvemaster Limited	Distributor of specialty products	UK	31 December	50%	50%
Synthese (Thailand) Co Limited	Manufacture and distribution of synthetic resins	Thailand	31 December	47.5%	47.5%

  

(NZ\$ in millions)	Revenues (100%)	Profit/(loss) (100%)	Share of associate net profit/(loss) recognised	Total Assets (100%)	Total Liabilities (100%)	Net assets as reported by associates (100%)	Share of associate's net assets
<b>2015</b>							
Innospec Valvemaster Ltd	-	-	-	0.6	0.5	0.1	-
Synthese (Thailand) Co Ltd	40.3	4.0	1.9	26.1	10.9	15.2	7.0
	40.3	4.0	1.9	26.7	11.4	15.3	7.0
<b>2014</b>							
Quaker Chemical (Australasia) Pty Limited	13.2	2.3	1.1	-	-	-	-
Innospec Valvemaster Ltd	-	-	-	0.6	0.5	0.1	-
Synthese (Thailand) Co Ltd	30.9	2.0	1.0	20.4	10.5	9.9	4.8
	44.1	4.3	2.1	21.0	11.0	10.0	4.8

##### Results of associates

(NZ\$ in millions)	2015	2014
Share of associate profit before income tax	2.4	3.0
Share of income tax expense	(0.5)	(0.9)
Share of associates net profit as disclosed by associates	1.9	2.1

##### Reconciliation of investment balance

(NZ\$ in millions)	2015	2014
Balance at 1 July	4.8	6.6
Share of associates net profit	1.9	2.1
Dividends received	(0.5)	(1.7)
Exchange translation difference	0.8	(0.9)
Disposal of investments	-	(1.3)
Balance at 30 June	7.0	4.8



## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015



### Working capital

Working capital includes the Group's short term operating assets and liabilities. This section provides information on the primary elements of those items, including the following notes:

- 14 Inventories
- 15 Receivables
- 16 Payables

#### 14. Inventories

##### Accounting policy

Inventories are stated at lower of cost and net realisable value with due allowance for rework/obsolescence. Raw materials, packaging and inventories purchased for resale are valued on a weighted average cost basis. Manufactured inventories and work in progress are valued at the cost of materials plus direct labour and factory overheads based on normal operating capacity, including all costs of bringing items to their present location and condition.

(NZ\$ in millions)	2015	2014
Raw materials and consumables	<b>61.0</b>	57.9
Finished goods	<b>130.0</b>	179.9
Provision for stock obsolescence	<b>(6.0)</b>	(4.8)
	<b>185.0</b>	233.0

Purchased inventory included above may be subject to a retention of title clause in the normal course of business.

#### 15. Trade and other receivables

##### Accounting policy

Trade and other receivables are initially stated at fair value and are categorised as loans and receivables which are subsequently measured at amortised cost less impairment.

(NZ\$ in millions)	2015	2014
<b>Current</b>		
Trade receivables	<b>309.6</b>	326.6
Other receivables and prepayments	<b>28.3</b>	24.5
Fair value derivatives	<b>13.6</b>	-
	<b>351.5</b>	351.1

The aging of trade receivables at the reporting date was:

	Gross 2015	Impairment 2015	Gross 2014	Impairment 2014
(NZ\$ in millions)				
Not past due	<b>243.7</b>	-	272.8	(0.1)
Past due 0-30 days	<b>48.4</b>	-	37.8	-
Past due 31-90 days	<b>14.9</b>	-	13.8	-
Past due 91 days or more	<b>4.8</b>	<b>(2.2)</b>	3.8	(1.5)
Total	<b>311.8</b>	<b>(2.2)</b>	328.2	(1.6)

Provisioning for doubtful debts takes into account known factors impacting specific debtors, as well as the overall profile of each Group company's debtors portfolio. Factors such as the age of receivable balances, past collection history and the level of activity in customer accounts are taken into account.

#### 16. Trade and other payables

##### Accounting policy

Liabilities for trade payables and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods or services received, whether or not billed.

(NZ\$ in millions)	2015	2014
<b>Current</b>		
Trade payables and accrued expenses	<b>286.1</b>	287.9
Fair value derivatives	<b>-</b>	21.2
	<b>286.1</b>	309.1

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015



### Other liabilities

Other liabilities includes the Group's short and long term liabilities for employee benefits and other provisions, including the following notes:

- 17 Employee provisions
- 18 Provisions

#### 17. Employee provisions

##### Defined contribution pension plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss in the periods during which services are rendered by employees.

##### Defined benefit pension plans

The Group's net obligation in respect of defined benefit pensions and medical pension plans is calculated separately for each pension plan by estimating the amount of future benefit that employees have earned or might receive in return for their service in the current and prior periods. That benefit is discounted to determine its present value and the fair value of any pension plan assets is deducted. The discount rate is the yield at the balance sheet date on government bonds that have maturity dates approximating to the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method. When the benefits of a pension plan are improved, the portion of the increased benefit relating to past service by employees is recognised immediately as an expense in the income statement. Actuarial gains and losses that arise in calculating the Group's obligation in respect of a pension plan are recognised in other comprehensive income.

##### Long-term service benefits

The Group's obligation in respect of long-term service benefits, other than pension plans, is the amount of the future benefit, including on-costs, discounted to present value at discount rates appropriate to the local jurisdiction, that employees have earned in return for their service in the current and prior periods.

##### Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. If benefits are payable more than 12 months after the end of the reporting period then they are discounted to their present value.

##### Other

Vested sick leave, annual leave and bonuses are measured at their nominal amounts, based on remuneration rates which are expected to be paid when the liability is settled. These amounts are disclosed in current employee provisions.

(NZ\$ in millions)

Current	2015	2014
Bonus provisions	7.5	5.0
Liability for annual leave	10.3	10.2
Redundancy	0.3	0.7
Other	4.5	3.8
	22.6	19.7

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015



### Other liabilities

#### 17. Employee provisions (continued)

Non-Current	2015	2014
Present value of unfunded obligations	4.6	5.0
Present value of funded obligations	31.6	27.3
Fair value of pension plan assets	(17.8)	(15.9)
Present value of net obligations	18.4	16.4
Liability for long-service leave	6.0	7.1
Other	0.9	0.5
Total non-current employee benefits	25.3	24.0

#### (a) Liability for defined benefit obligation

The Group makes contributions to three defined benefit pension plans that provide benefits for employees upon retirement. The pension plans include retirement schemes in Germany and The Netherlands and a United States medical scheme.

