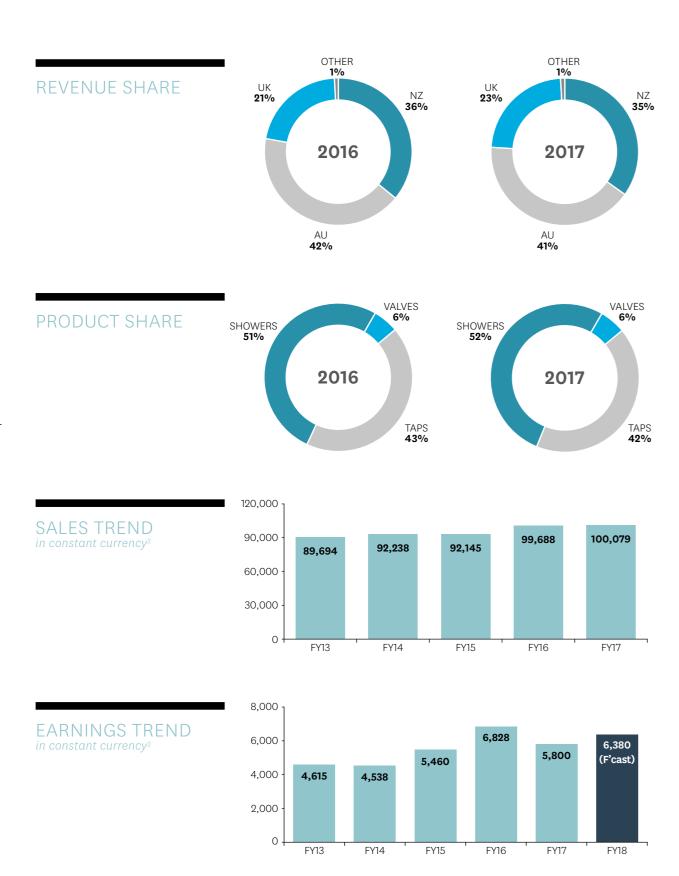


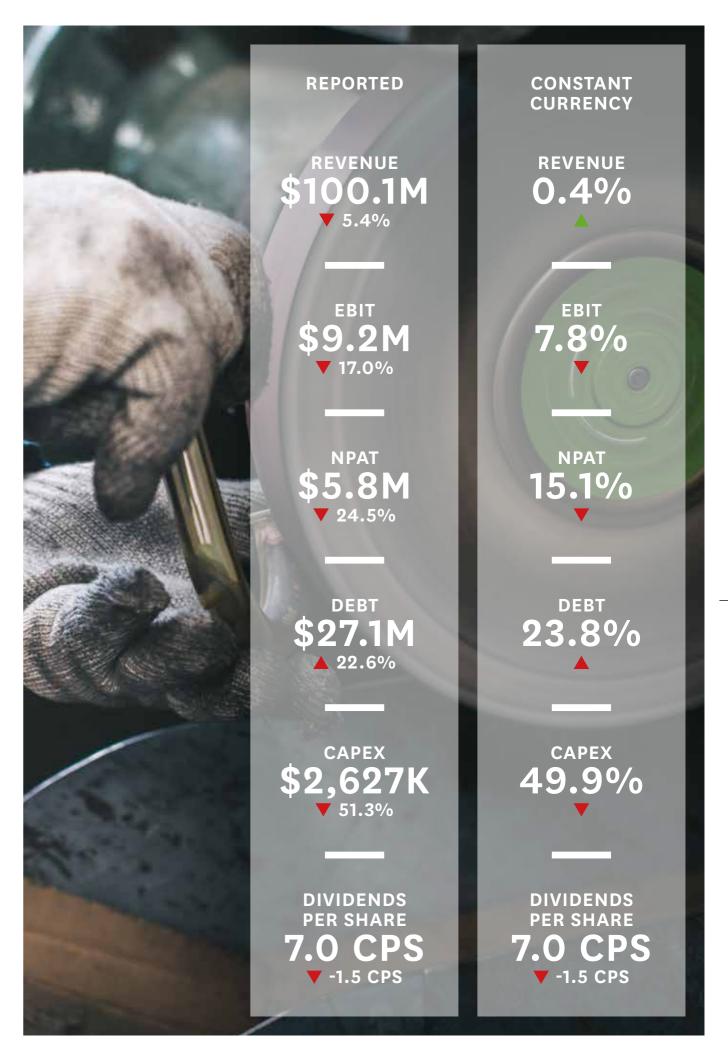
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Performance¹





Results¹

FOR THE YEAR ENDED 30 JUNE 2017

REPORTED PERFORMANCE 12 months ended June 2017

NZ \$000	2017	2016	Variance %
Sales revenue	100,079	105,822	-5.4%
Earnings before interest and tax ⁴	9,246	11,138	-17.0%
Net profit after tax	5,800	7,680	-24.5%
NPAT % of sales	5.8%	7.3%	-1.5 ppts
Net Debt ²	27,126	22,122	22.6%

CONSTANT CURRENCY PERFORMANCE 12 months ended June 2017

NZ \$000	2017	2016 Restated	Variance %
Sales revenue	100,079	99,688	0.4%
Earnings before interest and tax ⁴	9,246	10,023	-7.8%
Net profit after tax	5,800	6,828	-15.1%
NPAT % of sales	5.8%	6.8%	-1.0 ppts
Net Debt ²	27,126	21,918	23.8%

Consistent with previous reports, commentary focuses on results on a constant currency basis due to significant movement in fx translation rates during the period. Constant currency is the previous year's individual trading entities' performance in their local currency translated into NZ\$ at the current year's fx rates (detailed in footnote³).

SUMMARY

- Revenue finished at \$100m. This represents a 0.4% increase in constant currency and a 5.4% decrease at reported level, including previously disclosed one-off impacts that adversely affected the Q1 FY17 results.
- EBIT⁴ finished at \$9.2m a 17% decrease in reported EBIT and an 7.8% (\$0.8m) decrease in constant currency.
- · Constant currency full year EBIT deviation caused by:
 - 1. Heshan supply disruption.
 - 2. Tapware sales performance in Australia and New Zealand.
 - 3. NZ market fixed cost investment.
- NPAT (Net Profit After Tax) finished at \$5.8m. This represents a 15.1% decrease on a constant currency basis (-\$1.0m) and a 24.5% decrease on a reported basis.
- Reported net debt increased by \$5m due to inventory build for anticipated sales growth that was not achieved.
- New Zealand market sales down 2.5% (\$1m) due to underperformance of tapware over the period and due to sales in the South Island returning to pre-quake levels. EBIT was down by 9.2% due to revenue shortfall and increased fixed cost investment in the New Zealand market following strong performance in EY16
- Australian revenue down 1.6% (-A\$600k) due to underperformance of tapware, with commensurate EBIT decline. H2 FY17 EBIT was up 25% versus the H1 FY17 and H2 FY17 EBIT % increased to 8.6% of sales.
- UK revenue grew by 9% and EBIT by 32% as volume margin benefits flowed through. H2 FY17 UK sales increased 12% as benefits of new national distribution were realised. Total sales were the highest in six years and NPAT the highest in seven years.
- The Directors declared a 3.0 cents per share partially imputed final dividend payable on 29 September 2017.
- The Methven 130 strategy remains the strategic focus for the organisation, however the one-off events of FY17 emphasised the need to transform the existing business model to ensure increased agility and resilience to unexpected events.
- The three point business transformation plan Fit 4 the Future:
- 1. Streamlined market teams.
- 2. Manufacturing consolidation driving margin improvement.
- 3. Simplified processes and integrated systems driving operational efficiency.
- · Guidance for the year ending June 2018:
 - Even with Fit 4 the Future investment, we are still expecting year-on-year NPAT growth of at least 10%.

¹ During the previous financial year, Methven changed its balance date from March to June and as a result, the audited financial statements on pages 56 to 95 for the 12 months ended June 2017 compare to a 15 month period ended June 2016. To assist with comparability all results presented on pages 4 to 33 are for the 12 months ended 30 June 2017 (audited) and are compared against the 12 months ended 30 June 2016 (unaudited).

 $^{^{\,2}\,}$ Refer to the reconciliation of net debt to the consolidated balance sheet in note 3.6 of the financial statements.

³ Constant currency is the previous year's individual trading entities' performance in their local currency translated into NZ\$ at the current year's fx rates. These rates are GBP/NZD 0.5606 (PY 0.4554), AUD/NZD 0.9466 (PY 0.9198) and RMB/NZD 4.8514 (PY4.3174).

⁴ Earnings before interest and tax (EBIT). Refer to the reconciliation of EBIT to the consolidated income statement in note 2.1 of the financial statements.

Chair and Group CEO review

Results emphasise the need for simplification and increased agility to weather unpredicted events.

δ

with top and bottom line performance below our expectations. We were significantly impacted in Q1 FY17 by Masters closure in Australia, FX in Australia, group supply disruption, and a major NZ customer changing stock holding. Whilst we understand the cause of these one-offs, it's still important to recognise these results are not in line with our expectation, nor in line with the momentum that we felt in 2016 prior to these one-offs. Despite our efforts to mitigate these impacts, and despite some recovery in Q2, we were unable to make up the deficit in the reporting period. The inability to recover from market impacts quickly has emphasised the need to simplify the business and ensure increased agility for the future so as to be able to weather any unforeseen events.

2017 was a very disappointing year,

At market level, sales were disappointing in both New Zealand and Australia, primarily caused by the underperformance of tapware and in the case of New Zealand, demand returning to pre-quake levels in the South Island. Full year margins improved in both markets, with H2 FY17 EBIT in Australia up 25% versus H1 FY17. EBIT in New Zealand finished at down 20% as a result of increased investment in personnel following a strong FY16. This has subsequently been unwound, as expected results did not materialise.

The UK was the major success of FY17, with sales growth of 9% delivered over the year. New national distribution supported strong growth in H2 FY17 (sales up 12%) and this translated to 32% FY EBIT growth. Sales were their highest in six years, and profits their highest in seven years.

International distribution of Methven proprietary innovation remains key to deliver long term profitable growth. It's therefore encouraging to report over 20 new distributors in China and a new exclusive distributor in Malaysia. We continue to have positive discussions with new potential international partners.

Our latest ground-breaking shower technology with matching tapware is expected to launch in FY18, and will further serve to extend our leadership in this dynamic category. Over the last few years, innovation has primarily been focused on showering and has delivered some excellent results for us. We now turn our attentions to tapware, and have some significant new innovations planned in FY18 to address AU and NZ underperformance. We are confident that this innovation can restore our market growth in this category.

Winning in digital promotion is a key strategic pillar for the Group, and we were delighted to launch a digital world-first where we enable consumers to test Methven shower technology for \$1 dollar and if not totally satisfied, the shower can be returned free of charge. We believe our shower technology is the best in the world and this initiative enables consumers to experience this firsthand. Page views increased year-onyear by 48%, average session times increased by 10%, and bounce rates improved as we introduced more relevant content.

Methven declared a partially imputed final dividend of 3.0 cents per share payable on 29 September 2017. This results in a pay-out ratio of 89%.





Health and Safety

Our vision is to be recognised as an industry leader in setting standards for workplace Health and Safety.

162
CROSS
FUNCTIONAL
WALKS

90% C.I. PROGRAMME ENGAGEMENT

-18%
NEAR MISS

Our goal:

To be recognised as an industry leader in setting standards for workplace Health and Safety. We aim to create an injury and illness free workplace with our team, where everyone goes home safe and healthy after each day at work of their working life.

The key focus areas for the Committee are:

- Reviewing the Health and Safety Policy and practices.
- Reviewing and ensuring internal control systems are adequately implemented by management in the health and safety area to meet new legislation.

- Reviewing health and safety reporting.
- Identifying and responding to significant business risks.
- · Actively reviewing tangible changes.

During this period, Methven moved from lost time injury reporting to near miss reporting. Near misses reduced by 18% during this period.

From FY18, Methven will report on total recordable reporting that will measure all incidents and will be segmented depending on severity and likelihood for repetition.



Environment

We are systematically improving our carbon footprint.

3400L PER DAY

WATER SAVING VIA RECYCLING

Sustainability is a key pillar of Methven's 130 strategy. We are committed to a low carbon future and have implemented many policies that support this aim. We have implemented a Green Car Policy in New Zealand that requires systematic reduction in CO₂ output, and now have two electric cars in our fleet.

We capture water at our new home in Jomac Place, and are saving 3,400 litres per day from this initiative.

With our move to Jomac Place, we invested in a new sub-micron air

filtration system. This resulted in emissions being 80% below the Council minimum requirement and 30% below our previous site.

In the UK, Methven were delighted to be part of a legislative task force looking at implementation of circular economy goals.

In China, we were recently awarded the new Environmental Protection Certificate for Guangdong Province, further endorsing our manufacturing credentials.

100%

COMPANY VEHICLES WITH CO₂ EMISSIONS <185G/KM

52%OF TEAM VOLUNTEER TO RESTORE
WHAU RIVER

-80%

AIR DISCHARGE
BELOW COUNCIL
MINIMUM



People and Culture

All NZ full time employees became shareholders of Methven.

100% NZ STAFF

SHAREHOLDERS

100%

GENDER PAY
EQUALITY

Investment in leadership training and development increased by 47%.

124 NEW ZEALAND

52 AUSTRALIA

51



103 🐝

All permanent NZ-based Employees made Shareholders

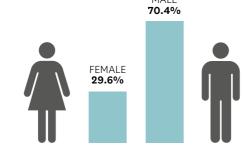
In October 2016, all permanent NZbased employees were offered 740 Ordinary Shares for consideration of \$1 as part of the Employee Share Plan.

Diversity, pay equity and benefits

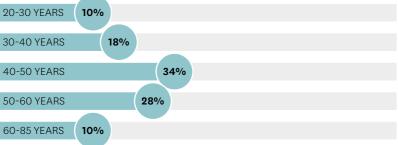
We have no pay equity issues between men and women.

Insuranc

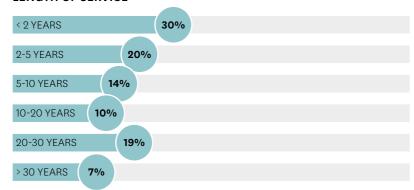
In August 2016, we introduced comprehensive employee life insurance, whereby all NZ-based staff under the age of 75 are insured to the value of 2 x salary, and an additional cover where a lump sum is paid for a critical illness.



AVERAGE AGE



LENGTH OF SERVICE

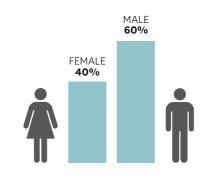


Governance

The Board plays a vital role in overseeing the strategic direction of Methven, including implementation of strategic priorities. The Board regularly reviews its governance structures to ensure they are consistent with best practice.

83%
INDEPENDENT DIRECTORS

5.3
YEARS OF AVERAGE TENURE



Role of the Board

The Board of Directors has been elected by shareholders to protect and maximise long term shareholder value. Key focus areas to deliver this include:

- overseeing the strategic direction of Methven and ensuring the right strategic programmes are put in place and then implemented.
- proactively assessing opportunities and risks.
- ensuring diversity.
- providing leadership.

The Board is responsible for all decision-making in the organisation. The Board's roles and responsibilities are set out in our Board Charter, including delegations to management. The Board Charter can be found on our website.

Diversity and succession

As an international group with operations in New Zealand, Australia, China and the United Kingdom, Methven has broad cultural diversity. The Board recognises diversity as a critical ingredient to deliver long term profitable growth.

At Board level, diversity allows us to benefit from a range of different perspectives and aids in stronger decision-making. While all Board appointments are based on merit, diversity, including gender diversity, is also taken into account.

As part of our ongoing assessment of skills needed to support Methven's growth ambitions, our overall succession planning, and following the retirement of Phil Lough, the Board commenced the recruitment process for an additional Director to join the Board.