(NZ\$ in millions)	Present value of obligation	Fair value of pension plan assets	Total
July 1, 2013	30.0	(17.9)	12.1
Current service cost	0.9	-	0.9
Interest expense/(income)	1.5	(0.6)	0.9
Total amount recognised in profit or loss	2.4	(0.6)	1.8
Remeasurements:			
(Gain)/loss from change in actuarial assumptions	3.1	1.2	4.3
Total amount recognised in other comprehensive income	3.1	1.2	4.3
Exchange differences	(2.3)	1.3	(1.0)
Pension plan participant contributions	0.2	-	0.2
Benefit payments	(1.2)	0.2	(1.0)
June 30, 2014	32.2	(15.8)	16.4
July 1, 2014	32.2	(15.8)	16.4
Current service cost	1.0	-	1.0
Interest expense/(income)	0.9	(0.5)	0.4
Total amount recognised in profit or loss	1.9	(0.5)	1.4
Remeasurements:			
(Gain)/loss from change in actuarial assumptions	0.5	(1.0)	(0.5)
Total amount recognised in other comprehensive income	0.5	(1.0)	(0.5)
Exchange differences	1.9	(0.7)	1.2
Pension plan participant contributions	0.1	-	0.1
Benefit payments	(0.4)	0.2	(0.2)
June 30, 2015	36.2	(17.8)	18.4

The following table shows a breakdown of the defined benefit obligation and pension plan assets by country:

(NZ\$ in millions)	Germany	Netherlands	United States
Present value of obligation	31.6	4.2	0.4
Fair value of pension plan assets	(17.8)	-	-
	13.8	4.2	0.4

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015



### Other liabilities

#### 17. Employee provisions (continued)

<b>Categories of pension plan assets</b> (NZ\$ in millions)	2015	2014
Equity instruments	3.3	2.9
Debt instruments	11.2	10.0
Property	1.7	1.5
Other assets	1.6	1.5
	<b>17.8</b>	<b>15.9</b>

<b>Actuarial Assumptions:</b>	2015	2014
Discount rate	1.17 to 2.40%	1.28 to 2.90%
Expected return on pension plan assets	2.90%	3.50%
Salary trend	2.50%	2.50%

The Group's exposure to defined benefit obligations and long service leave obligations require significant judgements to be made in the calculation of the Group's expected future liability and its present value. Significant assumptions made are detailed above. For each significant defined benefit scheme a qualified external actuary is engaged to provide a valuation based, where possible, on externally verifiable assumptions. As the outcomes in the next financial period may be different to the assumptions made, it is impracticable to predict the impact that could result in a material adjustment to the carrying amount. Through its defined benefit pension plans the group is exposed to a number of risks, the most significant of which are detailed below:

Changes in bond yields	A decrease in government bond yields will increase pension plan liabilities, although this will be partially offset by an increase in the value of the debt instruments held.
Inflation risks	The majority of the pension plans' benefit obligations are linked to salary inflation, and higher inflation will lead to higher liabilities. The majority of the pension plan assets are either unaffected by (fixed debt instruments) or loosely correlated with (equities) inflation.
Asset volatility	The pension plan liabilities are calculated using a discount rate set with reference to government bond yields; if pension plan assets underperform this yield this will increase the deficit.

The sensitivity of the defined benefit obligation to changes in significant assumptions is:

	Change in assumption	Impact on defined benefit obligation	
		Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decrease by 9.5%	Increase by 11.0%
Salary trend	0.5%	Increase by 0.9%	Decrease by 0.8%

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015



### Other liabilities

#### 18. Provisions

##### Accounting policy

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

(NZ\$ in millions)	Site remediation	Other	Total
Balance at 1 July 2014	3.0	0.4	3.4
Provisions made during the year	6.6	0.0	6.6
Provisions used during the year	(0.7)	-	(0.7)
Exchange rate adjustment	0.2	-	0.2
Balance at 30 June 2015	<b>9.1</b>	<b>0.4</b>	<b>9.5</b>

#### Current/Non Current

The provision balances as of the 30 June 2015 and 2014 year-ends were considered to be current liabilities.

#### Site remediation

Provisions for site remediation are made where the Group has an obligation to remediate a site on which contamination has occurred. Provisions are based upon prior experience and surveyors reports. The amounts are expected to be utilised within the year.

#### Other

Other provisions include provisions for costs to defend legal claims.

Identification, recognition and valuation of provisions requires management to make judgements about the likelihood of an amount becoming payable or an economic benefit being foregone, estimation of the value of the potential obligations based on available information and estimating when such obligations are likely to be settled. Where a range of possible outcomes exist, management must apply judgement in assessing the probability that any given outcome may occur. As new contingencies can arise unexpectedly or existing items be resolved at short notice, it is impracticable to predict how the carrying value may be impacted over the next financial period but changes could result in a material adjustment to the carrying amount.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015



### Debt and equity

This section details the Group capital, borrowings and operating cash-flows, providing detail of the funds that finance current and future activities, including the following notes:

- 19 Capital and reserves
- 20 Interest bearing loans and borrowings
- 21 Reconciliation of Net Profit with Net Cash Flows from Operating Activities

#### 19. Capital and reserves

##### Accounting policy

##### Share capital

Share capital is recognised at the fair value of the consideration received by the Company. Transaction costs attributable to the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Fully Paid Ordinary shares	(In millions of shares)		(NZ\$ in millions)	
	2015	2014	2015	2014
On issue at 1 July	<b>198.1</b>	198.1	<b>368.5</b>	368.5
Share buy-back scheme	<b>(6.8)</b>	-	<b>(25.6)</b>	-
On issue at 30 June	<b>191.3</b>	198.1	<b>342.9</b>	368.5

The holders of ordinary shares are entitled to receive dividends as declared from time to time, are entitled to one vote per share at meetings of the Company and participate equally on winding up of the Company.

##### Share based payments reserve

The share based payments reserve comprises the equity impact of the Group's performance rights plan as disclosed in note 9.

##### Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the functional currency of the reporting entity, as well as from the translation of liabilities designated as hedges of the Company's net investment in a foreign subsidiary.

##### Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of effective cash flow hedging instruments related to hedged transactions that have not yet occurred.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015



### Debt and equity

#### 19. Capital and reserves (continued)

##### Dividends

Dividends are recognised as a liability in the period in which they are declared. Dividends recognised in the current and previous years by the Company are as follows:

	Amount per share (cents)	Total amount (NZ\$m)	Imputation cps	Date of payment
<b>2015</b>				
Interim current year ordinary	10.0	19.8	Nil	April 2015
Final prior year ordinary	11.0	21.8	Nil	October 2014
Total amount	21.0	41.6		

	Amount per share (cents)	Total amount (NZ\$m)	Imputation cps	Date of payment
<b>2014</b>				
Interim current year ordinary	10.0	19.9	Nil	April 2014
Final prior year ordinary	11.0	21.8	Nil	October 2013
Total amount	21.0	41.7		

Dividends include tax credits from the Company's Imputation Credit Account as noted above. Dividends did not include any Australian franking credits.

After the balance sheet date the following dividends were proposed by the directors. The dividends have not been provided.

(NZ\$ in millions)	Amount per share (cents)	Total amount (NZ\$m)	Imputation cps	Date of payment
Final Dividend	17.0	32.5	Nil	12 October 2015

<b>Imputation credits</b> (NZ\$ in millions)	2015	2014
Balance at 30 June	<b>1.8</b>	1.4

The Company is part of a New Zealand tax group with the Group's other New Zealand domiciled entities. The imputation credit balance presented above represents that of the Group.

<b>Australian franking credits</b> (AUD in millions)	2015	2014
Balance at 30 June	<b>1.8</b>	1.0

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015



### Debt and equity

#### 20. Interest-bearing loans and borrowings

##### Accounting policy

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 22. Interest-bearing borrowings are recognised initially at fair value less attributed transaction costs. The attributed transaction costs are amortised over the period of the borrowings on an effective interest basis. Subsequent to initial recognition, borrowings are measured at amortised cost using the effective interest rate method, less any impairment losses.

(NZ\$ in millions)	2015	2014
<b>Current liabilities</b>		
Finance lease liabilities	<b>0.6</b>	0.3
	<b>0.6</b>	0.3
<b>Non-current liabilities</b>		
Bank loans	<b>76.9</b>	184.3
USPP Debt	<b>153.5</b>	119.8
Finance lease liabilities	-	0.4
	<b>230.4</b>	304.5
<b>Financing facilities: Bank Loans</b>	<b>254.6</b>	245.4
<b>Facilities utilised at reporting date: Bank Loans</b>	<b>76.9</b>	184.3
<b>Facilities not utilised at reporting date: Bank Loans</b>	<b>177.7</b>	61.1

The terms and conditions of outstanding loans were as follows, face value and carrying amount are the same for all loans:

(NZ\$ in millions)	Currency	Nominal interest rate (ex fees)		Maturity	2015	2014
		2015	2014		Face value and carrying amount	Face value and carrying amount
USPP debt	USD	6.13%	6.13%	July 2019	<b>153.5</b>	119.8
Bank loan - Tranche A	NZD	-	4.77%	July 2017	-	57.0
Bank loan - Tranche B	NZD	-	4.92%	July 2018	-	19.7
Bank loan - Tranche A	AUD	-	4.30%	July 2017	-	35.5
Bank loan - Tranche B	AUD	-	4.45%	July 2018	-	14.0
Bank loan - Tranche A	USD	1.86%	1.84%	July 2017	<b>13.2</b>	21.6
Bank loan - Tranche B	USD	2.03%	1.99%	July 2018	<b>4.4</b>	11.4
Bank loan - Tranche A	EUR	1.61%	1.84%	July 2017	<b>13.0</b>	24.0
Bank loan - Tranche B	EUR	1.75%	-	July 2018	<b>40.5</b>	-
Bank loan - Indonesia	USD	5.05%	5.05%	April 2019	<b>5.8</b>	1.1
Total interest bearing liabilities					<b>230.4</b>	304.1



## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015



### Debt and equity

#### 20. Interest-bearing loans and borrowings (continued)

##### Financing arrangements

##### Revolving multi-currency cash advance facilities

Bank loan facilities are denominated in New Zealand Dollars, Australian Dollars, US Dollars and Euro. The Group's cash advance facilities include a multicurrency revolving syndicated facility split into two tranches. Facility A has a limit of AUD150.0m expiring in July 2017, and facility B has a limit of AUD75.0m expiring in July 2018, and a further Indonesian unsecured loan facility has a limit of USD4.0m and expiry of April 2019.

The syndicated facility agreement contains a negative pledge whereby Nuplex Industries Limited and a guaranteeing group of its subsidiary companies each undertakes to the lenders that it will not create or permit to subsist any security interest over any part of its property other than in limited circumstances. The guaranteeing group comprises all wholly owned subsidiary companies except Nuplex Resins (Vietnam) Limited, Nuplex Resins (Foshan) Co Limited, Nuplex Resins (Suzhou) Co Limited, Nuplex Resins (Changshu) Co Limited, Nuplex Resins (Thailand) Limited, Nuplex Industries (Hong Kong) Limited, Nuplex Producao de Resinas Ltda, and Nuplex Singapore Pte Ltd. A negative pledge is also granted under the USPP debt.

The Group's borrowings are subject to various covenants pursuant to the financing arrangements with the Group's bank lenders. The Group is compliant with all covenants as at 30 June 2015.

##### USPP debt

On 31 July 2012 the Group raised USD105m of debt from the US Private Placement market ("USPP") with a maturity of 31 July 2019 and an interest rate of 6.125%. The proceeds and ongoing obligations were converted into EUR using a cross currency swap.

#### 21. Reconciliation of the Net Profit with the Net Cash Flows from Operating Activities:

(NZ\$ in millions)	2015	2014
Profit for the period	<b>73.6</b>	54.7
Non-cash items:		
Depreciation	<b>25.2</b>	26.8
Tax	<b>16.7</b>	15.4
Amortisation	<b>8.2</b>	9.6
Impairment	<b>5.1</b>	-
Provisions	<b>5.2</b>	0.6
Doubtful debts provisions	<b>0.4</b>	(1.0)
Equity earnings of associate	<b>(1.9)</b>	(2.1)
	<b>58.9</b>	49.3
Classified as investing/financing:		
Loss/(profit) on sale of business, property, plant and equipment	<b>(12.5)</b>	(1.2)
	<b>(12.5)</b>	(1.2)
(Increase)/Decrease in working capital:		
Receivables	<b>28.0</b>	(12.4)
Inventories	<b>1.2</b>	(14.9)
Creditors	<b>(7.8)</b>	(5.5)
	<b>21.4</b>	(32.8)
Income tax (paid)/received	<b>(24.2)</b>	(20.6)
Dividend received from associate	<b>0.5</b>	1.7
Cash Flow from Operating Activities	<b>117.7</b>	51.1

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015



### Other disclosures

This section contains additional notes and disclosures that aid in understanding the Group's position and performance but do not form part of the primary sections, including the following notes:

- 22 Financial risk management
- 23 Tax
- 24 Deferred tax assets and liabilities
- 25 Contingent liabilities
- 26 Related parties
- 27 Group entities
- 28 Operating leases
- 29 Commitments
- 30 Fair values
- 31 Other accounting policies

### 22. Financial risk management

Exposure to credit, liquidity, interest rate and currency risks arise in the normal course of the Group's business. This note presents information about the Group's exposure to those risks, the objectives, policies and processes for measuring and managing financial risks, and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements. The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are set to identify and analyse the risks faced by the Group, to set appropriate limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Board oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to risks faced by the Group.

#### Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

#### Trade and other receivables

The Group has a credit policy which restricts the exposure to individual trade debtors. Each new customer is analysed for creditworthiness before the Group offers payment and delivery terms. The review includes external credit ratings where available. Credit limits are established for each customer, representing the maximum open amount without requiring approval from senior management or the board. The Board of Directors reviews the exposure to trade debtors on a regular basis. 12% of the Group's revenue is attributable to one global group of customers under common control. Separately identifiable unmodified inventory sold to customers is subject to a retention of title clause in the normal course of business, so that in the event of non-payment the Group may have a secured claim. The Group does not require collateral in respect of trade receivables.

#### Guarantees

The Company has issued a guarantee to HSBC to enable our associate company, Synthese Thailand Co Limited, to borrow up to THB100m (2014: THB100m).

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

(NZ\$ in millions)	2015	2014
Trade and other receivables	337.9	351.1
Cash and cash-equivalents	91.1	73.1
Forward exchange contracts used for hedging:		
Assets	1.4	-
	430.4	424.2

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015



### Other disclosures

#### 22. Financial risk management (continued)

The maximum exposure to credit risk for financial assets at the reporting date by geographic region was:

(NZ\$ in millions)	2015	2014
New Zealand	21.4	23.5
Australia	59.4	89.0
Americas	39.2	36.9
Europe	167.6	163.2
Asia	142.9	111.6
	430.5	424.2

#### Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group ensures as far as possible that it maintains sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. In addition to the group debt facility, companies in the Group maintain operating credit facilities for day to day operational purposes. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting arrangements:

	2015						
(NZ\$ in millions)	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	5 years or more
Non-derivative financial liabilities							
Bank loans	76.8	0.2	1.2	1.2	2.3	(4.5)	-
USPP Debt	153.5	178.8	4.7	4.7	9.4	160.0	-
Trade and other payables	286.1	286.1	286.1	-	-	-	-
Derivative financial liabilities							
Foreign Currency swaps							
Outflow	-	172.0	4.1	4.1	8.2	155.6	-
Inflow	(13.6)	(195.8)	(4.7)	(4.7)	(9.4)	(177.0)	-
Forward exchange contracts							
Outflow	-	44.3	44.3	-	-	-	-
Inflow	(1.4)	(45.8)	(45.8)	-	-	-	-
	501.4	439.8	289.9	5.3	10.5	134.1	-

	2014						
	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	5 years or more
Non-derivative financial liabilities							
Bank loans	183.1	203.5	4.4	4.4	8.7	186.0	-
USPP Debt	119.8	149.5	3.7	3.7	7.3	11.0	123.8
Finance lease liabilities	0.8	0.9	0.2	0.2	0.3	0.2	-
Trade and other payables	287.8	287.8	287.8	-	-	-	-
Derivative financial liabilities							
Foreign Currency swaps							
Outflow	19.7	172.9	3.9	3.9	7.9	23.6	133.6
Inflow	-	(160.2)	(3.7)	(3.7)	(7.3)	(22.0)	(123.5)
Forward exchange contracts							
Outflow	1.5	67.2	66.6	0.6	-	-	-
Inflow	-	(65.7)	(65.1)	(0.6)	-	-	-
	612.7	655.9	297.8	8.5	16.9	198.8	133.9

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015



### Other disclosures

#### 22. Financial risk management (continued)

The following table indicates the periods in which the cash-flows associated with derivatives that are cash-flow hedges are expected to occur:

(NZ\$ in millions)	Carrying amount	Contractual cash flows	2015				
			6 months or less	6-12 months	1-2 years	2-5 years	5 years or more
Currency swaps							
Assets	13.6	23.8	0.6	0.6	1.2	21.4	-
Forward exchange contracts							
Assets	1.4	45.8	45.8	-	-	-	-
Liabilities	-	(44.3)	(44.3)	-	-	-	-
	15.0	25.3	2.1	0.6	1.2	21.4	-

  

(NZ\$ in millions)	Carrying amount	Contractual cash flows	2014				
			6 months or less	6-12 months	1-2 years	2-5 years	5 years or more
Currency swaps							
Liabilities	(19.7)	(12.8)	(0.3)	(0.3)	(0.5)	(1.6)	(10.1)
Forward exchange contracts							
Assets	-	65.7	65.1	0.6	-	-	-
Liabilities	(1.5)	(67.2)	(66.6)	(0.6)	-	-	-
	(21.2)	(14.3)	(1.8)	(0.3)	(0.5)	(1.6)	(10.1)

The following table indicates the periods in which the cash-flows associated with derivatives that are cash-flow hedges are expected to impact profit and loss:

(NZ\$ in millions)	Carrying amount	Contractual cash flows	2015				
			6 months or less	6-12 months	1-2 years	2-5 years	5 years or more
Currency swaps							
Assets	13.6	4.8	0.6	0.6	1.2	2.4	-
Forward exchange contracts							
Assets	1.4	45.8	45.8	-	-	-	-
Liabilities	-	(44.3)	(44.3)	-	-	-	-
	15.0	6.3	2.1	0.6	1.2	2.4	-

  

(NZ\$ in millions)	Carrying amount	Contractual cash flows	2014				
			6 months or less	6-12 months	1-2 years	2-5 years	5 years or more
Currency swaps							
Liabilities	(19.7)	(2.7)	(0.3)	(0.3)	(0.5)	(1.6)	-
Forward exchange contracts							
Assets	-	65.7	65.1	0.6	-	-	-
Liabilities	(1.5)	(67.2)	(66.6)	(0.6)	-	-	-
	(21.2)	(4.2)	(1.8)	(0.3)	(0.5)	(1.6)	-

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015



### Other disclosures

#### 22. Financial risk management (continued)

##### Market risk

The Group is exposed to the risk that changes in foreign exchange rates and interest rates will affect the Group's income or value of financial instruments. The objective of managing these risks is to control exposures within acceptable parameters while optimising the impact on return.