The profiles of our current directors are set out on the following page.

Attracting and retaining talent

The Board believe that attracting and retaining talented team members is crucial to delivery of our long term growth and market leadership goals. To this end, we have undertaken a review of terms and conditions, including flexible working principles, insurance, holidays, and workplace conditions. In addition, we have implemented targeted training and development to help our broader leadership team and our up and coming talent achieve their respective goals within the organisation.

Best practice

The Board is committed to ensuring that Methven maintains a high standard of corporate governance and conducts business ethically. It regularly reviews and assesses Methven's governance structures and processes to ensure they are consistent with best practice, most recently undertaking a review in light of the new NZX Corporate Governance Code.

t 2017

13

Methven Group Directors

ALISON BARRASS

RICHARD CUTFIELD

Chair

Independent Director

We are in the process of recruiting additional directors following Phil Lough's retirement, and as part of our ongoing succession planning process.



Alison joined the Board in June 2012, and was appointed Chair in August 2017. With over 30 years' experience at major international FMCG companies including PepsiCo, Kimberley Clark, Watties, Goodman Fielder and most recently as Chief Executive Officer of Griffin's Foods Ltd, Alison brings a broad range of skills to the Methven Board. With an extensive marketing career and broad experience in business transformation projects, she has worked across both privately owned and publicly listed organisations. Alison is also a Director of Spark NZ, Gough Group, Heilala Vanilla and Rockit International.



Richard has been a Methven Group Director since March 2001, having led the management buy-out of Methven from Australian interests, and serving as Chairman until July 2008. Richard is a professional director, business strategy advisor and investor. Until recently, he headed the private investment vehicle of Most Excellent Holdings Limited, owner of international branded nursery products company Phil & Teds, having previously served as Phil & Teds CFO and COO. Prior to joining Phil & Teds in 2009, Richard spent 15 years as an Executive Director of Pencarrow Private Equity Ltd, a leading New Zealand based private equity investor. Richard is a shareholding Director of Formway Furniture Limited, a Director of Goodnature Limited and Vega Industries Limited, and a member of the Method Recycling Limited advisory board.

NORAH BARLOW

Independent Director

STEVE TUCKER

Independent Director

DAVID BANFIELD

Managing Director and
Group Chief Executive Officer



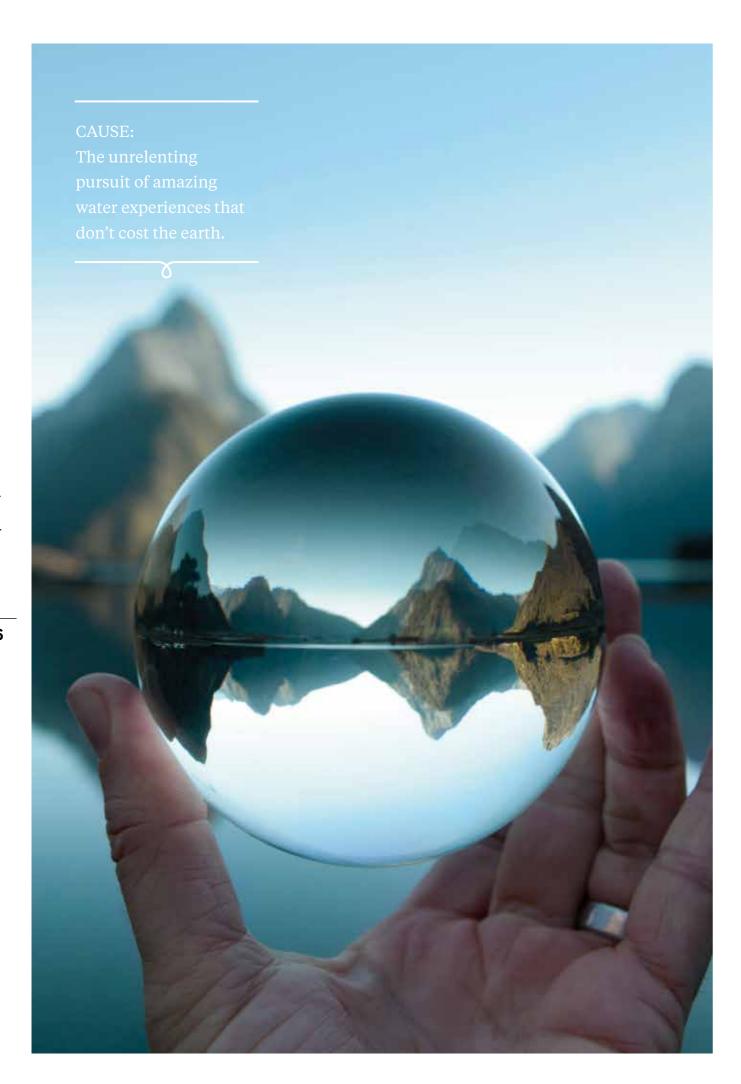
Norah Barlow joined the Board in January 2015. She is the former Managing Director of Summerset Group Holdings Limited, leading Summerset's public listing on the NZX and ASX in 2011. Norah retired from the role in 2014, remaining on the board for 2 years before stepping down at the 2016 annual meeting. Norah is now CEO and Executive Director of Estia Health Limited. She is also an independent director of Evolve Education Limited, and Cigna Insurance Limited (NZ). Norah was named as an Officer of the New Zealand Order of Merit in the Queen's Birthday Honours list in 2014 for her services to business.



Steve joined the Board in January 2017. He is currently Deputy CEO and an Executive Director of Gallagher Group Limited, also a global leader in innovation. With an extensive career in finance, business management and strategy, Steve has a passion for the role that brand and design play in company success. In addition to holding directorships with various Gallagher Group subsidiaries around the world, Steve is also a Director of ArcActive Limited, Apps On Farm Limited, Durolla Products Limited, Chairman of Group 3 Technology Limited, and a Board Trustee of St Peter's School Cambridge. He was previously a Councillor and Deputy Chairperson of the Waikato Institute of Technology.



David joined Methven in January 2014 as Group CEO with the specific aim of leading a turnaround of the business that had seen five years of top and bottom line decline. He started his career in retail at J Sainsbury plc before moving to various sales and marketing roles at world market leader in water filtration – Brita, where he led their UK and Irish business for 11 years before moving to become their Global Commercial Director based in Germany. David has significant international experience in over 30 markets worldwide and has a passion for cultural understanding. David is focused on leveraging Kiwi design-led innovation, engineering and manufacturing on the world stage.



Behaviours

BEHAVIOURS TRUMP KPI'S

We have a fundamental belief that clearly defined values and associated behaviours are key to us delivering world-class performance at Methven, and were delighted to formally launch our expected behaviours this year.

Insight Drives Action



- · I share all the information needed to help the team make decisions.
- · I ask what my customer needs, listen and tell them the best that I can do (and do it!).
- · If I can't do it, I let them know that too.
- I know that I am responsible for my results both the things that go well and the things that don't go well.
- · I always ask myself "So What?"
- · I test my thoughts with action.
- · I make solutions simple. Simple beats complex every time.

Our Spirit of Innovation



- · I think about "innovation" in a broad way, whether this is about products, services, processes or ways of working.
- · I share my ideas with other people.
- I speak up about my mistakes, and share what I have learnt.
- I thank people when they come up with ideas, and I encourage new ideas to be tested.
- I ask for support when I get stuck.
- If something doesn't make sense, is inefficient or is outdated thinking, then

Respect for our Planet, Communities and Team



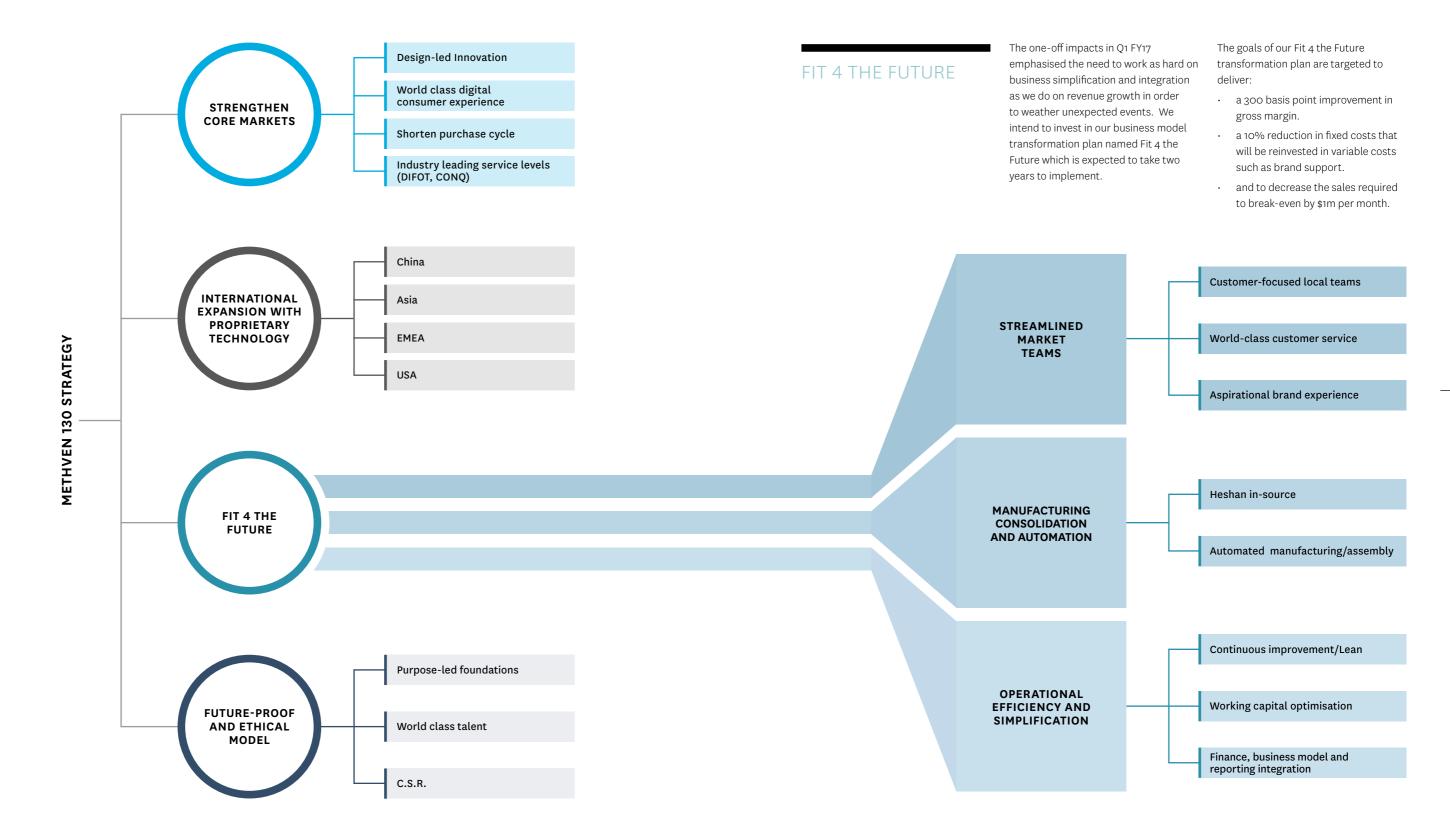
- I ask for other people's opinions as this makes for better understanding.
- I really listen to people, giving them my full attention. I listen to understand, not listen to reply.
- I treat all people with the same respect regardless of their position, or how long they've been around.
- · I call out behaviour when it's not in line with Our Values even if it's the CEO's!
- I keep my eyes open for ways that we can reduce our impact on the environment.
- I play my part from as small as emptying the dishwasher to as big as getting involved in important company events.
- · I treat people the way I expect to be treated myself.

We're in this Together



- I take an interest in other people what they do, what's important to them, how I can help them.
- · I believe in business with a smile.
- · I think Health and Safety first in everything that I do.
- · I say 'thanks' to people, especially those who've done a great job or helped me out.
- I do my bit to support a positive team spirit bringing positive energy to my team and work mates.
- $\cdot \;$ I can be proud of my wins. We raise the bar and then we raise our glasses.
- · I don't look to blame others.

Methven 130 Fit 4 the Future



Business review

Our Goals in FY17:

How did we perform:

Revenue growth in New Zealand	Revenue -2.5%
Profitable growth in Australia	Revenue no, H2 Profit yes
Double digit sales and profit growth in UK	ACHIEVED H2
National distribution in UK	ACHIEVED
Market share growth of differentiated shower offer (Satinjet® and Aurajet®)	ACHIEVED
Heshan utilisation increased by 10%	Not achieved
Improvement in Group NPAT % to sales	Not achieved

REVENUE GROWTH IN NEW ZEALAND Revenue decreased by 2.5% (\$900k) year-on-year as a result of underperformance in tapware and normalised demand in the South Island.

Revenue growth in New Zealand

Revenue -2.5

PROFITABLE GROWTH IN AUSTRALIA

Revenue decreased by 1.6% (A\$600k) due to underperformance of tapware. Earnings were down, reflecting sales decline. H2 FY17 EBIT was up 25% vs H1.

Profitable growth in Australia

Revenue no, H2 Profit yes

DOUBLE DIGIT SALES AND PROFIT GROWTH IN UK Revenue increased by 9% over the period with 12% growth in H2 FY17 as new national contracts started to

deliver in Q4 FY17. Earnings increased by 32% as volume benefits flowed through.

Double digit sales and profit growth in UK

ACHIEVED H2

NATIONAL DISTRIBUTION IN UK Two new national distribution agreements gained that can be the catalyst for brand credibility in the UK.

Only one quarter of financial benefit reflected in results in this period.

National distribution in UK

ACHIEVED

MARKET SHARE GROWTH OF DIFFERENTIATED SHOWER OFFER (SATINJET® AND AURAJET®) Aurajet - Strong double digit growth, with Aurajet the lead line for range extensions in all markets. New square version (Rua) adds to range depth and relevance. Consumer reaction continues to be strong.

shower offer (Satinjet® and Aurajet®)

ACHIEVED

HESHAN UTILISATION INCREASED BY 10%

The disruptions that impacted us in Q1 FY17 negatively affected overall utilisation in Heshan, with no meaningful progress on increasing utilisation in this period. Significant

work to reduce fixed costs and improve our productivity was completed, with benefits expected to accrue in H₂ FY18.

Heshan utilisation increased by 10%

Not achieved

IMPROVEMENT
IN GROUP NPAT %
TO SALES

Group NPAT % dropped by 1.0 ppts in constant currency, primarily as a result of the one-off impacts seen in Q1

FY17 and due to increased fixed cost investment in the New Zealand market.

nprovement in Group NPAT % to sales

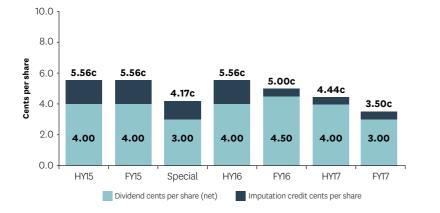
Not achieved

NET DEBT

Reported net debt increased by \$5m due to inventory build for anticipated sales growth that was not achieved in this period.

FINAL DIVIDEND

The Directors have declared a partially imputed final dividend of 3.0 cents per share to be paid on 29 September 2017.



Outlook

GUIDANCE FOR THE YEAR ENDING JUNE 2018

- Even with Fit 4 the Future investment, we are still expecting year-on-year NPAT growth of at least 10%.
- NPAT guidance in constant currency.