The Group utilises forward currency contracts and interest rate swaps in the ordinary course of business in order to manage these risks. All such transactions are carried out within the guidelines of the Group's Treasury policy as set by the Board. The Group applies hedge accounting where permitted in order to limit volatility in profit and loss.

##### Capital management

The Group's capital structure comprises a mixture of equity, USPP debt, bank debt of varying tenure and cash. The structure gives a balance between costs of each component, the liquidity risk, the quantum of unused facilities and tenure. The Group has adequate facilities available at all times to meet its short and medium term cash needs for operations, capital expenditure, financing and pursuit of growth opportunities.

##### Interest rate risk

The Group has adopted a policy of ensuring that 40-100% of its exposure to interest rates to reset within a year is fixed, that 30-80% of its exposure to rates to reset from one to three years time is fixed and that 0-60% of exposure to rates to reset from three to five years time is fixed. The Board regularly monitors compliance with this policy.

##### Interest rate risk profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

(NZ\$ in millions)	2015	2014
<b>Fixed rate instruments</b>		
Financial Assets	-	-
Financial Liabilities	(154.1)	(120.6)
	(154.1)	(120.6)
<b>Variable rate instruments</b>		
Financial Assets	91.1	73.1
Financial Liabilities	(76.9)	(184.3)
	14.2	(111.2)

##### Sensitivity analysis

A change of 100 basis points in interest rates at the reporting date would have impacted equity and profit by the amounts shown below. The analysis assumes all other variables remain constant. The analysis is performed on the same basis for 2014.

	Equity 2015	Profit 2015	Equity 2014	Profit 2014
(Impact NZ\$ in millions)				
<b>100bp increase</b>				
Variable rate instruments	-	0.7	-	(0.8)
Cash-flow sensitivity (net)	-	0.7	-	(0.8)
<b>100bp decrease</b>				
Variable rate instruments	-	(0.7)	-	0.8
Cash-flow sensitivity (net)	-	(0.7)	-	0.8

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015



### Other disclosures

#### 22. Financial risk management (continued)

##### Effective interest rates and repricing analysis

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice.

2015							
(NZ\$ in millions)	Effective interest rate	Total	6 months or less	6-12 months	1-2 years	2-5 years	5 years or more
Cash and cash equivalents	0.46	91.1	91.1	-	-	-	-
Bank loans:							
USD loan	2.98	(23.4)	(23.4)	-	-	-	-
EUR loan	1.68	(53.4)	(53.4)	-	-	-	-
USPP Debt	6.13	(153.5)	-	-	-	(153.5)	-
		(139.2)	14.3	-	-	(153.5)	-
2014							
(NZ\$ in millions)	Effective interest rate	Total	6 months or less	6-12 months	1-2 years	2-5 years	5 years or more
Cash and cash equivalents	1.01	73.1	73.1	-	-	-	-
Bank loans:							
AUD loan	4.38	(49.4)	(49.4)	-	-	-	-
USD loan	1.91	(33.0)	(33.0)	-	-	-	-
EUR loan	1.84	(24.0)	(24.0)	-	-	-	-
NZD loan	4.85	(76.7)	(76.7)	-	-	-	-
USPP Debt	6.13	(119.8)	-	-	-	-	(119.8)
Finance lease liabilities		(0.7)	(0.2)	(0.2)	(0.3)	-	-
		(230.5)	(110.2)	(0.2)	(0.3)	-	(119.8)

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015



### Other disclosures

#### 22. Financial risk management (continued)

##### Currency risk

The Group has exposure to foreign exchange risk as a result of income and expenses and balances in overseas entities whose functional currency is not the NZD, and as a result of transactions in currencies other than the functional currency of the transacting Group entity. Significant exposures occur primarily in USD, EUR and AUD.

##### Sensitivity analysis

The sensitivity of the Group's net profit earned and equity balances held in foreign currencies to the exchange rates with significant exposures is detailed in the table below. The table sets out the impact on profit and equity of a 10% strengthening of the NZD against those currencies over the year. The analysis assumes all other variables remain constant and is performed on the same basis for 2014.

Increase / (Decrease) (NZ\$ in millions)	Equity 2015	Profit 2015	Equity 2014	Profit 2014
EUR	(3.8)	(3.4)	(8.1)	(2.5)
USD	(7.7)	(2.3)	(6.2)	(1.9)
AUD	(34.9)	2.1	(31.7)	1.4

The sensitivity table above shows that the impact of a 10% strengthening of the NZD against the Euro and the USD would be to decrease net profit for the year ended 30 June 2015 by NZ\$3.4m and NZ\$2.3m respectively. For a 10% strengthening of the NZD against the AUD, the impact on net profit for the year ended 30 June 2015 would have been an increase of NZ\$2.1m. This is because the relevant parts of the group made a net loss after tax in AUD during the year to 30 June 2015.

##### Forecast transactions

The Group uses forward exchange instruments to manage its exposures to transactions in currencies other than the functional currency of the transacting Group entity. The Group aims to cover 80-100% of its 3 month forecast net currency exposure, up to 50% of its 4-6 month net exposure and up to 25% of its 7-12 month net exposure.

With the exception of the USPP debt, interest on borrowings is denominated in currencies that match the cash-flows generated by the underlying operations of the Group. This provides an economic hedge and no derivatives are entered into in this respect. The principal and interest payments on the USPP debt have been translated from USD to EUR using fixed to fixed currency swaps, with the objective of matching the currency of the assets of the entities in which the debts reside.

The Group hedge accounts its forward exchange contracts. These contracts are fair valued and any effective portion of hedge valuation movement is shown in the statement of changes in equity. The net fair value of these forward exchange contracts at 30 June was NZ\$ 1.4m (2014: NZ\$(1.5m)), comprising assets of NZ\$1.4m (2014: liabilities of NZ\$1.5m) that were recognised in fair value derivatives. Contracts are taken out for periods of 1 to 12 months depending upon the timing of the anticipated foreign currency cash-flows that the contracts hedge.

##### Exposure to currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts:

(NZ\$ in millions)	2015			2014		
	AUD	USD	EUR	AUD	USD	EUR
<b>Non functional currency amounts</b>						
Trade receivables and cash balances	0.6	15.1	30.7	1.8	25.6	27.8
Trade Payables	(7.0)	(15.6)	(18.5)	(5.5)	(21.4)	(21.2)
Statement of financial position exposure	(6.4)	(0.5)	12.2	(3.7)	4.2	6.6
Subsidiary net assets	343.0	71.1	37.9	313.2	51.3	79.6
Forward exchange contracts	5.9	37.4	0.9	4.0	50.6	9.1
Statement of financial position exposure	342.5	108.0	51.0	313.5	106.1	95.3
Profit after tax in functional currency	(14.4)	23.5	22.1	(10.1)	14.4	18.2

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015



### Other disclosures

#### 22. Financial risk management (continued)

The Group's foreign currency results and balances are translated into NZD as described in note 31(b). The following significant exchange rates were applied during the year:

	Average rate		Reporting date mid-spot rate	
	2015	2014	2015	2014
USD	0.78	0.83	0.68	0.88
AUD	0.93	0.90	0.89	0.93
EUR	0.65	0.61	0.62	0.64

#### 23. Income tax expense

##### Accounting policy

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit and loss except if it relates to items recognised directly in equity or other comprehensive income, in which case the income tax is recognised therein. Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustments to tax payable in prior years.

##### Recognised in profit and loss

(NZ\$ in millions)

	2015	2014
<b>Current tax expense</b>		
Current year	<b>35.2</b>	20.9
Adjustments for prior years	<b>(1.3)</b>	(1.3)
	<b>33.9</b>	19.6
<b>Deferred tax expense</b>		
Temporary differences	<b>(16.5)</b>	(7.8)
Total income tax expense in profit and loss	<b>17.4</b>	11.8

##### Reconciliation between tax expense and pre-tax net profit

Profit before income tax	<b>78.5</b>	57.1
Income tax using the New Zealand corporate tax rate of 28%	<b>22.0</b>	16.0
Increase in income tax expense due to:		
Non-deductible expenses	<b>0.9</b>	0.3
Tax losses not recognised	-	0.4
Decrease in income tax expense due to:		
Utilisation of previously unrecognised tax losses	<b>(0.4)</b>	-
Effect of tax rate in foreign jurisdictions	<b>(1.0)</b>	(1.4)
Non-taxable gains	-	(0.2)
Share of profits of associates	<b>(0.5)</b>	(0.6)
Tax incentives	<b>(2.3)</b>	(1.4)
Under / (over) provided in prior years	<b>(1.3)</b>	(1.3)
Income tax expense/(benefit) on pre-tax net profit	<b>17.4</b>	11.8

##### Deferred tax recognised directly in equity

Fair valuation of hedge accounted derivatives	<b>(9.8)</b>	4.5
Remeasurement of defined benefit obligations	<b>0.1</b>	1.3
	<b>(9.7)</b>	5.8



## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015



### Other disclosures

#### 24. Deferred tax assets and liabilities

##### Accounting policy

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

Tax losses and other deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

(NZ\$ in millions)	Deferred tax assets		Deferred tax liabilities		Movement	
	2015	2014	2015	2014	Profit	Equity
Non-current assets	0.4	0.4	(20.9)	(21.5)	0.6	-
Current assets	1.4	5.8	(0.2)	(1.3)	(3.3)	-
Employee benefits	9.3	6.9	-	(2.0)	4.3	0.1
Payables and provisions	10.6	4.8	-	-	5.8	-
Fair value derivatives	-	5.4	(4.4)	-	0.0	(9.8)
Tax losses and other items	15.8	6.9	-	(0.2)	9.1	-
	37.5	30.2	(25.5)	(25.0)	16.5	(9.7)
Set off of deferred tax	(9.1)	(9.5)	9.1	9.5		
Deferred tax assets / liabilities	28.4	20.7	(16.4)	(15.5)		

#### Movement in temporary differences during the year

(NZ\$ in millions)	2015	2014
Balance at 1 July	5.2	(8.2)
Recognised in profit or loss	16.5	7.8
Recognised in equity	(9.7)	5.8
Exchange adjustment	-	(0.2)
Balance at 30 June	12.0	5.2

#### Unrecognised deferred tax assets

(NZD in thousands)	2015	2014
Gross value of tax losses	-	5.6

The losses shown above for 2014 originated in the Group's operations in Brazil, which as disclosed in note 3 was liquidated in the year.

The value of deferred tax assets recognised in the financial statements involves a significant degree of judgement around the future profitability, ownership and legislative outcomes impacting on the Group entity to which the assets or potential assets relate. In making the required judgements management take account of all circumstances of which they are aware and current economic forecasts which might have bearing on the tax situation of the entity concerned.

At as 30 June 2015, various subsidiaries recognised deferred tax assets on tax loss carry-forwards and other temporary differences, with the majority of the deferred tax asset relating to losses occurring in Australia which has historically been profit making. This is because on the basis of the approved strategic plans of these subsidiaries, the Group considers it probable that the tax loss carry-forwards and temporary differences can be offset against future taxable profits.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015



### Other disclosures

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#### 25. Contingent liabilities

##### US Class Action.

Proceedings purporting to be a class action were commenced in Kentucky in March 2010 in connection with alleged contamination of the area surrounding the plant of a wholly owned subsidiary in Louisville, Kentucky. The plaintiffs claim to represent a group of local residents. The claim has not been progressed during the year and damages remain unspecified. Towards the end of the financial year Nuplex filed a notice of motion to have the claim struck out. Since year-end, the plaintiffs have sought leave to file an amended claim.

##### Guarantees of Group Debt

The Company and all the material wholly owned subsidiaries, outside of China and Vietnam, have entered into:

- (a) the syndicated facility agreement with the Group's syndicated facility bank lenders whereby all the Group companies that are party to the agreement have guaranteed the repayment of all liabilities under certain designated documents, including the syndicated facility agreement, certain other bank loans and hedging transactions; and
- (b) subsidiary guarantees in respect of the Group's debt raised from the US Private Placement market ("USPP").