Our Goals in FY18:







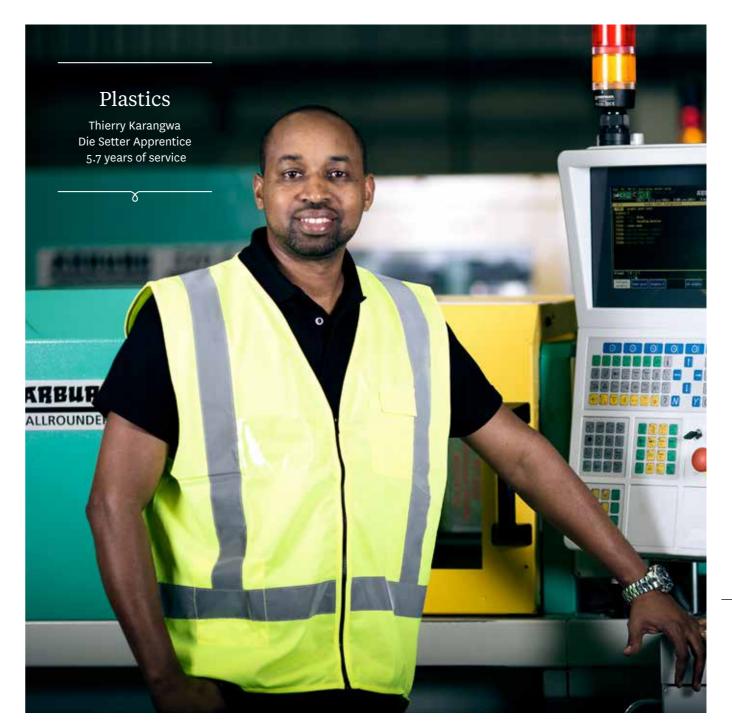














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2017 Market review

NEW ZEALAND

	12 months ended June		
NZ \$000	2017	2016	Variance %
Sales revenue	34,869	35,771	-2.5%
EBIT	4,195	4,621	-9.2%
EBIT % of revenue	12.0%	12.9%	-o.9 ppts

Our Goals in FY17: Increase our Revenue Revenue -2.5% Grow sales and share of Tapware Not achieved Launch new services for the Plumber Full service offering being developed Increased share of Specification market Good progress Increased brand awareness and preference via digital channels Page views +44%

Increase our Revenue

• Revenue decreased by 2.5% (\$900k) year-on-year as a result of underperformance in tapware and normalised demand in the South Island.

Grow sales and share of Tapware

• Sales negatively impacted by the destock already reported in Q1 FY17, underperformance of tapware, and normalised South Island demand.

Launch new services for the Plumber

 New dedicated plumber resource added to ensure products and services are added to make life easier for the Plumber. Sponsorship of the Young Plumber programme enhanced, ensuring that more young plumbers get to see us making high quality product in our foundry in Avondale.

Increased share of Specification market

 New trans-Tasman specification website in final stages of development, with the aim to make it easier to specify Methven.

Increased brand awareness and preference via digital channels

 Total page views increased by 44%, with bounce rates decreased by 30%. New transactional capability allows consumers to try the best shower technology according to their individual preference.

AUSTRALIA

	12 m	onths ended	June
AU \$000	2017	2016	Variance %
Sales revenue	38,983	39,607	-1.6%
EBIT	2,906	1,393	108.6%
EBIT % of revenue	7.5%	3.5%	4.0 ppts

Our Goals in FY17:

How did we perform:

Profitable revenue growth	Revenue no, H2 Profit yes
Grow sales and share of Tapware	Not achieved
Category segmentation at point of purchase	Test to commence in FY18
Increased share of Specification market	Good progress
Increased brand awareness and preference via digital channels	ACHIEVED

Profitable revenue growth

 Revenue declined by A\$600k over the period following the difficult Q1 previously reported. The major reason for the sales deviation was underperformance of tapware. Margin and EBIT recovered following the Q1 FY17 issues previously reported. H2 FY17 EBIT increased by 25% compared to the H1 2017.

Grow sales and share of Tapware

Our tapware portfolio underperformed in the Australian market, and was
the reason for year-on-year sales decline. Innovation has been focused on
showering. We have some significant new innovations planned in FY18 to
address AU and NZ tapware underperformance. We are confident that this
innovation can restore our market growth in this category.

Launch new category segmentation at point of purchase

 Significant work on path to purchase and conversion at point of purchase. Roll out of optimised selling system delayed to FY18.

Increased share of Specification market

• New trans-Tasman specification website in final stages of development, with the aim to make it easier to specify Methven.

Increased brand awareness and preference via digital channels

 Total page views up by 56%. \$1 handset trial to be rolled out in Australia in H1 FY18.

12 months ended June GB £000 2016 Variance % 2017 Sales revenue 8.8% 12,959 11,914 EBIT 587 444 32.2% EBIT % of revenue 4.5% 3.7% o.8 ppts

Our Goals in FY17:

How did we perform:

ACHIEVED H2	Double digit sales and profit growth
ACHIEVED	£ growth from new national distribution
France added - no breakthrough	Launch new international markets
Aurajet sales +123%	Market share growth of differentiated shower offer
Page views +21%	Increased brand awareness and preference via digital channels

Double digit sales and profit growth

· Total revenue growth of 8.8% over the year, with 12% achieved in H2 FY17. EBIT increased by 32% as volume margin benefits flowed through. New national distribution benefits seen from February 2017 onwards.

£ growth from new national distribution

· Two contracts won in FY17, one with financial benefits being realised from February 2017 and the other from Q4 FY18. These two contracts give us nearly 600 new distribution points.

Launch new international markets

· France added as a new market from June 2017. Conversations are ongoing with potential retail partners to test Methven showering in Q2 FY18.

Market share growth of differentiated shower offer

· Very strong growth in Aurajet sales in the UK. Sales increased by 123% over this period as distribution started to perform.

Increased brand awareness and preference via digital channels

· Total page views up by 21%. New functionality to be launched in H2 FY18.

CHINA SALES

	12 months ended June		
NZ \$000	2017	2016	Variance %
Sales revenue	187	14	1235.7%
EBIT	(311)	(406)	-23.4%
EBIT % of revenue	-166.3%	-2900.0%	2,733.7 ppts

- · Focused investment in our China commercial operations continued in FY17. 20 new distributors have now been appointed on a regional basis, with the target to increase this to 30 by December 2017.
- \cdot Launch event supported by NZTE and Consul-General of NZ in Shanghai very well attended by local designers, developers and architects, which bodes well for the future.

GROUP **OPERATIONS**

	12 months ended June			
NZ \$000	2017	2016	Variance %	
Sales revenue - external customers	712	632	12.7%	
Sales revenue - internal customers	27,488	30,634	-10.3%	
EBIT	1,263	3,976	-68.2%	
EBIT % of revenue	4.5%	12.7%	-8.2 ppts	

- 2016 performance positively impacted by non-recurring items of \$1.0m.
- \cdot $\,$ 2017 performance of factories negatively impacted by the previously reported operational disruption that constrained production in Q1 FY17 and the lower tapware demand from the New Zealand and Australian markets.
- · Heshan plant awarded the new Environmental Protection Certificate for Guangdong Province, which sets us up well for the future.

Acknowledgements

Retirement of Phil Lough after 13 years of service.

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The Board expressed their appreciation and thanks to Phil Lough following his decision to retire effective 31 July 2017. Phil joined Methven in 2004, taking over as Chairman in 2009.

During Phil's 13 years with Methven, the business has seen many improvements and milestones, most notably the launches of Satinjet and Aurajet, the move of the Head Office to custombuilt new premises in Jomac Place in 2016, Aurajet becoming the most awarded product in Methven's history, celebrating our 130th year anniversary, and most recently, the induction of George Methven into the NZ Business Hall of Fame.

"On behalf of the whole team at Methven, we would like to wish Phil all the very best for his retirement.
On a personal level, I would like to acknowledge Phil's vast experience and recognise his ability to challenge me and my thinking, helping me to improve my performance under his leadership. I remain hugely disappointed that we were unable to deliver a worthy performance in his final year. The team and I will aim to put this right in the coming year."

– David Banfield, Group CEO

In 2016, the Board undertook a governance review, including the succession planning process. In line with that process and Phil's earlier discussions with the Board regarding retirement, the Board unanimously voted for Alison Barrass to become Chair-elect.

Alison joined Methven in 2012 and since joining, has shown her extensive range of skills, taking on Chairmanship of both the Health and Safety and Remuneration Committees. With over 30 years' experience at major international FMCG companies, and an extensive marketing career and broad experience in business transformation projects, Alison has worked across both privately owned and publicly listed organisations. Alison continues to broaden her experience, having more recently being elected to the boards of Spark NZ, Gough Group, Heilala Vanilla and Rockit International.

"It's a privilege to be given the opportunity to Chair the Methven Board. Having worked under Phil's stewardship since I joined the Board, I've had the opportunity to watch and learn from his skill and experience, and it's been an absolute delight to have had the chance to work with such a consummate professional. Methven is a dynamic and exciting company with a great culture, fabulous design, intellectual property, and a strong pipeline of innovation. I am, with the Board, committed to supporting David and the team to deliver an efficient business platform that can support growth across our categories and drive increased shareholder value from our unique product offers."

– Alison Barrass, Chair





Corporate Governance

The Board is committed to conducting the Company's business ethically and in accordance with high standards of corporate governance. The primary objective of the Board is to build long-term shareholder value with due regard to other stakeholder interests. It does this by guiding strategic direction and focusing on issues critical for its successful execution.

Compliance

The best practice principles which the Company considers in its governance approach are the New Zealand Exchange (NZX) Listing Rules relating to corporate governance, the New Zealand Exchange (NZX) Corporate Governance Best Practice Code, and the Financial Markets Authority Corporate Governance in New Zealand Principles and Guidelines (collectively the "Principles"). Methven's corporate governance framework is currently being reviewed in light of the new NZX Corporate Governance Code, which will apply from 1 October 2017.

The Board's view is that the Company's corporate governance principles, policies, and practices do not materially differ from best practice principles.

Board and committee charters, codes and policies referred to in this section are available to view at www.methven.com.

PRINCIPLE 1 - ETHICAL STANDARDS

Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for delivering these standards throughout the organisation.

The Company expects its Directors, Officers, and Employees to maintain high standards of ethical conduct and expects the Company's employees to act legally, ethically and with integrity in a manner consistent with the policies, guiding principles and values that are in place. These include the following:

Code of Ethics

The Company's Code of Ethics sets out clear expectations of ethical decision-making and personal behaviour by Directors, Officers and Employees in relation to situations where their or the Company's integrity could be compromised.

The Code of Ethics addresses amongst other things;

- Professional conduct
- Confidentiality
- Use of assets and information
- Compliance with laws and regulations
- Corporate social responsibility
- Conflict of interest
- Acceptance of gifts
- Offering of gifts

Avoiding conflicts of interest

The Conflict of Interest Policy provides guidance on identifying and dealing with conflicts of interest in order to protect the reputation of all stakeholders. The intention is to protect the integrity of decision making at Methven by avoiding ethical, legal, financial and other conflicts of interest.

Trading in securities

The Company is committed to transparency and fairness in dealing with all of its stakeholders and to ensuring adherence to all applicable laws and regulations.

The Company has an Insider Trading Policy governing trading in the Company's shares. No Director, Officer or Employee may use his or her position of confidential knowledge of the Company or its business to engage in securities trading for personal benefit or to provide benefit to any third party.

The Company has an ongoing programme to maintain employee awareness and understanding of these ethical standards and policies.

PRINCIPLE 2 - BOARD COMPOSITION AND PERFORMANCE

To ensure an effective board, there should be a balance of independence, skills, knowledge, experience and perspectives.

Board size and composition

The current Board comprises
Directors with a mix of qualifications,
skills, experience and independence
appropriate to the Company's existing
operations and strategic direction.

The Board's structure and governance arrangements are set out in the Methven Limited Board Charter. The Directors and their profiles are set out in the "Methven Group Directors" section of this Annual Report and are available on the Company's website.

Board Diversity

Methven strives to provide a working environment and culture which rewards excellence, celebrates success and promotes the principles of equal opportunity. At Board level, diversity allows us to benefit from a range of different perspectives and aids in stronger decision-making. While all Board appointments are based on merit, diversity, including gender diversity, is also taken into account.

As the Company operates across international markets, the Board believes that it is important to have a board consisting of members with diverse backgrounds, experience and skills. The Board has considered and is satisfied that the current composition of the Board now reflects an appropriate range of skills, diversity of backgrounds and experience for the Company to effectively discharge its responsibilities, but continues to review and consider Board composition.

As part of our ongoing assessment of skills needed to support Methven's growth ambitions (Methven 130 and beyond) and following the retirement of Phil Lough (effective 31 July 2017), the Board commenced the recruitment process for an additional Director to join the Board.

Gender Composition of Directors and Officers

The gender balance of Methven Directors and Officers for the years ended 30 June 2016 and 2017 were as follows:

	30 June 2017		30 June 2016	
	Number %		Number	%
Directors				
Female	2	33	2	40
Male	4	67	3	60
Total	6	100	5	100
Officers ¹				
Female	1	11	1	11
Male	8	89	8	89
Total	9	100	9	100

¹ Officers are the persons reporting to the Group Chief Executive Officer

PRINCIPLE 2 - BOARD COMPOSITION AND PERFORMANCE (CONTINUED)

Independence of Directors

A Director is considered independent if he or she is free of any interest, position, association or relationship that might influence or reasonably be perceived as influencing in a material way, the Director's capacity to bring an independent mind or judgement to issues before the Board and to act in the best interests of the Company and its shareholders generally.

The factors that the Company will take into account when assessing the independence of its Directors are set out in its Board Charter (available on the Company's website).

After consideration of these factors, the Company is of the view that:

- no Director has a direct or indirect interest or relationship that could reasonably influence, in a material way, the Board's decision making;
- no Director is a substantial security holder of Methyen;
- no Director is, or has within the last three years, been employed in an executive capacity by Methven (or any subsidiary);
- no Director is, or has been within the last three years, in a material contractual or business relationship (e.g. as a supplier or customer) with Methven (or any subsidiary);
- no Director is, or has within the last three years been, a partner, director or senior employee of a provider of material professional services to Methven (or any subsidiary);
- no Director is an officer, associated person or affiliate or has close family ties with any person who falls within any of the categories described above; and

while Richard Cutfield has a tenure of 10+years, his independence is not considered to be compromised and institutional knowledge he has gained during this time is viewed as important to provide balance to the perspectives provided by more recent appointments.

The Board has considered the above factors and considers all directors to be independent, with the exception of the Executive Director, David Banfield.

Board Roles and Responsibilities

The Board of Directors is responsible for the governance of Methven Limited and its subsidiaries. The Board's responsibilities are outlined in the Board Charter which is available on the Company's website www.methven. com. In order to facilitate the day-to-day running of the business, certain powers are delegated to the Group Chief Executive Officer, who in turn delegates authority to management.

Retirement and re-election of Directors

In each year, one third of the Directors shall retire from office and may offer themselves for re-election at the annual meeting of shareholders. Directors to retire are those who have been longest in office since they were last elected or deemed elected.

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PRINCIPLE 3 -BOARD COMMITTEES

The Board should use committees where this will enhance its effectiveness in key areas while retaining Board responsibility.

Committees that have been established by the Board are the Audit, Compliance and Risk Management Committee, Remuneration Committee, and Health and Safety Committee.

Each Committee's purpose and role (and extent of any delegations from the Board) is governed by its charter.

Audit, Compliance and Risk Management Committee

As at 30 June 2017, the Audit, Compliance and Risk Management Committee comprises Richard Cutfield (Chairman), Norah Barlow, Alison Barrass and Steve Tucker. The Committee assists the Board to fulfil its responsibilities in the areas of financial and risk management.

Remuneration Committee

The Remuneration Committee comprises Alison Barrass (Chair), Richard Cutfield, Norah Barlow and Steve Tucker.

The Committee assists the Board of Directors to ensure that the Company has appropriate remuneration policies, and adopts people and practices which aid in the Company's strategic direction.

Health and Safety Committee

The Company has a vision to be recognised as an industry leader in setting standards for workplace Health and Safety. We aim to create an injury and illness free workplace with our team

where everyone goes home safe and healthy after each day at work of their working life.

To assist the Board fulfil this vision, a Health and Safety Committee was established. As at 30 June 2017, the Committee comprises Alison Barrass (Chair), Phil Lough, Richard Cutfield, Norah Barlow and Steve Tucker.

The key focus areas for the Committee are:

- Reviewing the health and safety policy and practices.
- Reviewing and ensuring internal control systems are adequately implemented by management in the health and safety area to meet new legislation.
- Reviewing health and safety reporting.
- Identifying and responding to significant business risks.
- · Actively reviewing tangible changes.

Nomination Committee

The Board believes that all Board members should be involved in the selection and appointment process of new Board members. Therefore a nomination committee is not necessary for Methven.

Board and Committee meetings

The following Board and Committee meetings were held during the year ended 30 June 2017:

	Board Meetings	Audit, Compliance, and Risk Management Committee	Remuneration Committee	Health & Safety Committee
Phil Lough**	14	9	6	3
Richard Cutfield	13	10	6	3
Alison Barrass	14	9	6	3
Norah Barlow	12	6	4	2
David Banfield	14	NA	NA	3
Steve Tucker*	6	5	2	1

 $^{^{\}star}$ Steve Tucker was appointed to the Board effective from 1 January 2017 and is a member of all Committees.

PRINCIPLE 4 - REPORTING AND DISCLOSURE

The Board should demand integrity both in financial reporting and in the timeliness and balance of corporate disclosures.

The Company is committed to ensuring integrity and timeliness in its financial reporting and in providing information to the market and shareholders which reflects a considered view on the present and future prospects of the Company.

Financial reporting

The Audit, Compliance and Risk Management Committee exists to assist the Board in fulfilling its responsibilities in the areas of financial and risk management.

The Audit, Compliance and Risk Management Committee objectives are as follows:

- maintain the integrity of the Company's financial reporting.
- ensure the quality and independence of the Company's external audit and auditor.

- identify and review significant business risks and the Company's legal and regulatory compliance.
- provide oversight over the control environment to safeguard Company assets.

Management accountability for the integrity of the Company's financial reporting is reinforced by the certification from the Chief Executive Officer and Chief Financial Officer in writing that the Company's financial report presents a true and fair view in all material aspects.

Timely and balanced disclosure

Methven has procedures in place to ensure that key financial and material information is communicated to the market in a clear and timely manner in accordance with the disclosure obligations under the NZX Listing Rules.

PRINCIPLE 5 - REMUNERATION

The remuneration of Directors and Executives should be transparent, fair and reasonable.

The Remuneration Committee is responsible for ensuring Directors and Executives receive the appropriate rewards to support Methven in achieving its commercial and stakeholder goals.

The Remuneration Committee has a formal charter. Its membership and role are set out under Principle 3 above.

Non-Executive Director Remuneration

The Company distinguishes the structure of non-executive Directors' remuneration from that of executive Directors. The maximum aggregate amount of remuneration payable to Directors (in their capacity as Directors) was set at \$350,000 per annum at the July 2012 Annual Shareholder Meeting. The Remuneration Committee

considers non-executive Director fees annually but has committed to only increasing fees after having considered the strength of the Company's financial performance during the year.

Non-executive Directors do not take a portion of their remuneration under equity plan but Directors may hold shares in the Company, details of which are set out in the "Directors' shareholding and trades" section of this Annual Report. The Company encourages Directors to own shares in the Company and to acquire any shares on-market.

The Group has arranged Directors' and Officers' Liability insurance, which ensures that Directors will incur no monetary loss as a result of actions undertaken by them as Directors provided they act within the law.

^{**} Phil Lough resigned effective from 31 July 2017.

PRINCIPLE 5 -REMUNERATION

Executive Remuneration

Executive remuneration packages comprise a mixture of fixed remuneration, short-term performancebased cash remuneration and longterm performance-based equity remuneration.

Short-term performance-based cash remuneration is dependent on annual evaluation of performance. The Share Plans in place for longterm performance-based equity remuneration are described in note 5.1 to the financial statements.

Directors received the following remuneration from the Company during the year ended 30 June 2017 as follows:

	12 months ended 30 June 2017	\$000
Phil Lough	Independent Chairman	91
David Banfield	Executive	476
Richard Cutfield	Independent	59
Alison Barrass	Independent	57
Norah Barlow	Independent	65
Steve Tucker	Independent (appointed 1 January 2017)	25

PRINCIPLE 6 - RISK MANAGEMENT

Directors should have a sound understanding of the key risks faced by the business. The Board should regularly verify that the entity has appropriate processes that identify and manage potential and relevant risks.

Approach to managing risk

The Board is responsible for ensuring that key business and financial risks are identified and appropriate controls and procedures are in place to effectively manage those risks. The Audit, Compliance and Risk Management Committee assists the Board in fulfilling its risk management responsibilities.

The processes involved include the maintenance of a risk register that identifies key business risks and initiatives deployed to manage and mitigate those risks along with regular compliance reviews which are reported to Executives and the Board.

PRINCIPLE 7 -**AUDITORS**

The Board should ensure the quality and independence of the external audit process.

Approach to audit governance

The Audit, Compliance and Risk Management Committee is responsible for overseeing the external audit of the Company. The Committee's approach to ensure audit quality and independence includes:

- · engagement only with audit firms deemed to have the appropriate level of experience and expertise.
- review and input into the annual audit plan to ensure the audit process will be robust and addresses key areas of judgment and materiality.
- review of audit findings and recommendations with open and direct communication lines with the auditor and the Committee.

- adherence to the Company's auditor independence policy to ensure that the auditor's objectivity and independence is not compromised. Audit and non-audit fees paid to the auditors are presented in the financial statements under note 2.3.
- annual review of the auditor's performance.
- adhering to the NZX Listing rule whereby the lead audit partner is rotated from the engagement after

Attendance at annual meeting

PwC, as external auditor of the 2017 financial statements, will attend the Company's annual shareholder meeting, and will be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

PRINCIPLE 8 -SHAREHOLDER RELATIONS

The Board should foster constructive relationships with shareholders that encourage them to engage with the entity.

The Company seeks to ensure that its shareholders understand its activities by communicating effectively with them and giving them ready access to clear and balanced information about the Company.

To assist with this, the Company:

- · Maintains a website with relevant information, including copies of presentations, reports, market releases and key corporate governance policies;
- Provides shareholders with annual and half year reports;
- Provides information to the media and holds briefings with research analysts; and

Holds an annual shareholders' meeting in which shareholder participation is encouraged.

The Company's annual shareholder meeting is currently held in Auckland, New Zealand as the Board believes this location best facilitates attendance by the shareholders at the meeting. The Board encourages active participation by shareholders at the annual shareholders' meeting and shareholders may present questions during the meeting.

The Company also offers an electronic voting facility to allow shareholders to vote ahead of the meeting without having to attend or appoint a proxy.

PRINCIPLE 9 -STAKEHOLDER INTERESTS

The Board should respect the interests of stakeholders, taking into account the entity's ownership type and its fundamental purpose.

Methven aims to manage its business in a way that will produce positive outcomes for all stakeholders including the public, customers, staff, shareholders and suppliers. One of the key strategies of the Company is to improve the social and environmental qualities of the business.

General disclosures

DIRECTORS OF SUBSIDIARIES

All Directors of subsidiaries are employees of the Methven Group. No employee appointed as a Director of a subsidiary received remuneration or other benefits in his or her role as a Director of that subsidiary.

The remuneration of each subsidiary's employees that receive more than \$100,000 as a result of employee remuneration (and other benefits) is included in the Remuneration of Employees table on page 46.

ENTITY	CURRENT DIRECTORS
Methven Australia Limited	David Banfield, Troy Mortleman
Methven Hotel Solutions Pty Limited	David Banfield, Troy Mortleman
Methven USA Inc.	David Banfield
Methven UK Limited	David Banfield, Martin Walker
Deva Tap Company Limited (Dormant Company)	David Banfield, Martin Walker
Howard Bird & Company Limited (Dormant Company)	David Banfield, Martin Walker
Methven (Xiamen) Trading Co. Limited	David Banfield, Deidre Campbell
Methven Heshan Bathroom Fitting Co. Limited	David Banfield, Andy Chen, Deidre Campbell
Plumbing Supplies (NZ) Limited	David Banfield

DIRECTORS' SHAREHOLDING AND TRADES

The following table summarises:

(a) The number of shares in the Company in which Directors held relevant interests at 30 June 2017. (b) Disclosures made by Directors, in accordance with section 148(2) of the Companies Act 1993, of acquisitions and dispositions of relevant interests in shares in the Company during the year ended 30 June 2017.

	Holding 1 July 2016	Number of shares purchased/(sold)	Holding 30 June 2017
Directors of Methven Limited			
Phil Lough (i)	211,301	-	211,301
Richard Cutfield (i)	150,000	-	150,000
Norah Barlow (i)	36,000	-	36,000
Alison Barrass	44,500	-	44,500
David Banfield (i) (ii) (iii)(iv)	858,380	369,713	1,228,093
Directors of subsidiaries			
Deidre Campbell (iii)(iv)	294,930	740	295,670
Martin Walker (iii)	200,000	-	200,000
Andy Chen (iii)	200,000	-	200,000
Troy Mortleman (iii)	-	100,000	100,000
		<u> </u>	

- (i) Each Director's interest in the Company's shares is held through a personal discretionary trust of which that Director is a potential beneficiary. Phil Lough, Richard Cutfield, and Norah Barlow are also trustees of their relevant trusts.
- (ii) David Banfield participates in two CEO share arrangements, which form part of a performance based package to align and link his incentives with growing sustainable shareholder value. David has 458,380 shares under the first arrangement, and has been provided a loan equal to 70% of the aggregate issue price of the shares. David has 369,713 shares under the second arrangement, and has been provided a loan equal to the full amount of the aggregate issue price of the shares. On 15 September 2016, NZX Regulation granted the Company a waiver from NZX Listing Rule 7.6.4(b)(iii), to the extent required to allow the Company to provide financial assistance to David Banfield to receive an interest bearing
- loan from the Company for the purpose of acquiring ordinary shares in the Company. You can find a copy of the waiver at www.methven.com.
- Interest is charged on both loans at commercial interest rates. For more details on the CEO share arrangements refer to note 5.1.
- (iii) David Banfield has a further 400,000 shares as part of the Executive Share Scheme. Deidre Campbell, Martin Walker and Andy Chen have 200,000 shares each and Troy Mortleman has 100,000 shares as a part of the same Executive Share Scheme. These are held in trust until they become released shares under the terms of the scheme. For more details on the Executive Share Scheme refer to note 5.1.
- (iv) Deidre Campbell has 740 shares as part of an Employee Share Plan. These shares are held in trust for a three year holding period. For more details on the Employee Share Plan refer to note 5.1.

NET TANGIBLE ASSETS PER SHARE

Net tangible assets per share as at 30 June 2017 were \$0.13 (30 June 2016: \$0.14).

REMUNERATION OF EMPLOYEES

The number of employees (not being non-executive Directors of Methven Limited) whose annual remuneration and the value of other benefits exceeded \$100,000 is as follows:

	2017		2017		2017
100,000 - 110,000	30	160,001 - 170,000	6	240,001 - 250,000	1
110,001 - 120,000	11	170,001 - 180,000	3	250,001 - 260,000	1
120,001 - 130,000	5	180,001 - 190,000	4	260,001 - 270,000	1
130,001 - 140,000	8	190,001 - 200,000	2	270,001 - 280,000	1
140,001 - 150,000	3	210,001 - 220,000	1	380,001 - 390,000	1
150,001 - 160,000	3	230,001 - 240,000	1	470,001 - 480,000	1

Offshore remuneration has been converted into New Zealand dollars at the average exchange rate used for translating the operating results, specifically; Australia 0.9504, UK 0.5616, and China 4.9557.

DISCLOSURE OF INTERESTS BY DIRECTORS

The following are particulars of entries made in the interests register for changes to existing or new directorships for the year ended 30 June 2017:

Director	Entity	Relationship
Richard Cutfield	Method Recycling	Appointed Advisory board member
	Phil and Teds Most Excellent Buggy Company Limited	Ceased to be a director
	Phil and Teds Europe BV	Ceased to be a director
	Phil & Teds USA Inc.	Ceased to be a director
	Most Excellent Holdings Limited	Ceased to be a director and shareholder
	Most Excellent Investments	Ceased to be a director
	WatsonBrew Limited	Ceased to be a director
	Marmont Limited Partnership	Ceased to be Member of the Investment Committee
	Argyle Performance Workwear Limited	Ceased to be a director and shareholder
	Mojo Coffee Cartel Limited	Ceased to be a director
Alison Barrass	The Parenting Place	Ceased to be a director
	Gough Group	Appointed director
	Griffins Foods Limited	Ceased to be CEO, director and shareholder
	NZ Snack Food Holdings	Ceased to be a director and shareholder
	Spark New Zealand Limited	Appointed director
	Heilala Vanilla Limited	Appointed director
	Rockit Global	Appointed director
	Callaghan Innovation	Ceased to be a director
Norah Barlow	Estia Health Limited (Australia)	Appointed as CEO
	Evolve Education Group Limited	Ceased to be Chair of Board
	Ingenia Communities Limited (Australia)	Ceased to be a director
	Lifetime Design Limited	Ceased to be a director
	Cigna Life Insurance NZ Limited	Ceased to be Chair of Remuneration Committee
	Vigil Monitoring Limited	Ceased to be a director
Steve Tucker*	Methven Limited	Independent Director
	Gallagher Group Limited	Deputy CEO and Director
	Gallagher Holdings Limited	Director
	Gallagher Fuel Systems Limited	Director
	Duke Engines Limited	Director
	Apps On Farm Limited	Director
	ArcActive Limited	Director
	Durolla Products (NZ) Limited	Director
	Group 3 Technology Limited	Director
	And other Gallagher Group and Gallagher family entities	Director
	St Peters School Cambridge	Trustee

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^{*}appointed as Director of Methven Limited as at 1 January 2017.

Shareholder information

The details set out below were as at 31 July 2017.

Principal shareholders	Ordinary shares	%
Forsyth Barr Custodians Ltd	10,785,976	14.68%
Bnp Paribas Nominees NZ Limited	4,963,724	6.75%
Guardian Nominees No 2 Ltd	3,803,203	5.18%
FNZ Custodians Limited	2,436,635	3.32%
Richardson Moses Fala & Megan Rae Fala Smith & Lance Frederick Hirst	1,851,930	2.52%
Methven Employee Share Trustee Limited	1,632,880	2.22%
National Nominees New Zealand Limited	1,542,447	2.10%
Accident Compensation Corporation	1,102,000	1.50%
Pt Booster Investments Nominees Limited	1,014,504	1.38%
David Robert Banfield	828,093	1.13%
Investment Custodial Services Limited	645,742	0.88%
Public Trust Forte Nominees Limited	632,205	o.86%
Colin Beaven	500,000	o.68%
Custodial Services Limited	443,429	0.60%
Ivan Tomishenko Alach & Geraldine Anna Alach	319,015	0.43%
FNZ Custodians Limited	303,457	0.41%
Custodial Services Limited	298,404	0.41%
Robert John Duggie	280,000	0.38%
Tea Custodians Limited	279,806	0.38%
Custodial Services Limited	278,903	0.38%

Size of holding	Number of holders	Holders %	Securities	% Issued Capital
1-1,000	262	7.97	187,916	0.26
1,001-5,000	1,283	39.04	3,938,063	5.36
5,001-10,000	771	23.46	6,096,337	8.30
10,001-50,000	845	25.72	17,991,688	24.48
50,001-100,000	71	2.16	5,074,307	6.90
100,001 and over	54	1.64	40,194,505	54.70

SUBSTANTIAL PRODUCT HOLDERS

Pursuant to section 280(1)(b) of the Financial Markets Conduct Act 2013, the following shareholders have filed notices with the Company that they are Substantial Product Holders in the Company as at 30 June 2017 (there being a total of 73,482,816 shares on issue at that date):

	Date of notice	Ordinary shares
Lindsay Investment Trust	22 May 2017	9,824,899
Salt Funds Management Ltd	22 May 2017	6,073,939
BNP Paribas Nominees (NZ) Limited and Smartshares Limited	3 Nov 2016	4,074,821
Westpac Banking Corporation	23 May 2017	3,891,703

Financial statements

FOR THE YEAR ENDED 30 JUNE 2017

The Directors have pleasure in presenting the financial statements of Methven Limited, set out on pages 56 to 95, for the year ended 30 June 2017. The Directors authorised these financial statements for issue on 28 August 2017.