##### HSBC Guarantee

The Company has issued a guarantee to HSBC to enable associate company Synthese Thailand Co Limited to borrow up to THB100m (2014: THB100m), equivalent to NZD4.3million (2014: NZD3.7million). Nuplex has discharged the JV partner Thai Urethane Plastic Co Limited from its indemnity against 48% of all losses, costs, damages, expenses, claims and demands which may be incurred or sustained by reason or on account of having given the guarantee. Nuplex granted this discharge as part of its commitment to increase the funds available to Synthese Thailand Co Limited to meet an obligation to purchase plant and equipment from Thai Urethane Plastic Co Limited. This transaction was executed in January 2008.

##### Weathertight Homes Resolution

Plaster Systems Limited (PSL) has been named as a respondent in various claims in the Weathertight Homes Tribunal and New Zealand High Court. PSL has provided for the costs of settlement of these claims as a current provision. PSL has denied liability for damages under these claims but has participated in the settlement process and contributed towards remediation costs without reverting to its full legal remedies as a gesture of good faith and to protect the reputation of its products' suitability for purpose.

##### Siegwerk

A subsidiary of the Company is subject to legal proceedings in respect of product that was used in connection with the manufacture of lacquer used in the lining of cans of tuna, the subject of a product recall in 2004 and 2005. Nuplex was successful in its initial defence of the proceedings however on appeal, the court ordered a retrial. The retrial took place in April and May 2015 and Nuplex is awaiting the Court's decision. The quantum of the claim against Nuplex is \$2.25m (plus interest) and if unsuccessful on retrial, Nuplex would also be required to pay the claimant's legal costs as assessed by the court. No provision has been made in respect of this matter

The directors consider that no further provisions are required in respect of these matters as they are considered unlikely to result in future liability and/or the quantum of any future liability is not capable of reliable measurement.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015



### Other disclosures

#### 26. Related parties

The Company has a related party relationship with its subsidiaries and associates (see note 27) and with its directors and key management personnel.

##### Transactions with subsidiaries and associates

Transactions with subsidiaries and associates are carried out on an arms length basis. The Group transacts in the normal course of business with its associates on commercial terms. In addition to dividends disclosed in note 13, the following amounts were received from associates during the year:

Transactions with associates (NZ\$ in millions)	2015	2014
Management fees	-	0.3
Toll manufacturing fees	-	1.5
Sale of goods and services	-	4.4

The Group disposed of its investments in Quaker Chemical (Australasia) Pty Limited and RPC Pipe Systems Pty Limited in the year ended 30 June 2014, following which there were no transactions with associates in the year ended 30 June 2015.

##### Transactions with key management personnel

The key management personnel of the Nuplex Group comprise the Board of Directors and the Nuplex Executive Team. There were no transactions with key management personnel other than the compensation set out below.

The key management personnel compensation was as follows:

(NZ\$ in millions)	2015	2014
Directors remuneration - short term benefits	<b>0.9</b>	0.9
Executive officers remuneration:		
Short term benefits	<b>9.3</b>	8.7
Post employment benefits	<b>0.5</b>	0.4
Long term incentives	<b>1.0</b>	0.4
Share based payments accrued	<b>2.6</b>	1.2
	<b>13.4</b>	10.7

None of the key management personnel were members of the defined benefit retirement schemes referred to in note 17.

Total cash remuneration for the 10 executives (2014: 11) who have been part of the Nuplex Executive team for the entire 2015 financial year was NZ\$6.9m (2014: NZ\$7.3m)

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015



### Other disclosures

#### 27. Group entities

The subsidiary and associate companies comprise:

	<i>Principal Activity</i>	<i>Directors **</i>	<i>Country of Incorporation if not NZ</i>	<i>% Held</i>	
				2015	2014
Nuplex Finance Holdings Limited	Investment and group finance company	2, 7		100	100
Nuplex Operations (New Zealand) Limited	Non-operating holding company	2, 7		100	100
Nuplex Specialties NZ Limited	Import and distribution of specialty chemicals	None		0	100
Nuplex US Holdings Limited	Investment and group finance company	2, 7		100	100
Plaster Systems Limited	Manufacture of pre-mixed lightweight and strengthening plasters	2, 7		100	100
Asia Pacific Specialty Chemicals Limited	Manufacturer and supplier of specialty products, additives and ingredients	1, 2, 7	Australia	100	100
Aushold Pty Limited	Non-operating holding company	2, 7	Australia	100	100
Multichem Pty Limited	Import and distribution of specialty chemicals	2, 7, 10	Australia	100	100
Nuplex Industries (Aust) Pty Limited	Manufacture, import and distribution of synthetic resins and emulsions, metal driers, paper-making chemicals and food ingredients	2, 7, 10	Australia	100	100
Nuplex Operations (Aust) Pty Limited	Non-operating holding company	2, 7	Australia	100	100
Nuplex Producao de Resinas Ltda	Manufacture and distribution of synthetic resins	4, 9	Brazil	100	100
Nuplex Resins (Changshu) Co Limited*	Manufacture and distribution of synthetic resins	2, 3, 12	China	100	100
Nuplex Resins (Foshan) Co Limited*	Manufacture and distribution of synthetic resins	2, 3, 12	China	100	100
Nuplex Resins (Suzhou) Co Limited*	Manufacture and distribution of synthetic resins	2, 3, 12, 13	China	100	100
Nuplex Industries GmbH	Non-operating holding company	2, 5, 11, 15	Germany	100	100
Nuplex Resins GmbH	Manufacture and distribution of synthetic resins	2, 5, 9, 15	Germany	100	100
Nuplex Industries (Hong Kong) Limited	Non-operating	2, 7	Hong Kong	100	100
PT Nuplex Raung Resins	Manufacture and distribution of synthetic resins	2, 3, 12	Indonesia	80	80
Synthese (Malaysia) Sdn bhd	Manufacture and distribution of synthetic resins	2, 3, 5, 12	Malaysia	62	62
Nuplex Industries BV	Non-operating holding company	2, 7	Netherlands	100	100
Nuplex Resins BV	Manufacture and distribution of synthetic resins	2, 5, 7, 8, 9, 11, 14	Netherlands	100	100
Nuplex Sino Chemicals BV	Non-operating holding company	2, 7	Netherlands	100	100
Nuplex Resins LLC	Manufacture and distribution of synthetic resins	5, 7, 16	Russia	100	100
Nuplex Singapore Pte Ltd	Administration	1, 2, 12, 13	Singapore	100	100
Nuplex Resins (Thailand) Limited	Non-operating holding company	2, 7	Thailand	100	100
Synthese (Thailand) Co Limited*	Manufacture and distribution of synthetic resins	2, 5, 12	Thailand	47.5	47.5
Innospec Valvemaster Limited*	Distributor of specialty products	1	UK	50	50
Nuplex Industries UK Limited	Non-operating holding company	2, 5, 7	UK	100	100
Nuplex Resins Limited	Manufacture and distribution of synthetic resins	2, 5, 7	UK	100	100
Silvertown Land Holdings Limited	Property holding company	2, 5, 7	UK	100	100
Nuplex Resins LLC	Manufacture and distribution of synthetic resins	2, 4, 7	US	100	100
Nuplex Resins (Vietnam) Limited	Manufacture and distribution of synthetic resins	1, 2, 12, 17	Vietnam	100	100

All the above companies have a balance date of 30 June, except companies marked "\*" which are 31 December for statutory compliance purposes.