In the previous financial period, Methven Limited changed its financial year end from March to June. As a result the prior comparative period is a fifteen month period to 30 June 2016. It is acknowledged that this makes comparability between the current twelve month period and the prior fifteen month period less meaningful and for this reason the Summary Report and Business Review on pages 4 to 33 focuses on comparing performance for the twelve months ended 30 June 2017 to the same period in the prior year.

Alison Barrass

28 August 2017

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Chairman of the Audit, Compliance and Risk Management Committee



Independent auditor's report

To the shareholders of Methyen Limited

The consolidated financial statements comprise:

- The statement of financial position as at 30 June 2017;
- the income statement for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the cash flow statement for the year then ended; and
- the notes to the financial statements, which include significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements of Methven Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 30 June 2017, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs NZ) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the area of a review engagement in relation to grant compliance. The provision of this other service has not impaired our independence as auditor of the Group.



Our audit approach

Overview



An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Overall group materiality: \$399,000, which represents approximately 5% of profit before tax.

We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark.

We have the following key audit matters:

- Goodwill impairment assessment
- Valuation of inventory

Materiality

The scope of our audit was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Audit scope

We designed our audit by assessing the risks of material misstatement in the consolidated financial statements and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Our Group audit scope covers the global operations of the Group including New Zealand, Australia, the United Kingdom and China. Certain aspects of the China and United Kingdom audits are performed by our member firms in those territories. As the Group engagement team we exercise a level of oversight over the work performed by other member firms through issuance of instructions, communications both written and verbal and review of audit procedures performed over selected areas. Audits of each location are performed at a materiality level calculated by reference to a proportion of Group materiality appropriate to the relative scale of the business concerned or based on materiality calculated for statutory reporting purposes where the statutory materiality was lower than that allocated in the Group calculation.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in



the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

Goodwill impairment assessment

As at 30 June 2017 the Group has recorded goodwill of \$34.8 million.

Management is required to undertake an annual impairment review of goodwill for each Cash Generating Unit (CGU). This involves using cash flow forecasts to value the CGU and comparing this valuation to the carrying amount of the CGU, including goodwill.

The Group has performed an impairment review of each CGU as at the reporting date. The valuations involve significant judgment and estimates over revenue and gross profit growth rate assumptions, discount rates and terminal growth rates in forecasting future cash flows.

The impairment review determined that the valuation of each CGU was higher than the carrying amount, and therefore no impairment was recognised.

Refer to note 3.4 in the consolidated financial statements for further information.

How our audit addressed the key audit matter

We understood and evaluated the Group's processes and controls relating to the cash flow forecasting and valuation of each CGU.

We obtained management's valuation for each CGU and undertook the following audit procedures:

- Tested the mathematical accuracy of the valuation models
- Compared forecast results to Board approved budgets.
- Assessed forecast growth rates by comparing them to historical and industry growth rates.
- Used our internal valuation expert to assess the reasonableness of the Group's discount and terminal growth rate used for each CGU by comparison with market data.
- We performed sensitivity analysis over key assumptions, by applying reasonably possible changes to the assumptions and assessing if this resulted in impairment of goodwill.

We have also assessed the Group's disclosures in the financial statements in relation to the impairment assessment undertaken.

We recognise that cash flow forecasting and valuation of each CGU are inherently judgmental resulting in estimation uncertainty and accordingly there is an acceptable range of values.

There were no material issues arising from our audit procedures.

Valuation of inventory

Inventory held by the Group at 30 June 2017 totalled \$23.3 million and an obsolescence provision of \$1.3 million has been recognised against this as set out in note 3.2 of the financial statements.

The Group's focus on research and development means that there are regularly new products or versions of products released to the market. This results in a risk that superseded products will need to be discounted in order to sell the remaining stock.

During the year the Group's inventory levels increased by 24%. This could indicate the existence

We gained an understanding of the Group's process and procedures surrounding the calculation of the provision for inventory obsolescence including how management identify inventory that should be provisioned.

We have evaluated management's key assumptions used in determining the inventory obsolescence provision including current plans for new product launches, discontinued product lines, and the impact that these plans could have on forecast sales prices and volumes.



Key audit matter

of slow moving or obsolete inventory where carrying value may exceed the net realisable value.

Due to the above we focused a significant amount of audit attention over determination of the net realisable value of such inventory.

How our audit addressed the key audit matter

We obtained managements provision for inventory obsolescence workings and performed the following audit procedures:

- Tested the mathematical accuracy of the provision calculation.
- On a sample basis tested the aging of inventory to validate management's identification of slow moving stock.
- Tested the net realisable value of a sample of stock on hand through observation of sales activity.

No material matters arose out of our procedures.

Information other than the financial statements and auditor's report

The Directors are responsible for the annual report. Our opinion on the consolidated financial statements does not cover the other information included in the annual report and we do not and will not express any form of assurance conclusion on the other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard, except that not all other information was available to us at the date of our signing.

Responsibilities of the Directors for the consolidated financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/

This description forms part of our auditor's report.

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Who we report to

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Jonathan Skilton.

For and on behalf of:

Auckland

Chartered Accountants 28 August 2017

Income statement

FOR THE YEAR ENDED 30 JUNE 2017

		12 mths ended	15 mths ended
NZ \$000	Notes	30 Jun 17	30 Jun 16
Sales revenue	2.2	100,079	129,987
Cost of sales		(57,078)	(74,947)
Gross profit		43,001	55,040
Other income	2.2	526	3,435
Expenses	2.3		
Research, design and engineering		(2,265)	(2,969)
Sales, distribution, marketing and brand development		(22,518)	(29,726)
Administration and other expenses		(9,498)	(12,918)
Finance costs		(1,258)	(1,711)
Profit before income tax		7,988	11,151
Income tax expense	2.4	(2,188)	(2,557)
Net profit attributable to shareholders of the parent		5,800	8,594
Earnings per share for profit attributable to the shareholders of the parent:			
Basic earnings per share (cents)	3.8(b)	8.2	12.1
Diluted earnings per share (cents)	3.8(b)	8.2	12.1

Statement of comprehensive income

	12 mths ended	15 mths ended
NZ \$000	30 Jun 17	30 Jun 16
Net profit for the year	5,800	8,594
tems that may be reclassified subsequently to profit or loss		
Movement in foreign currency translation reserve	(1,653)	(1,106)
Movement in cashflow hedge reserve	(605)	(1,003)
Income tax relating to items that may be reclassified	118	315
Total items that may be reclassified subsequently to profit or loss	(2,140)	(1,794)
Other comprehensive income for the year net of tax	(2,140)	(1,794)
Total comprehensive income for the year attributable to the	3,660	6,800
shareholders of the parent	3,000	0,000

Statement of financial position

AS AT 30 JUNE 2017

			A = = +
NZ \$000	Notes	As at 30 Jun 17	As at 30 Jun 16
Assets			
Current assets			
Cash and cash equivalents		3,624	2,240
Trade receivables	3.1	16,274	17,911
Inventories	3.2	23,264	18,739
Derivative financial instruments	4.2	109	1,084
Income tax receivable		651	178
Prepayments and other assets		1,729	1,480
Total current assets		45,651	41,632
Non-current assets			
Property, plant and equipment	3.3	9,449	9,553
Deferred tax assets	3.5	2,585	3,162
Intangible assets	3.4	36,894	39,406
Derivative financial instruments	4.2	5	-
Total non-current assets		48,933	52,121
Total assets		94,584	93,753
Liabilities			
Current liabilities			
Trade creditors	5.5(c)	8,866	10,838
Interest bearing liabilities	3.6	158	145
Derivative financial instruments	4.2	776	937
Income tax payable		39	158
Provisions	5.5(c)	545	360
Other creditors and accruals		4,194	5,054
Employee accruals		2,524	2,869
Contingent consideration	3.7	-	-
Total current liabilities		17,102	20,361
Non-current liabilities			
Interest bearing liabilities	3.6	30,592	24,217
Derivative financial instruments	4.2	8	-
Non-current employee accruals		200	173
Total non-current liabilities		30,800	24,390
Total liabilities		47,902	44,751
Net assets		46,682	49,002
Equity			
Share capital	3.8	52,291	52,080
Reserves		(12,679)	(10,503)
Retained earnings		7,070	7,425
Total equity		46,682	49,002

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of changes in equity

NZ \$000	Notes	Share capital	Hedge reserve	Share-based payments reserve	Currency translation reserve	Retained earnings	Total equity
Balance at 1 April 2015		52,080	801	86	(9,707)	6,641	49,901
Movement in foreign currency translation reserve		-	-	-	(1,106)	-	(1,106)
Movement in cashflow hedge reserve		-	(1,003)	-	-	-	(1,003)
Movement in deferred tax on hedge reserve		-	315	-	-	-	315
Profit for the period		-	-	-	-	8,594	8,594
Total comprehensive income		-	(688)	-	(1,106)	8,594	6,800
Dividends	3.8	-	-	-	-	(7,810)	(7,810)
Movement in share based payments reserve		-	-	111	-	-	111
Balance at 30 June 2016		52,080	113	197	(10,813)	7,425	49,002
Balance at 1 July 2016		52,080	113	197	(10,813)	7,425	49,002
Movement in foreign currency translation reserve		-	-	-	(1,653)	-	(1,653)
Movement in cashflow hedge reserve		-	(605)	-	-	-	(605)
Movement in deferred tax on hedge reserve		-	118	-	-	-	118
Profit for the year		-	-	-	-	5,800	5,800
Total comprehensive income		-	(487)	-	(1,653)	5,800	3,660
Dividends	3.8	-	-	-	-	(6,086)	(6,086)
Shares issued		211	-	-	-	(69)	142
Movement in share based payments reserve		-	-	(36)	-	-	(36)
Balance at 30 June 2017		52,291	(374)	161	(12,466)	7,070	46,682

Cashflow statement

FOR THE YEAR ENDED 30 JUNE 2017

NZ \$000	Notes	12 mths ended 30 Jun 17	15 mths ended 30 Jun 16
Cashflows from operating activities			
Receipts from customers		102,023	125,652
Government grants		627	696
Payments to suppliers		(73,421)	(77,467)
Payments to employees		(22,520)	(27,412)
		6,709	21,469
Interest received		-	1
Interest paid		(1,261)	(1,714)
Income taxes paid		(2,125)	(5,026)
Net cash inflow from operating activities	5.5(a)	3,323	14,730
Cashflows from investing activities			
Payments for property, plant and equipment, patents, trademarks and software		(2,627)	(5,685)
Proceeds from sale of property, plant and equipment		5	32
Net cash outflow from investing activities		(2,622)	(5,653)
Cashflows from financing activities			
Issue of ordinary shares		190	-
Proceeds from / (Repayment of) borrowings		6,663	(888)
Dividends paid		(6,086)	(7,810)
Net cash inflow/(outflow) from financing activities		767	(8,698)
Net in success in such and such assistants		00	
Net increase in cash and cash equivalents		1,468	379
Cash and cash equivalents at the beginning of the financial year		2,240	2,008
Foreign currency translation adjustment		(84)	(147)
Cash and cash equivalents at end of year		3,624	2,240

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

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1 GENERAL INFORMATION

1.1 Reporting entity

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

The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is 41 Jomac Place, Avondale, Auckland.

These financial statements have been approved for issue by the Board of Directors on 28 August 2017. The directors do not have the power to amend these financial statements after issuance.

Statutory base

Methven Limited is a company registered under the Companies Act 1993 and is a Financial Markets Conduct 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 Main Board Listing Rules.

1.2 Basis of preparation

These financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). The Group is a for-profit entity for the purposes of complying with NZ GAAP. The financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS. The financial statements also comply with International Financial Reporting Standards (IFRS). These accounting policies have been applied consistently to all years previously presented unless otherwise stated.

1.3 Group Structure

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in New Zealand dollars.

Consolidation policy

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Methven Limited as at balance date and the results of all subsidiaries for the year then ended.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Subsidiaries which form part of the Group are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The acquisition method of accounting is used to account for business combinations of the Group.

Refer to note 5.5(b) for subsidiaries within the Group.

1 GENERAL INFORMATION (CONTINUED)

1.4 New and amended standards adopted by the Group

No new standards that became effective during the year have been assessed as having a material impact on the Group.

The International Accounting Standards Board has issued a number of other standards, amendments and interpretations which are not yet effective and which may have an impact on the Group's financial statements. The more significant new standards are detailed below. The Group has not yet applied these in preparing these financial statements and will apply each standard in the period in which they become mandatory.

Standard	Nature of change	Impact	Mandatory application date / Date adopted by the Group
NZ IFRS 16 Leases	When adopted, NZ IFRS 16, 'Leases', replaces the current guidance in NZ IAS 17. Included is an optional exemption for certain short- term leases and leases of low-value assets.	Under NZ IAS 17, a lessee was required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). Under NZ IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. NZ IFRS 16 now requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts.	Must be applied for periods beginning or after 1 January 2019. Early adoption is permitted but only in conjunction with NZ IFRS 15. The Group intends to adopt NZ IFRS 16 on its effective date and there is a plan in place to assess the full impact of the standard.
NZ IFRS 9 Financial instruments (2014)	In September 2014, the IASB issued a complete version of the standard. This standard adds to the requirements of NZ IFRS 9 by incorporating the expected credit loss model for calculating the impairment of financial assets.	IFRS 9 simplifies the model for classifying and recognising financial instruments and aligns hedge accounting more closely with common risk management practices. Changes in own credit risk in respect of liabilities designated at fair value through profit or loss can now be presented within Other Comprehensive Income; this change can be adopted early without adopting NZ IFRS 9. NZ IFRS 9's new impairment model is a move away from NZ IAS 39's incurred credit loss approach to an expected credit loss model. It is likely that this will result in earlier recognition of impairment losses.	Must be applied for periods beginning or after 1 January 2018. The Group intends to adopt NZ IFRS 9 on its effective date and has yet to assess its full impact.
NZ IFRS 15 Revenue from contracts with customers	When adopted the standard will replace the current revenue recognition guidance in NZ IAS 18 Revenue and NZ IAS 11 Construction Contracts and is applicable to all entities with revenue.	The standard sets out a five step model for revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.	Must be applied for periods beginning or after 1 January 2018. The Group intends to adopt NZ IFRS 15 on its effective date and there is a plan in place to assess the full impact of the standard.

1 GENERAL INFORMATION (CONTINUED)

1.5 Key changes during the year

The following key changes to Methven Limited's business have occurred during the year ended 30 June 2017:

- In the previous financial period, Methven Limited changed its financial year end from March to June. As a result the prior comparative period is a fifteen-month period to 30 June 2016. It is acknowledged that this makes comparability between the current twelve-month period and the prior fifteen-month period less meaningful. However unaudited comparatives of certain key financial features for the 12 months ended 30 June 2016 are included in the commentary section on pages 4 to 33.
- There have been significant movements in FX rates during the year making comparability to the previous period less meaningful. Consistent with previous reports, the commentary section on pages 4 to 33 comments on results on a constant currency basis, which is the previous year's individual trading entities' performance in their local currency translated into NZ\$ at the current year's fx rates.
- Inventory increased in the year due to an inventory build to cover planned commercial activity that ultimately did not materialise. Plans are in place to reduce these levels.

1.6 Critical Accounting Estimates

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The Group has made critical accounting estimates relating to the following amounts:

- · UK Goodwill these relate to the assumptions used to determine the underlying recoverability of Goodwill. Refer to note 3.4(a).
- Deferred tax assets these relate to the assumption that future taxable profits will be earned by the UK business to utilise UK tax losses. Refer to note 3.5.

2 PROFIT AND LOSS INFORMATION

2.1 Segment information

(a) Description of segments

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

The Group's strategic steering committee, consisting of the chief executive officer, the chief financial officer and executive management, examines the Group's performance from a geographic perspective and has identified four reportable segments of its business:

1. Group operations

The group operations are the global base for:

- · supply chain services with products sourced by Group Operations on behalf of the other segments,
- · research and development leading to new design, technology and Intellectual Property,
- · marketing and brand development activity,
- · manufacturing operations including locations in New Zealand and China, and
- · strategic and management support, IT and corporate services.

2. New Zealand

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

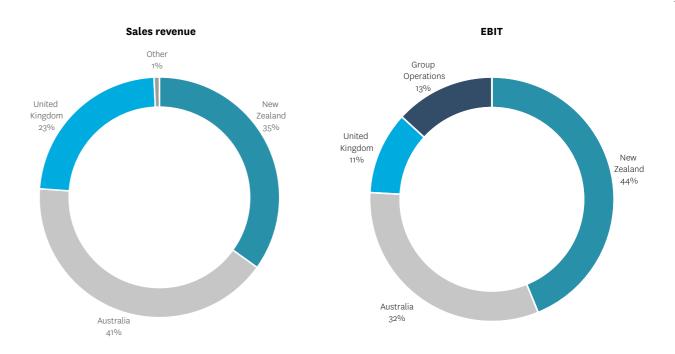
3. Australia

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

4. United Kingdom

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

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



2. PROFIT AND LOSS INFORMATION (CONTINUED)

12 mths ended 30 Jun 17 NZ \$000	New Zealand	Australia	UK	Group Operations	Inter- segment eliminations/ unallocated and Other	Total
Sales revenue from external customers	34,869	41,180	23,117	712	201	100,079
Sales revenue from internal customers	-	137	-	27,488	(27,625)	-
Total sales revenue	34,869	41,317	23,117	28,200	(27,424)	100,079
Earnings before interest and tax	4,195	3,070	1,046	1,263	(328)	9,246
Interest received/(paid)	-	(264)	(557)	(437)	-	(1,258)
Net profit before income tax	4,195	2,806	489	826	(328)	7,988
Income tax (expense) / credit	(1,175)	(849)	(117)	(133)	86	(2,188)
Net profit/(loss) for the year	3,020	1,957	372	693	(242)	5,800

15 mths ended 30 Jun 16 NZ \$000	New Zealand	Australia	UK	Group Operations	Inter- segment eliminations/ unallocated and Other	Total
Sales revenue from external customers	44,048	52,627	32,528	770	14	129,987
Sales revenue from internal customers	-	67	1	36,925	(36,993)	-
Total sales revenue	44,048	52,694	32,529	37,695	(36,979)	129,987
Earnings before interest and tax	5,823	1,944	1,000	4,174	(79)	12,862
Interest received/(paid)	-	(300)	(927)	(484)	-	(1,711)
Net profit before income tax	5,823	1,644	73	3,690	(79)	11,151
Income tax (expense) / credit	(1,594)	(495)	(112)	(339)	(17)	(2,557)
Net profit/(loss) for the period	4,229	1,149	(39)	3,351	(96)	8,594

2. PROFIT AND LOSS INFORMATION (CONTINUED)

(b) Notes to and forming part of the segment information

Revenue from the Group's top five customers comprises 44% (2016: 44%) of the total Group revenue. Revenue from the top five customers is spread across our New Zealand and Australia segments. The Group's largest customer accounts for 18% of the Group's revenue (2016: 16%) and is spread across the New Zealand and Australia segments.

The assets and liabilities of the Group are reported to the strategic steering committee in total and not allocated by operating segment.

(c) Transactions between segments

The services that the Group Operations segment provides that can be reasonably attributed to the other trading segments are principally:

- · the sale of finished product at agreed unit prices;
- · the use of intellectual property on agreed royalty fee basis;
- $\cdot \quad \text{shared costs such as Supply Chain, Marketing and IT attributed based on time, complexity and proximity.}$

Group Operations also provides unsecured loans to subsidiaries, representing funding for no fixed term and bear interest rates between 3% and 5% (2016: between 3% and 6%). Group Operations pays marketing support fees to China sales.

All transactions between segments were in the normal course of business and provided on commercial terms.

2.2 Sales revenue and other income

Sales revenue comprises the fair value of the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of goods and service tax, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

Recognition and measurement:

(i) Sales of goods

Sales of goods are recognised when risks and rewards associated with ownership of the goods have been transferred and collectability of the related receivables is reasonably assured.

(ii) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

(iii) Government grants

Grants from the Government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Methven received grants related to Research and Development activity and International Growth initiatives as funded by Callaghan Innovation and New Zealand Trade and Enterprises. Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset.

NZ \$000	12 mths ended 30 Jun 17	15 mths ended 30 Jun 16
Sales revenue from sale of goods	100,079	129,987
Other income Interest		1
Government grants	526	705
Contingent consideration released (note 3.7)	-	2,729
	526	3,435

2. PROFIT AND LOSS INFORMATION (CONTINUED)

2.3 Expenses

ther services Otal other services	12	56
ther services		
	_	46
ther assurance (i)	12	10
ther services		
udit of financial statements	273	273
udit of financial statements		
emuneration of auditors:		
mployee share option expense (note 5.1)	(14)	111
ermination benefits	160	307
ages, salaries and short term benefits	22,860	28,528
mployee benefit expense		
ad and doubtful debts expense	55	11
irectors' fees (note 5.1)	298	314
onations	7	14
undry expenses		
inimum lease payments	2,460	2,731
ental expense relating to operating leases		
terest charges	1,258	1,711
inance costs		
mortisation (note 3.4)	1,258	1,832
epreciation (note 3.3)	2,254	2,878
Z \$000	12 mths ended 30 Jun 17	15 mths ended 30 Jun 16

(i) Other assurance includes a review engagement in relation to grant compliance reporting.

The Group's auditor independence policy requires that in a financial year, fees paid to the Group's external audit provider for non-audit related services should not exceed 25% of all fees paid to that provider. Fees paid to PricewaterhouseCoopers in the current year for non-audit related services were 4% of total fees paid.

2. PROFIT AND LOSS INFORMATION (CONTINUED)

2.4 Income tax expense

Recognition and measurement:

The income tax expense recognised for the period is the tax payable on the current period's taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses expected to be utilised.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income.

Current and deferred tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

NZ \$000	12 mths ended 30 Jun 17	15 mths ended 30 Jun 16
(a) Income tax expense		
Current tax expense:		
Current tax	1,651	3,249
Adjustment for prior year	(140)	(74)
	1,511	3,175
Deferred tax expense (note 3.5)		
Origination and reversal of temporary differences	652	(673)
Reduction in company tax rates	-	49
Adjustment for prior year	25	6
	677	(618)
Income tax expense	2,188	2,557
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	7,988	11,151
Tax at 28% (2016: 28%)	2,237	3,122
Tax effect of amounts which are not deductible (taxable) in calculating taxable income	129	(451)
Difference in overseas tax rates	(44)	(111)
Adjustment for prior year	(134)	(52)
Reduction in company tax rates	-	49
Income tax expense	2,188	2,557

69

The weighted average effective tax rate for the Group was 27% (2016: 23%).

(c) Imputation credits

Imputation credits available for use in subsequent years were \$242 (2016: \$6,000).

3 FINANCIAL POSITION INFORMATION

3.1 Current assets - Trade receivables

NZ \$000	As at 30 Jun 17	As at 30 Jun 16
Trade receivables	16,779	18,352
Provision for doubtful receivables	(505)	(441)
	16,274	17,911

Recognition and measurement:

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

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. An estimate is made for doubtful receivables based on a review of all outstanding amounts at period end.

The fair value of trade receivables approximates their carrying value. No interest has been charged on trade receivables.

The carrying amounts of the Group's trade receivables were denominated in the following currencies:

NZ \$000	As at 30 Jun 17	As at 30 Jun 16
NZD	5,032	6,138
AUD	6,362	6,941
GBP	4,782	4,634
RMB	-	15
JSD	98	183
	16,274	17,911

3. FINANCIAL POSITION INFORMATION (CONTINUED)

Credit risk

The maximum exposure to credit risk in relation to trade receivables at the reporting date is the carrying value of receivables mentioned above.

As at 30 June 2017, Group trade receivables of \$505,000 (2016: \$441,000) were considered impaired and provided for. These are mainly due to debtors who are experiencing financial difficulties or outstanding disputes. The ageing analysis is as follows

NZ \$000	As at 30 Jun 17	As at 30 Jun 16
1 to 6 months	454	381
Over 6 months	51	60
	505	441

As at 30 June 2017 0.6% (2016: 1.6%) of the Group's trade receivables were overdue by more than 90 days but not considered doubtful. These relate to a number of accounts for which there is no history of default.

There is a high concentration of market share and distribution reach in the buildings supply sector in our markets. This has implications for suppliers in terms of customer base concentration and credit risk. As at 30 June 2017 the Group had one customer balance greater than 10% of total trade receivables (2016: two customer balances). This customer balance comprised 15% of Group trade receivables (2016: 13%).

The Group's exposure to a concentration of credit risk is reduced due to the geographical spread of the Group's operations and customers. Credit insurance is taken where economically available to cover material exposure of the Group's offshore and domestic receivables. If customers are independently rated, these ratings are used in combination with management's assessment of the credit quality of the customer, taking into account its financial position, past experience and other internal and external factors. Individual risk limits are set based on internal or external ratings. The compliance with credit limits by customers is regularly monitored by management.

3. FINANCIAL POSITION

INFORMATION (CONTINUED)

Recognition and measurement:

Raw materials, work in progress and finished goods are stated at the lower of cost and anticipated net realisable value. Cost is determined using the first in, first out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs and intercompany margins. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Costs of inventories includes the transfer from equity of any gains/losses on qualifying cash flow hedges.

NZ \$000	As at 30 Jun 17	As at 30 Jun 16
Raw materials and components	6,876	6,545
Work in progress	191	776
Finished goods	17,455	14,612
Provision for inventory obsolescence	(1,258)	(3,194)
Net inventories	23,264	18,739

Group inventories recognised as an expense (within cost of sales) during the year ended 30 June 2017 amounted to \$49,228,000 (2016: \$64,490,000).

The Group recognised a net decrease of \$1,936,000 (2016: increase \$1,774,000) in respect of the movement in provision for inventory obsolescence and adjustment of inventories to net realisable value. The provision movement is included in 'cost of sales' in the income statement.

No other movements have been recognised in the income statement in respect of inventory written down to net realisable value.

3. FINANCIAL POSITION INFORMATION (CONTINUED)

3.3 Non-current assets - Property, plant and equipment

Recognition and measurement:

All property, plant and equipment are stated at historical cost less depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as separate assets, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the costs of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight line method to allocate the cost of each asset to its residual value over its estimated useful life, as follows:

Motor vehicles 3 - 7 years Plant and equipment 3 - 20 years Fixtures, fittings and office equipment 3 - 12 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

When an asset's carrying amount is greater than its estimated recoverable amount, then the carrying amount is immediately written down to its

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

		Plant, fixtures,		
	Capital work	fittings and	Motor	
NZ \$000	in progress	equipment	vehicles	Total
As at 1 April 2015				
Cost	1,047	23,649	273	24,969
Accumulated depreciation	-	(18,266)	(240)	(18,506)
Net book amount	1,047	5,383	33	6,463
Period ended 30 June 2016				
Opening net book amount	1,047	5,383	33	6,463
Effect of movement in exchange rates	=	(19)	(7)	(26)
Additions	5,081	1,218	88	6,387
Transferred completed work in progress	(4,816)	4,816	-	-
Depreciation charge	-	(2,863)	(15)	(2,878)
Disposals	-	(384)	(9)	(393)
Closing net book amount	1,312	8,151	90	9,553
As at 30 June 2016				
Cost	1,312	23,898	344	25,554
Accumulated depreciation	-	(15,747)	(254)	(16,001)
Net book amount	1,312	8,151	90	9,553
As at 30 June 2016				
New Zealand	1,312	5,756	7	7,075
Australia	-	623	-	623
United Kingdom	-	246	-	246
China	-	1,526	83	1,609
Net book amount	1,312	8,151	90	9,553

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3. FINANCIAL POSITION INFORMATION (CONTINUED)

	Capital work	Plant, fixtures, fittings and	Motor	
NZ \$000	in progress	equipment	vehicles	Total
Year ended 30 June 2017				
Opening net book amount	1,312	8,151	90	9,553
Effect of movement in exchange rates	-	(81)	(2)	(83)
Additions	1,946	267	27	2,240
Transferred completed work in progress	(3,001)	3,001	-	-
Depreciation charge	-	(2,234)	(20)	(2,254)
Disposals	-	(2)	(5)	(7)
Closing net book amount	257	9,102	90	9,449
As at 30 June 2017				
Cost	257	25,777	286	26,320
Accumulated depreciation	-	(16,675)	(196)	(16,871)
Net book amount	257	9,102	90	9,449
As at 30 June 2017				
New Zealand	257	6,986	7	7,250
Australia	-	621	-	621
United Kingdom	-	305	23	328
China	-	1,190	60	1,250
Net book amount	257	9,102	90	9,449

3. FINANCIAL POSITION INFORMATION (CONTINUED)

3.4 Non-current assets - Intangible assets

 $Non-current\ intangible\ assets\ include\ the\ following\ categories,\ accounting\ treatment\ and\ amortisation\ methods:$

Category	Accounting treatment	Amortisation method
Goodwill	Represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.	Goodwill acquired in business combinations is not amortised, but is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses.
Patents and trademarks	The registration cost of patents and trademarks are capitalised from the date of application. They have a definite useful life and are carried at cost less accumulated amortisation. Capitalised costs relating to applications that are turned down are expensed immediately into the income statement.	Straight line method over estimated useful life of 6 - 20 years.
Research and development	Research expenditure is recognised as an expense as incurred. Development costs are recognised as assets if the costs directly relate to new or improved products and processes, where the product or process is technically and commercially feasible with the probability of future economic benefits. Otherwise, the costs of development activities are expensed as incurred.	Straight-line method over estimated useful life of 5 years.
Computer software	Acquired computer software and licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with maintaining computer software programs are recognised as an expense when incurred.	Straight-line method over estimated useful life of 3-10 years.

Impairment of non-financial assets

Assets that have an indefinite useful life and intangible assets under development are not subject to amortisation and are tested annually for impairment and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where internal costs are incurred in the production of certain intangible assets these costs are capitalised and amortised from the point at which the asset is ready for use.

3. FINANCIAL POSITION INFORMATION (CONTINUED)

			Patents &	Customer	
NZ \$000	Goodwill	Software	trademarks	relations	Total
As at 1 April 2015					
Cost	37,378	4,357	1,989	8,019	51,743
Accumulated amortisation	-	(2,467)	(956)	(6,493)	(9,916)
Net book amount	37,378	1,890	1,033	1,526	41,827
Period ended 30 June 2016					
Opening net book amount	37,378	1,890	1,033	1,526	41,827
Effect of movement in exchange rates	(1,096)	(2)	(18)	59	(1,057)
Additions	-	165	303	-	468
Amortisation charge	-	(703)	(249)	(880)	(1,832)
Disposals	-	-	-	-	-
Closing net book amount	36,282	1,350	1,069	705	39,406
As at 30 June 2016					
Cost	36,282	4,400	2,165	7,675	50,522
Accumulated amortisation	-	(3,050)	(1,096)	(6,970)	(11,116)
Net book amount	36,282	1,350	1,069	705	39,406
As at 30 June 2016					
New Zealand	3,504	599	794	-	4,897
Australia	1,872	11	-	-	1,883
United Kingdom	23,440	485	275	705	24,905
China	7,466	255	-	-	7,721
Net book amount	36,282	1,350	1,069	705	39,406
Year ended 30 June 2017					
Opening net book amount	36,282	1,350	1,069	705	39,406
Effect of movement in exchange rates	(1,488)	(39)	(17)	(40)	(1,584)
Additions	-	155	175	_	330
Amortisation charge	-	(531)	(157)	(570)	(1,258)
Disposals	-	-	-	-	-
Closing net book amount	34,794	935	1,070	95	36,894
As at 30 June 2017					
Cost	34,794	4,481	2,275	7,227	48,777
Accumulated amortisation	-	(3,546)	(1,205)	(7,132)	(11,883)
Net book amount	34,794	935	1,070	95	36,894
As at 30 June 2017					
New Zealand	3,504	352	815	-	4,671
Australia	1,872	8	-	-	1,880
United Kingdom	22,071	371	249	95	22,786
China	7,347	204	6	-	7,557
Net book amount	34,794	935	1,070	95	36,894

3. FINANCIAL POSITION INFORMATION (CONTINUED)

(a) Impairment tests for goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amount of the assets attributable to goodwill is determined based on value in use calculations for each Cash Generating Unit (CGU) that the intangible asset relates to. The relevant CGUs are set out in the table below.

The calculations use cash flow projections based on past performance adjusted for expectations of future events, including expectations of future market conditions. The key forecast assumptions are based on management forecasts to June 2020 (UK) and GDP growth rates (New Zealand, Australia and China). Cash flows beyond these dates are extrapolated using the estimated growth rates in the table below. The growth rates have been derived with reference to externally sourced growth forecasts of GDP in the respective markets. The discount rates used in the impairment tests have been calculated with reference to externally sourced market information specific to each region. The tests did not indicate any impairment as at 30 June 2017. No impairment has been recognised in any of the prior periods presented.

	New Zealand	Australia	UK	China manufacturing	Total
2017					
Goodwill NZ\$000	3,504	1,872	22,071	7,347	34,794
Terminal growth rate	2.4%	3.3%	2.0%	2.8%	
Discount rate (post-tax)	8.2%	8.0%	9.7%	10.4%	
Discount rate (pre-tax)	10.8%	10.4%	11.4%	13.4%	
2016					
Goodwill NZ\$000	3,504	1,872	23,440	7,466	36,282
Terminal growth rate	2.2%	3.5%	2.2%	2.9%	
Discount rate (post-tax)	8.2%	8.0%	9.0%	10.4%	
Discount rate (pre-tax)	10.7%	9.9%	10.5%	13.3%	

Critical Accounting Estimate

Management does not expect reasonably possible changes in key assumptions would reduce the recoverable amount of the New Zealand, Australia, UK and China manufacturing CGU below its carrying amount.

The breakeven sales growth rate is 3.8% for the UK below which an impairment would be required.

3. FINANCIAL POSITION INFORMATION (CONTINUED)

3.5 Non-current deferred tax

Recognition and measurement:

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Critical Accounting Estimate

Judgement is required in relation to the recognition of carried forward tax losses as deferred tax assets, in particular in our UK business. The Group has recognised \$429,000 of deferred UK tax losses. The Group assesses whether there will be sufficient future taxable profits in the UK to utilise the losses based on forecast earnings. The UK business utilised \$267,000 of tax losses during the year and there is no expiration date on the remaining tax losses.

N7 tooo	As at	As at
NZ \$000	30 Jun 17	30 Jun 16
(a) The balance comprises temporary differences attributable to:		
Depreciation	582	648
Provisions and accruals	1,448	1,847
Customer relations	(18)	(139)
Tax losses	429	696
Derivative financial instruments	129	110
Other	15	-
	2,585	3,162
(b) Movements:		
Opening balance	3,162	2,279
(Charged)/ credited to the income statement (note 2.4)	(677)	618
Credited to equity	118	316
Movement between current and deferred tax balance	10	(39)
Foreign exchange differences	(28)	(12)
Closing balance	2,585	3,162
(c) Income/(expense) recognised in income statements:		
Depreciation	(48)	44
Provisions and accruals	(504)	684
Customer relations	112	178
Tax losses	(226)	(288)
Other	(11)	-
	(677)	618
Customer relations Tax losses Other	(226) (11)	(2

In respect of each temporary difference, the table above summarises the amount of income/(expense) recognised in the income statements.

3. FINANCIAL POSITION INFORMATION (CONTINUED)

3.6 Interest bearing liabilities

Recognition and measurement:

Interest bearing liabilities are recognised initially at fair value, net of transaction costs incurred. Interest bearing liabilities are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowing using the effective interest method.

				Current	Non-current
		Facility limit			
	Currency	(000's)	Expiry	NZ \$000	NZ \$000
As at 30 June 2017					
Bank facility – BNZ loan	NZD	\$30,200	Apr 2019	-	26,042
Bank facility - BNZ loan	GBP	£2,500	Apr 2019	-	4,006
				-	30,048
Finance leases (note 5.2(ii))	NZD			158	544
				158	30,592

				Current	Non-current
		Facility limit			
	Currency	(000's)	Expiry	NZ \$000	NZ \$000
As at 30 June 2016					
Bank facility – BNZ loan	NZD	\$24,510	Apr 2019	-	18,775
Bank facility – Yorkshire Bank loan	GBP	£2,750	Apr 2019	-	4,728
				-	23,503
Finance leases (note 5.2(ii))	NZD			145	714
				145	24,217

3. FINANCIAL POSITION INFORMATION (CONTINUED)

Security

The bank facilities are secured by way of a general security agreement over the Parent's (Methven Limited) assets with supporting guarantees from all material subsidiaries, and have been advanced to the Group subject to compliance with the following financial covenants:

- (a) the interest cover ratio for the Group shall not be less than 2.5 times. As at 30 June 2017 the Group complied with this covenant with an interest cover over the 12 months to 30 June 2017 of 8.4 times (30 June 2016: 8.8 times).
- (b) the gearing ratio for the Group (net debt divided by earnings before interest tax and amortisation (EBITA)) shall not exceed 3.5 times. As at 30 June 2017 the Group complied with this covenant with a gearing ratio over the 12 months to 30 June 2017 of 2.6 times (30 June 2016: 2.0 times).
- (c) the Guaranteeing Group holds not less than 85% of total assets and earns not less than 85% of total earnings before interest, tax, depreciation and amortisation (EBITDA). As at 30 June 2017 the Group complied with this covenant with 99% of total assets, and 100% of EBITDA (30 June 2016: 86% of total assets and 86% of EBITDA). The Guaranteeing Group comprised the Parent and all subsidiaries excluding Methyen (Xiamen) Trading Co

Compliance with all banking covenants has been maintained during the year.

Interest rates

The weighted average effective interest rate on borrowings was 4.3% (2016: 5.5%).

Non-GAAP measures

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

Reconciliation of Net Debt to the consolidated balance sheet

NZ \$000	As at 30 Jun 17	As at 30 Jun 16
Cash and cash equivalents	3,624	2,240
Finance leases	(702)	(859)
Bank facility loans	(30,048)	(23,503)
Net Debt	(27,126)	(22,122)

3.7 Contingent consideration

Recognition and measurement:

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The excess of the consideration transferred and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Goodwill and fair value adjustments arising on the acquisition of foreign entities are treated as assets and liabilities of the foreign entities and translated at the closing rate.

As part of the acquisition consideration relating to Invention Sanitary the vendor was eligible to earn an uplift to the purchase price of four times the amount by which net profit after tax (NPAT) exceeded RMB 12.3 million (NZD\$2.7 million) per annum, up to a maximum of RMB 6.15 million (NZD\$1.35 million) for each of the years ending 30 June 2015 and 30 June 2016. The Group recognised RMB 11.8 million (NZD\$2.7 million) as a contingent consideration in the year 31 March 2015, which represented fair value at the date of acquisition. The fair value reflected the Directors view, based on forecasts that the contingent consideration would be paid in full.

Whilst the 30 June 2016 business earnings were in line with the original expectations, inventory levels were higher than anticipated. As a result in May 2016 it was agreed with the vendor that the contingent consideration would not be paid and that Methven would waive its right, under the terms of the sale and purchase agreement, to make a claim on the vendor in relation to the higher inventory levels. As a result the fair value of contingent consideration as at 30 June 2016 was nil and the contingent consideration liability previously recognised of NZ\$2.7 million was released to the Income Statement in the other income line in that period.

3. FINANCIAL POSITION INFORMATION (CONTINUED)

3.8 Equity

(a) Share capital

Recognition and measurement:

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

	Number	of shares	Share o	apital
	As at 30 Jun 17 Shares	As at 30 Jun 16 Shares	As at 30 Jun 17 NZ \$000	As at 30 Jun 16 NZ \$000
Opening balance of ordinary shares issued	72,773,410	72,773,410	52,080	52,080
Shares issued under employee share plan	83,620	-	-	-
Shares issued under discounted share purchase plan	156,073	-	211	-
Shares issued to key management	100,000	-	-	-
Shares issued to the Chief Executive Officer	369,713	-	-	-
Closing balance of ordinary shares issued	73,482,816	72,773,410	52,291	52,080

All shares on issue are fully paid. All ordinary shares rank equally with one vote attached to each fully paid ordinary share and have equal dividend rights. All shares are non par value shares.

During the year the Company issued 83,620 shares under the employee share plan, 156,073 shares under the discounted share purchase plan, 100,000 shares under the executive share scheme and 369,713 shares under the CEO scheme (refer to note 5.1).

With the exception of the discounted share plan, all shares issued this year are treasury shares. The Company has a beneficial interest in the shares issued under the employee share plan and key management share plan until vesting conditions are met. The Company has a beneficial interest in the shares issued to the CEO until the limited recourse loan is repaid in full. As at 30 June 2017 the Company had 2,461,713 treasury shares on issue (2016: 1,908,380).

3. FINANCIAL POSITION INFORMATION (CONTINUED)

(b) Earnings per share

Recognition and measurement:

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the period. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares including share options and grants.

	As at 30 Jun 17	As at 30 Jun 16
Basic earnings per share		
Net profit attributable to shareholders (\$000)	5,800	8,594
Weighted average number of ordinary shares on issue	70,988,516	70,865,030
Basic earnings per share (cents)	8.2	12.1
Diluted earnings per share		
Net profit attributable to shareholders (\$000)	5,800	8,594
Weighted average number of ordinary shares for diluted earnings per share	71,003,690	70,865,030
Diluted earnings per share (cents)	8.2	12.1

(c) Dividends per share

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

	As at 30 Jun 17 Cents per	As at 30 Jun 16 Cents per
	share	share
Interim dividend for the year ended 30 June 2017	4.0	-
Final dividend for the period ended 30 June 2016	4.5	-
Interim dividend for the period ended 30 June 2016	-	4.0
Special dividend	-	3.0
Final dividend for the period ended 31 March 2015	-	4.0
	8.5	11.0

The 2016 final dividend and 2017 interim dividend paid during the 2017 year were imputed at a rate of 10%. All dividends paid during the prior period were imputed at a rate of 28%.

Supplementary dividends of \$7,963 (2016: \$127,681) were also provided to shareholders not tax resident in New Zealand, for which the Group received a Foreign Investor Tax Credit entitlement.

4. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks including market risk, mainly currency risk and interest rate risk, credit risk and liquidity

Methven's financial instruments either expose the Group to risks or are used to manage the risk. These are recognised initially at trade date at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. The financial instruments are classified in the following way:

Financial Instrument	Classification	Explanation
Derivatives	Fair value through Profit & Loss	These instruments are used to hedge currency movements and changes to interest rates.
Cash and cash equivalents	Loans and receivables and liabilities held at amortised cost. The carrying	These relate to the normal operating needs of the business and the day-
Trade receivables	amount is considered a reasonable approximation of fair value due to their	to-day operations.
Trade creditors	short term nature and the impact of discounting not being significant.	
Interest bearing liabilities (including finance leases)		
Other creditors and accruals		

4.1 Capital management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or received from subsidiaries, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group is not subject to externally imposed capital requirements except in relation to debt covenants. The Group did not breach any debt covenants in the periods presented, refer to Note 3.6.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 Market risk

Recognition and measurement:

Derivative financial instruments

The Group is party to derivative financial instruments in the normal course of business in order to reduce market risk and hedge exposure to fluctuations in interest rates and foreign exchange rates.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of risks associated with recognised liabilities and highly probable forecast transactions (cash flow hedges).

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the profit and loss.

Amounts accumulated in equity are reclassified to the profit and loss in the periods when the hedged item affects the profit and loss (for instance when the forecast sale or purchase that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non financial asset (for example, inventory) or a non financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the profit and loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the profit and loss.

Fair value of derivative financial instruments

All derivative instruments are based on inputs other than quoted prices included within active markets that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Specific valuation techniques used to value derivatives include:

- The fair value of interest rate swaps is calculated as the present value of the estimated future cashflows based on observable yield curves
- The fair value of forward exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, including the sale and purchase of inventory in foreign currency (categorised as transaction exposures) and the translation of subsidiary results from their local currency into New Zealand dollars for the presentation of the consolidated financial statements (categorised as translation exposures).

All foreign currency transactions are recognised at the spot rate on the date of transaction and foreign currency balances are revalued at spot rate at year end. Foreign subsidiary assets and liabilities are translated at the closing rate at year end and income and expenses for each item in the income statement and statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions).

· Transactional

The Group has foreign exchange exposure on the purchase of inventory (in USD and EUR), the sale of inventory and intercompany transactions (in AUD, GBP, USD and RMB).

· Translation

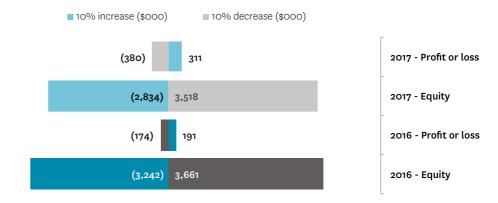
The Group has foreign exchange exposure when converting subsidiary results from their local currencies (in AUD, GBP and RMB) into NZD for the purposes of consolidating Group results

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations into New Zealand dollars. This includes all foreign exchange translation movements. On consolidation, exchange differences arising from the translation of any net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

Foreign exchange rate sensitivities

The sensitivity analysis shows the effect on profit or loss and equity from the translation of foreign assets and liabilities on the statement of financial position if foreign exchange rates at balance date had been 100 basis points higher or lower with all other variables held constant.



Managing the Transactional foreign exchange risk

The Group's treasury policy is to hedge between 80%-100% of committed cash flows, between 25%-75% of forecasted cash flows falling within 0 6 months and between 0%-50% of forecasted cash flows falling within 7-12 months. The Board may from time to time approve exceptions to this policy.

The following table shows the fair value of the foreign exchange contracts and interest rate swaps held by the Group as derivative financial instruments at balance date:

	As at	As at
NZ \$000	30 Jun 17	30 Jun 16
Foreign exchange contracts		
Buy USD / Sell NZD	(183)	(406)
Sell AUD / Buy NZD	55	105
Sell GBP / Buy NZD	12	126
Buy USD / Sell AUD	(222)	(172)
Buy USD / Sell GBP	(278)	575
Buy EUR / Sell GBP	16	84
nterest rate swaps		
GBP swap	(6)	(35)
NZD swap	(64)	(130)
Total derivative financial instruments	(670)	147
Classified as:		
Assets	114	1,084
Liabilities	(784)	(937)

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Interest rate risk

The main interest rate risk arises from long term interest bearing liabilities at variable rates denominated in NZD and GBP.

Interest rate exposure is managed with the following parameters: fixed interest rate debt to total debt is to be 40% to 80% managed if interest bearing liabilities are less than 18 months and 0% to 60% between 18 and 36 months. Policy authorised hedging instruments such as interest rate swaps are to be used to manage the risk.

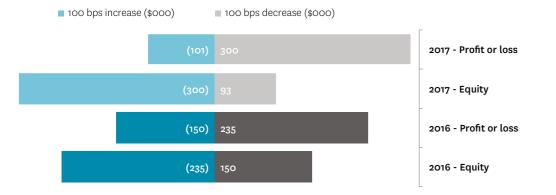
The contracts require settlement of net interest receivable or payable quarterly. The settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis.

The gain or loss from re-measuring the hedging instruments at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and reclassified into profit and loss when the hedged interest expense is recognised. Any ineffective portion is recognised in the income statement immediately. There has been no ineffectiveness during the current or prior year.

	30 June 2017		30 June 2016	
	Weighted average interest rate	Balance \$000	Weighted average interest rate	Balance \$000
Bank overdrafts and bank loans Interest rate swaps (notional principal amount)	4.3%	30,048	5.5% 3.3%	23,503

Interest rate sensitivities

The sensitivity analysis shows the effect on profit or loss and equity if market interest rates at balance date had been 100 basis points higher or lower with all other variables held constant.



4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3 Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

Cash and cash equivalents includes cash in hand, cash at bank and deposits held on call with financial institutions.

The maximum exposure to credit risk is represented by the carrying amount of these assets. The Group places its cash and derivative with high quality financial institutions in accordance with Board approved Treasury Policy.

Refer to note 3.1 (receivables) for further detail on customer credit risk.

All cash and cash equivalents and derivative financial assets are held with 'A' rated banks.

4.4 Liquidity risk

Liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flow.

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. At the reporting date the Group had overdraft facilities of NZD 0.2m and AUD 0.25m.

Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings. The Group's derivative foreign exchange financial instruments are gross settled and interest rate swaps are net settled. These derivatives are categorised into relevant maturity groupings based on the contractual maturity dates. The amounts disclosed in the tables below are the contractual undiscounted cash flows inclusive of interest payments. The Group's interest rates are reset monthly and as a result the contractual interest payments below have been calculated based on interest rates and debt levels that existed at balance date.

As at 30 June 2017						
NZ \$000	Less than 6 months	6 - 12 months	1 – 2 years	2 - 5 years	Total contractual cash flows	Carrying amount liabilities
Non-derivatives						
Interest bearing liabilities	(598)	(588)	(31,387)	-	(32,573)	(30,750)
Trade creditors	(8,866)	-	-	-	(8,866)	(8,866)
Other creditors and accruals	(4,194)	-	-	-	(4,194)	(4,194)
Total non-derivatives	(13,658)	(588)	(31,387)	-	(45,633)	(43,810)
Derivatives						
Net settled (interest rate swaps)	(46)	(21)	(6)	3	(70)	(70)
Gross settled (foreign exchange contracts)						
- inflow	26,870	6,280	-	-	33,150	33,150
- (outflow)	(27,382)	(6,368)	-	-	(33,750)	(33,750)
Total derivatives	(558)	(109)	(6)	3	(670)	(670)

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

As at 30 June 2016						
NZ \$000	Less than 6 months	6 – 12 months	1 – 2 years	2 - 5 years	Total contractual cash flows	Carrying Amount liabilities
Non-derivatives						
Interest bearing liabilities	(500)	(519)	(1,209)	(24,596)	(26,824)	(24,362)
Contingent consideration	-	-	-	-	-	-
Trade creditors	(10,838)	-	-	-	(10,838)	(10,838)
Other creditors and accruals	(5,054)	-	-	-	(5,054)	(5,054)
Total non-derivatives	(16,392)	(519)	(1,209)	(24,596)	(42,716)	(40,254)
Derivatives						
Net settled (interest rate swaps)	(71)	(51)	(43)	-	(165)	(165)
Gross settled (foreign exchange contracts)						
- inflow	27,182	14,788	-	-	41,970	41,970
- (outflow)	(27,202)	(14,456)	-	-	(41,658)	(41,658)
Total derivatives	(91)	281	(43)	-	147	147

4.5 Offsetting financial assets and financial liabilities

Recognition and measurement:

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

The following table represents the recognised financial instruments that are offset, or subject to enforceable master netting arrangements but not offset, as at 30 June 2017 and 30 June 2016. The column 'net amount' shows the impact on the Group's Statement of Financial Position if all set-off rights were exercised.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

Total	20,349	(1,354)	10,995	(937)	10,050
	20.240	(1,354)	18,995	(937)	18,058
Derivative financial instruments	1,084	-	1,084	(937)	147
Trade receivables	19,265	(1,354)	17,911	-	17,911
Financial assets					
NZ \$000	Gross amounts	Gross amounts set-off in the Statement of Financial Position	Net amounts presented in the Statement of Financial Position	Amounts subject to master netting arrangements	Net amount

(a) Trade receivables

The Group gives rebates to selected distributors where under the terms of the supply agreements, the amounts payable by the Group are offset against receivables from the distributors and only the net amounts are settled.

(b) Master netting arrangements

Agreements with derivative counterparties are based on an ISDA Master Agreement. Under the terms of these arrangements, only where certain credit events occur (such as default), the net position owing/ receivable will be taken as owing and all the relevant arrangements terminated. As the Group does not presently have a legally enforceable right of set-off, these amounts have not been offset in the Statement of Financial Position.

5. OTHER INFORMATION

5.1 Related party transactions

The Group had transactions between operating segments as described in note 2.1(c), transactions with key management and transactions with other parties as described below.

Transactions with key management personnel

The key management personnel includes the Chief Executive Officer and those employees who report directly to the CEO.

Compensation

NZ \$000	12 mths ended 30 Jun 17	15 mths ended 30 Jun 16
Salaries and other short term employee benefits	2,990	3,035
Termination benefits	63	169
Employee share option (release)/expense	(60)	111
Directors	298	314
	3,291	3,629

Share based payments and loans to key management

Recognition and measurement:

The fair value of share schemes, under which the Company receives services from directors and employees as consideration for equity instruments of the Company is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, including any equity market performance conditions and excluding the impact of any service and non-market performance vesting conditions. Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

The Company revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity over the remaining vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital.

A share based payments reserve is used to recognise the fair value of options issued and vested but not exercised. Where vesting conditions exist the fair value of the share rights granted are spread over the vesting period, otherwise the fair value is expensed in the period the options were granted.

The Company operates equity-settled share-based compensation plans to align and link employees as owners of the business and focus action on growing sustained shareholder value

Total expenses recognised from share based payment transactions during the year was a release of \$14,000 (2016: \$111,000 expense).

5. OTHER INFORMATION (CONTINUED)

a) Executive Share Scheme

In October 2014, the Company issued 1,450,000 treasury shares to selected senior executives at market price. Since then, 450,000 shares forfeited due to resignations have been reassigned to other employees. In March 2017, the Company issued 100,000 treasury shares to an additional senior executive at market price. The Company provided the participants with loans equal to the aggregate issue price of the shares. The loans bear interest at IRD determined FBT rates and are repayable at the end of the vesting period (June 2018).

Dividends are used to repay interest and principal on the loans. The Company holds security over the shares until such time as the outstanding balances of the loans have been fully repaid.

The participants are eligible to be paid a cash bonus at the end of the vesting period based on certain June 2018 NPAT targets. If the NPAT targets are not met, the participants have the option to repay the loan and take full ownership of the shares or exit the arrangement.

The fair value of this scheme, determined using the Black Scholes valuation model is \$195,000 (2016: \$448,000). The fair value of this scheme includes an assessment of the probability that the NPAT targets will be achieved. As this probability changes through the vesting period the amount expensed will move in line with the probability, subject to the maximum amount payable under the scheme. The significant inputs into the model are the market price at grant date, the exercise price, a volatility of between 24% - 26%, an option life of 1.5 - 4 years, and a risk-free rate of between 2% - 4%.

The movement in allocated outstanding share options is as follows:

	30 June 17		30 June 16	
	Weighted average exercise price	Options	Weighted average exercise price	Options
Outstanding at beginning of year	1.12	1,250,000	1.12	1,450,000
Granted during the year	1.20	550,000	-	-
Forfeited during the year	1.12	(250,000)	1.12	(200,000)
Outstanding at end of the year	1.15	1,550,000	1.12	1,250,000
Exercisable at end of the year	1.15	1,550,000	1.12	1,250,000

No share options vested under this scheme during the year (2016: nil). Shares held by this scheme represent 2.1% of the total shares on issue (2016: 1.7%).

5. OTHER INFORMATION (CONTINUED)

b) CEO Share Schemes

In July 2014, the Company issued 458,380 treasury shares in the Company to the CEO at market price (CEO Scheme 1). The shares were issued for cash consideration of \$150,000 and a limited recourse loan of \$350,000. In December 2016, the Company issued a further 369,713 treasury shares in the Company to the CEO at market price (CEO Scheme 2). The shares were issued for cash and the Company has extended an equivalent limited recourse loan to the CEO which is fully repayable.

Both loans bear interest at IRD determined FBT rates and are repayable over 10 years or on the date of termination of employment. There are no vesting conditions in relation to the shares in these schemes other than repayment of the outstanding loans in full. Dividends are used to repay interest and principal on the loans. The Company holds security over the shares until such time as the outstanding balance of the loans have been fully repaid

In relation to CEO scheme 2, the CEO is eligible to be paid a cash bonus at the end of June 2019 if certain NPAT targets are met, with any such payment required to be applied towards early repayment of the loan. This scheme is accounted for as an in-substance option in accordance with NZ IFRS 2 Share based payments.

The fair value of these schemes, determined using the Black Scholes valuation model is \$58,000 (2016: nil). The inputs used in the measurement of the fair values at grant date of the schemes are as follows:

	CEO Scheme 1	CEO Scheme 2
Share price at grant date	\$1.09	\$1.35
Exercise price	\$0.56	\$0.98
Expected volatility	25.6%	24.5%
Risk free rate	4.2%	1.82%
Option life	6 years	6 years

No share options vested or were forfeited under these schemes during the year (2016: nil). Shares held by this scheme represent 1.1% of the total shares on issue (2016: 0.6%).

c) Employee Share Plan

In October 2016, the Company issued 83,620 shares to 113 NZ based employees for an issue price of \$1 per employee. The share price at grant date was \$1.35, being the weighted average market selling price for the period 25 – 29 August 2016. The shares were issued to Methven Employee Share Trustee Limited (rather than to the employees) who hold the shares for the benefit of the employees during the three year vesting period.

The shares are recognised at the closing share price on the grant date (grant date fair value) as an issue of treasury shares and as part employee benefit costs (over the three year vesting period). The Scheme has been established as a share purchase scheme as defined in section YA 1 of the Income Tax Act 2007 and has been approved by the Commissioner of Inland Revenue.

Shares held by this scheme represent 0.1% of the total shares on issue (2016: nil). No shares have been forfeited under this scheme.

d) Discounted Share Purchase Plan

In September 2016, the Company implemented a scheme in which NZ-based staff employed on 25 August 2016 were able to purchase Methven shares at a 10% discount to the market price of \$1.35, being the weighted average market selling price for the period 25 - 29 August 2016. Under this scheme, the Company issued 156,073 shares directly to 34 employees for an issue price of \$1.22 per share, with a minimum holding period of six months from October 2016. The discount on the shares were recognised as part of employee benefit costs (the grant date fair value) during the year as the shares were granted.

Shares held by this scheme represent 0.2% of the total shares on issue (2016: nil).

Transactions with other parties

There were no related party transactions during the current year. In the previous period there were payments made to related parties of Hui Zhuang (\$560,000), the former owner of Invention Sanitary Ltd and former Director of Methven Heshan Bathroom Fittings Co.

All transactions between the Group and related parties were in the normal course of business and provided on commercial terms.

5. OTHER INFORMATION (CONTINUED)

5.2 Commitments

(i) Operating leases

Recognition and measurement:

Leases where the lessor effectively retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The Group has operating leases for premises, vehicles, plant and equipment. There are no options to purchase in respect of these leases and there are no sub leases.

The future aggregate minimum lease payments under the non cancellable operating leases are as follows:

NZ \$000	As at 30 Jun 17	As at 30 Jun 16
Within one year	2,236	2,307
One to two years	1,947	1,947
Two to five years	3,186	3,815
Later than five years	5,179	5,578
	12,548	13,647

(ii) Finance leases

Recognition and measurement.

Finance leases, which transfer all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

The Group has finance leases on machinery that have been classified under current and non-current interest bearing liabilities in the balance sheet.

NZ \$000	As at 30 Jun 17	As at 30 Jun 16
Within one year	210	210
One to five years	614	842
Later than five years	-	-
Minimum Lease Payments	824	1,052
Future Finance Charges	(122)	(193)
Recognised as a liability	702	859

(iii) Capital commitments

As at 30 June 2017 the Group had no capital commitments (2016: \$217,000).

5. OTHER INFORMATION (CONTINUED)

5.3 Contingencies

The Group had no material contingent liabilities or assets as at 30 June 2017 (2016: \$Nil).

5.4 Events occurring after the reporting year

The Board of Directors resolved to pay a final dividend of 3.0 cents per share or \$2.2 million. The dividend will be paid on 29 September 2017 to all shareholders on the Company's register at the close of business on 15 September 2017.

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

5.5 Other disclosures

(a) Reconciliation of profit after income tax to net cash inflow from operating activities

NZ \$000	12 mths ended 30 Jun 17	15 mths ended 30 Jun 16
Profit for the year	5,800	8,594
Depreciation	2,254	2,878
Amortisation of intangible assets	1,258	1,832
Share scheme related expenses	(14)	111
Net loss on disposal of assets	-	133
Contingent consideration release	-	(2,729)
mpact of changes in working capital items (net of acquisitions)		
Trade receivables	2,048	(4,335)
Inventories	(4,921)	3,758
Prepayments and other assets	(380)	1,560
Trade creditors	(1,386)	1,726
Employee accruals	(282)	825
Provisions, other creditors and accruals	(1,117)	2,846
Tax receivable	(598)	(1,965)
Deferred income tax	661	(504)
Net cash inflow from operating activities	3,323	14,730

5. OTHER INFORMATION (CONTINUED)

(b) Investment in subsidiaries

All subsidiaries have a balance date of 30 June. The consolidated financial statements incorporate the assets, liabilities and results of Methven and its subsidiaries in accordance with the accounting policy described in note 1:

			Equity holding	
Name of entity	Country of Incorporation	Activities	2017 %	2016 %
Methven Limited	NZ	Supply and Manufacture of shower and tapware	Parent	Parent
Plumbing Supplies (NZ) Limited	NZ	Procurement and distribution	100	100
Methven Australia Pty Limited	Australia	Shower and tapware supplier	100	100
Methven Hotel Solutions Pty Limited	Australia	Non-trading	100	100
Methven UK Limited	UK	Shower and tapware supplier	100	100
Deva Tap Company Limited	UK	Dormant	100	100
Howard Bird & Company Limited	UK	Dormant	100	100
Methven (Xiamen) Trading Co Limited	China	Non-trading	100	100
Methven USA Inc.	USA	Non-trading	100	100
Methven Heshan Bathroom Fitting Co. Limited	China	Supply and Manufacture of tapware	100	100

(c) Accounting policies not disclosed elsewhere

Employee benefits

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non monetary benefits, annual leave and accumulating sick leave are recognised in the provision for employee benefits in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Current liabilities - Provisions

Provision is made for the estimated warranty claims in respect of products sold which are still under warranty at balance date. The majority of these claims are expected to be settled in the next financial year but this may be extended into the following year if claims are made late in the warranty period and are subject to confirmation by suppliers that component parts are defective. Management estimates the provision based on historical warranty claim information and any recent trends that may suggest future claims could differ from historical amounts.

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348

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