\*\* - Nuplex executives acting as directors of the above companies are as follows:

1 Emery Severin. 2 Clive Cuthell. 3 Lai Wei Young. 4 Mike Kelly. 5 Paul Kieffer. 6 Robert Skarvan. 7 James Williams. 8 Pieter Geuze. 9 Norm Stallard. 10 Zel Medak. 11 Ardi van Wijk. 12 Ruben Mannien. 13 Clare Yong. 14 Steven van den Biggelaar. 15 Herbert Witossek. 16 Peter Ronald Dyer. 17 Stuart Barry.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015



### Other disclosures

#### 28. Operating leases

**Accounting policy** Payments made under operating leases are recognised in profit and loss on a straight-line basis over the term of the lease.

Non-cancellable operating lease rentals are payable as follows:

(NZ\$ in millions)	2015	2014
Less than one year	<b>6.3</b>	7.9
Between one and five years	<b>9.1</b>	13.8
More than five years	<b>14.3</b>	15.4
	<b>29.7</b>	37.1

The Group leases a number of warehouse, factory facilities and other operating equipment under operating leases. With the exception of New Zealand property leases, the leases typically run for a period of 3 to 5 years, with an option to renew the lease after that date. None of the leases include contingent rentals.

During the year ended 30 June 2015, NZ\$7.6m was recognised as an expense in profit and loss in respect of operating leases (2014: NZ\$12.5m).

#### 29. Capital and other commitments

(NZ\$ in millions)	2015	2014
Plant and equipment contracted but not provided for and payable:		
Within one year	<b>9.5</b>	18.6
	<b>9.5</b>	18.6

#### 30. Fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. The following summarises the major methods and assumptions used in estimating those fair values. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

##### Trade receivables and payables

Fair value is estimated as the present value of future cash-flows discounted at market rates of interest where settlement is not expected within 12 months.

##### Secured bank loans

Fair value is taken to be the carrying value of these assets and liabilities due to their short term repricing.

##### Derivatives

For forward exchange contracts and interest rate swaps, independent third party valuations are used.

The carrying values of the Group's financial assets and liabilities during 30 June 2015 and 2014 closely approximated their fair values.

NZ IFRS 7 dictates a hierarchy of valuation methods for determining the fair value of financial instruments, as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than level 1 quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data.

All of the Group assets and liabilities valued at fair value are valued using level 2 methods.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015



### Other disclosures

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#### 31. Other accounting policies

##### (a) Basis of consolidation

###### Accounting for business combinations

The acquisition method of accounting is used to account for all business combinations.

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. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as at the acquisition date.

Consideration transferred includes the fair value of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination.

Transaction costs that the Group incurs in connection with a business combination, such as finders fees, legal fees, due diligence fees, and other professional and consulting fees are expensed as incurred in the Group financial statements.

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

###### Accounting for acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions.

##### Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

##### Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Investments in associates are accounted for using the equity method and are initially measured at cost. The consolidated financial statements include the Group's share of the total recognised income, expense and equity movements of associates on an equity accounted basis, net of any impairment losses, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in the associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

##### Transfer of entities or assets under Group control

Business combinations arising from the transfer of assets or interests from one Group entity to another Group entity are accounted for at the carrying amounts recognised previously in the Group's controlling shareholders consolidated financial statements.

##### Transactions eliminated on consolidation

Intra-Group balances and any unrealised gains or losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015



### Other disclosures

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#### 31. Other accounting policies (continued)

##### (b) Foreign currency

###### Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at foreign exchange rates ruling at the dates the fair values were determined.

###### Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to New Zealand dollars at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to New Zealand dollars at rates approximating to the foreign exchange rates ruling at the dates of the transactions. This would normally be the average foreign exchange rate for the reporting period, or such shorter period for an entity or business acquired or disposed of during the period. Exchange differences arising on these retranslations are recognised in other comprehensive income and presented in the translation reserve.

###### Net investment in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations, and the related hedges and deferred tax impact are recognised in other comprehensive income to the extent that the hedge is effective. These exchange differences are presented within equity in the translation reserve. If ineffective, it is recognised in profit or loss. Amounts recognised in equity are released to profit or loss upon disposal.

##### (c) Revenue and other operating income

###### Sale of goods

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction in revenue as the sales are recognised.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015



### Other disclosures

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#### 31. Other accounting policies (continued)

##### (d) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of less than three months and readily convertible to cash. Bank overdrafts that are repayable on demand and form part of the Group's cash management are included for the purposes of the cash flow statement.

##### (e) Financial instruments

###### Non-derivative financial instruments

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

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured at amortised cost using the effective interest rate method.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial instruments are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

###### Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments. Derivative financial instruments are recognised initially at fair value (transaction price). Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit and loss except where the derivatives qualify for hedge accounting, as described below.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the counterparties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date.

##### (f) Hedging

###### Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. For cash flow hedges, the associated cumulative gain or loss is removed from equity and recognised in profit and loss in the same period or periods during which the underlying exposure impacts profit and loss. When the hedged item is a non-financial asset, the amount recognised in other comprehensive income is transferred to the carrying amount of the asset when the asset is recognised. The ineffective part of any gain or loss is recognised immediately in profit and loss.

###### Hedges of net investments in foreign operations

The portion of the gain or loss on an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion is recognised immediately in profit and loss.



## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2015



### Other disclosures

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#### 31. Other accounting policies (continued)

##### **(g) Assets held for sale and discontinued operations**

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 accounting standards. 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 profit or loss, even when there is a revaluation. The same applies to gains and losses on subsequent remeasurement.

A discontinued operation is a component of the consolidated entity's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier.