METHVEN

YEARS OF INNOVATION

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SUMMARY¹

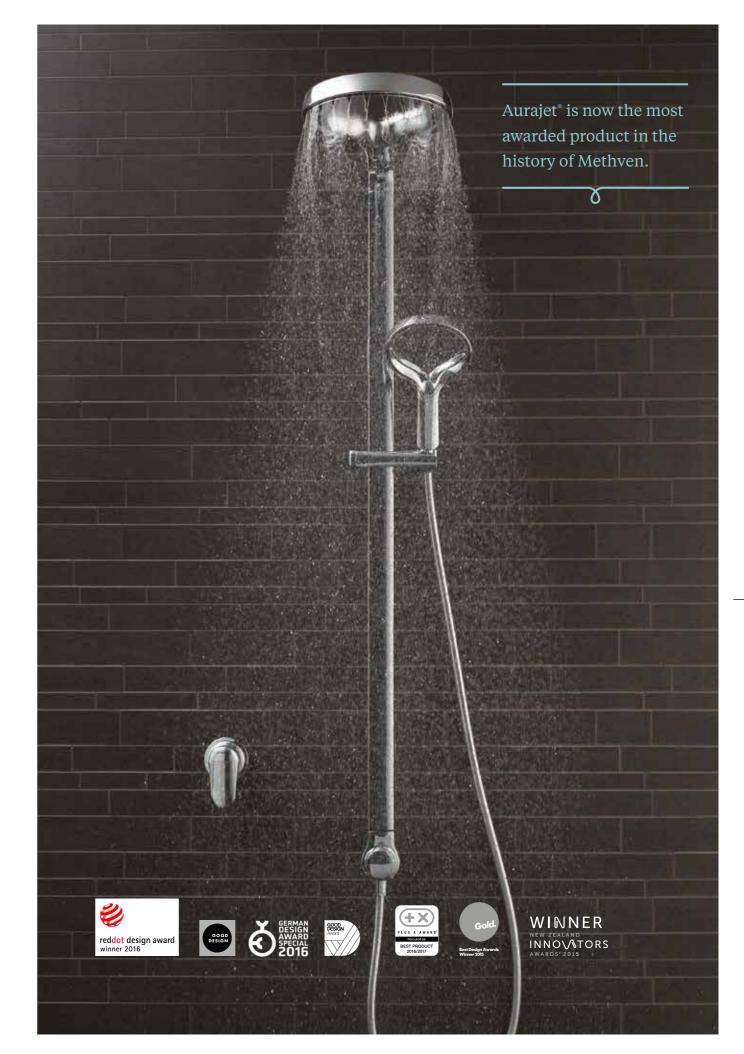
FOR THE YEAR ENDED 30 JUNE 2016

	12 n	12 months ended June		
NZ \$000	2016	2015	Variance %	
Sales revenue	105,822	97,868	8.1%	
Net profit after tax	7,680	5,880	30.6%	
NPAT % of sales	7.3%	6.0%	1.3 ppts	
Net debt ²	22,122	23,871	-7.3%	
Excluding non-recurring items				
Net profit after tax ³	8,036	6,485	23.9%	
NPAT ³ % of sales	7.6%	6.6%	1.0 ppts	

RESULTS

HIGHLIGHTS

- Net Profit After Tax (NPAT) increased by 30.6% to \$7.7 million and from 6.0% to
- NPAT excluding non-recurring items³ increased by 23.9% to \$8.0 million.
- · Strong sales performance and market share growth recorded in both Australia and New Zealand, Australian sales improved by 6.9% and New Zealand sales by 10.8%.
- · Market share growth in New Zealand supported by double digit tapware growth and Aio™ showerware performance.
- The UK market showed a strong earnings³ increase of 122%, though revenue was below expectations as the start of contracts that have been won over the course of the year were delayed.
- · Aurajet® became the most awarded product in the history of Methven and was the catalyst for increased distribution in the UK and internationally.
- · Earnings from Methven Heshan were in line with expectations.
- · Over \$3.7 million expenditure invested in future focused activity including our latest shower technology, digital capability, and building the team.
- \$1.4 million clearance of older and obsolete inventory (before provisions).
- · There were a number of non-recurring items in the year with the earnout of Invention Sanitary being cancelled and increased provisioning for old and obsolete inventory in Australia, China and New Zealand.
- Net debt² decreased by 7.3% to \$22.1 million driven by earnings growth and an underlying inventory reduction of \$2.9 million.
- · The Directors declared a partially imputed final dividend of 4.5 cents per share payable on 30 September 2016.
- During the period Methven changed its balance date from March to June and as a result the audited financial statements on pages 50 to 87 are for the 15 months ended June 2016. To assist with comparability all results presented on pages 4 to 19 are for the 12 months ended 30 June 2016 against the same period last year and are unaudited.
- Refer to the reconciliation of Net debt to the consolidated balance sheet in note 3.6 of the financial statements.
- 3 There were several non-recurring items during the year. In order to compare underlying performance on a like for like basis, the results excluding these non-recurring items are presented. Refer page 10 and Key Changes Note 1.5 of the financial statements
- ⁴ EBIT is earnings before interest, tax and non-recurring items



CHAIRMAN AND GROUP CEO REVIEW

Our NPAT increase of 30.6% (23.9% excluding nonrecurring items) and our first revenue growth since 2009 evidence the positive progress being delivered.

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Before we review the performance for the year ending June 2016, it would be proud we are to lead Methven at the time where we celebrate Methven's 130 year Anniversary. We think it's particularly pertinent that as we celebrate this milestone we are also targeting to grow revenue to \$130 million by June 2018. We have made many improvements to the business this year that we share with you today and look forward to continuing our journey to deliver long term profitable growth and a business that we all can be even more proud to support.

We are pleased to report Group net profit after tax (NPAT) of \$7.7 million, an increase of 30.6% over the previous year and excluding non-recurring items, an NPAT increase of 23.9% to \$8.0 million. In addition, we are very encouraged to see the Group's sales growth of 8.1% (6.0% in constant currency), our first material revenue growth since 2009, driven by strong performance in both Australia and New Zealand. This is in line with our guidance.

This year's profit growth has been driven by good revenue and market share growth in both Australia and New Zealand and supported by earnings growth in Methven Heshan and the United Kingdom. Earnings in both Australia and New Zealand were impacted by significant currency headwinds as a result of USD strengthening.

The reported Group sales revenue of \$105.8 million showed an increase of 8.1% versus remiss of us not to highlight how incredibly the previous period and 6.0% in constant currency. Sales in NZ increased by 10.8% driven by strong performance across the market, though it was particularly encouraging to see tapware report double digit growth and a number of new contracts being won that will help deliver more sustainable performance. In Australia, sales increased by 6.9% with strong performance in the showering category and us registering a small improvement in EBIT4 to sales as the business was further focused on delivering profitable growth. Delays in implementing price increases (now actioned) affected earnings in the

> Net debt2 finished at \$22.1 million. a reduction of 7.3% versus the previous year, primarily as a result of increased earnings and lower underlying inventory which reduced by \$2.9 million versus the previous year. Importantly, service levels to our customers were maintained and we now have an improved overall inventory profile across the Group.

We remain comfortably within our banking covenant limits.

The directors were pleased to declare a partially imputed final dividend of 4.5 cps to be paid on 30 September 2016.

As part of our ongoing assessment of skills needed to support Methven's growth ambitions (Methven 130 and beyond) and our overall succession planning, the Board commenced the recruitment process for an additional Director to join the Board.



Earnings Yes/Revenue No

Profitable growth in Australia

Revenue Yes/Earnings partial

Successful launch of Aio™ incremental to Satinjet®

ACHIEVED

Deliver at least US\$2 million annualised earnings from Heshan

ACHIEVED

Successful relocation of our Manufacturing and Head Office in NZ

ACHIEVED

130 year plans implemented to underpin brand equity and relevance

On track

Sales revenue increased by 10.8% to \$35.8 million, an increase of \$3.5 million, with strong performance reported across all categories, with new contract wins in the second half of FY16 supporting sustainable growth.

It is particularly encouraging that the activity and focus to regain lost market share that we reported at the end of FY15 delivered results in 2016.

Revenue growth in NZ

ACHIEVED

STRONG SALES AND PROFIT GROWTH IN UK Revenue was below expectations as the start of contracts that have been won over the course of the year were delayed in to the next financial year. June 2016 sales performance was encouraging and registered the highest monthly sales in four years. More customers visited our new Experience Centre since November 2015 than in our entire history in the UK.

Despite investment in team capability and the relocation of our office and showrooms in the UK, it is encouraging to report that we were profitable, cash generative and that total EBIT⁴ grew by 122% year-on-year.

Strong sales and profit growth in UK

Earnings Yes/Revenue No

PROFITABLE GROWTH IN AUSTRALIA

Revenue increased by 6.9% in our Australian business which is a very encouraging sign, with key contract wins underpinning our confidence in delivering sustainable performance. While EBIT⁴ grew at 9.2%, this is below our expectations and we retain our aim to deliver longer term EBIT⁴ % to

sales in line with New Zealand. EBIT⁴ growth was significantly impacted by AUD weakness, with some delays in implementing required price increases impacting short term performance (now implemented).

Profitable growth in Australia

Revenue Yes/Earnings partial

SUCCESSFUL LAUNCH OF AIO™ INCREMENTAL TO SATINJET® Aio™ became the most awarded product in the history of Methven in 2015/16 with design awards achieved in America, Europe, Australasia and the UK. Aio™ Phase 2 was launched on time and on budget in late May 2016 and we are delighted that we have already received our first award for

this product and as importantly, a very encouraging response from customers. Incremental sales growth from Aio^{TM} , without significant cannibalisation of other sales, supports our belief that we have created a new market that is incremental to Satinjet.

Successful launch of $\mathrm{Aio}^{^{\bowtie}}\,$ incremental to Satinjet $^{\otimes}$

ACHIEVED

DELIVER AT LEAST US\$2 MILLION ANNUALISED EARNINGS FROM HESHAN Earnings were in line with our expectations, and full integration has now been achieved with the successful transition to the leadership team led by Andy Chen. Hui Zhuang (previous owner of Invention Sanitary) retired from the business in December 2015. Working Capital, specifically inventory

levels, remained higher than foreseen during due diligence. Consequently an agreement was reached with Mr Zhuang to cancel any earnout consideration entitlement despite realising anticipated earnings.

Deliver at least US\$2 million annualised earnings from Heshan

ACHIEVED

SUCCESSFUL RELOCATION OF OUR MANUFACTURING AND HEAD OFFICE IN NZ We are delighted to report that we successfully relocated our NZ business into our new home at the end of May. Our new purpose-built premises reflects our long term commitment to manufacturing in New Zealand, with us implementing Design, Engineering,

Toolmaking, Foundry, Polishing and Assembly on site. It's also important to note that our new home has the same net operating cost as our previous site.

Successful relocation of our Manufacturing and Head Office in NZ

ACHIEVED

130 YEAR PLANS IMPLEMENTED TO UNDERPIN BRAND EQUITY AND RELEVANCE We are incredibly proud to join a prestigious group of companies that have been in business for over 130 years. Plans are in place to recognise 130 years of Innovation at Methven and

to evidence that our 'Spirit of Innovation' that was a founding principle of the business, is a key driver for anticipated future growth.

130 year plans implemented to underpin brand equity and relevance

On track

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NON-RECURRING ITEMS

During the year there were a number of non-recurring items as detailed in the table below:

		12 months	ended June
NZ \$000	Reported in	2016	2015
Reported net profit after tax		7,680	5,880
Inventory provision adjustment	Cost of sales	1,734	-
Relocation costs	Cost of sales	741	39
Contingent consideration release	Other Income	(2,729)	-
Merger and acquisition costs	Expenses	-	127
Legal fees	Expenses	381	181
Marketing credits writedown	Expenses	152	-
Restructuring costs	Expenses	77	258
Total non-recurring items		356	605
Net profit after tax excluding non-recurring items		8,036	6,485

- During the period the Group cleared a total of \$1.4 million of slow and obsolete inventory. This was a record for the Group and gave us unprecedented learning about the value we could realise for older inventory, and highlighted that the provision assumptions used previously were inadequate. As a result, we conducted a detailed review at all sites and compared it with our best case example in the UK where ageing inventory has been cleared effectively over a number of years. As a result of this review, we concluded that we needed to record a one-off provision of \$1.7 million to cover clearance of older inventory across Australia, China and New Zealand.
- We relocated both our UK office and our NZ Head Office and manufacturing operation to new leasehold sites. These sites provide us with the opportunity to open market leading Experience Centres and to reflect our long term commitment to manufacturing in New Zealand, with us implementing Design, Engineering, Toolmaking, Foundry, Polishing and Assembly on site. One-off relocation costs were incurred during the period of \$0.7 million.
- The earnings delivered from the Invention Sanitary acquisition were in line with expectation and full integration has now been achieved with the successful transition to the leadership team led by Andy Chen. Hui Zhuang (Invention Sanitary vendor) retired from the business in December 2015. Working Capital has remained higher than foreseen during due diligence, and in May 2016 agreement was reached with Mr Zhuang to cancel any earnout that arose from the acquisition despite realising anticipated earnings, given the extent of increased working capital required on settlement. As a result, the \$2.7 million Contingent Consideration liability was released to the Income Statement.
- \cdot Merger and acquisition costs relate to the agreement to acquire the business assets of Invention Sanitary.
- · Legal fees relate to costs incurred to successfully defend a claim by a former service provider.
- · Marketing credits asset held on the Australian balance sheet, have been written down reflecting actual usage.
- · Restructuring costs relate to one-off costs as a result of organisational changes made in the China and UK segments.

NET DEBT

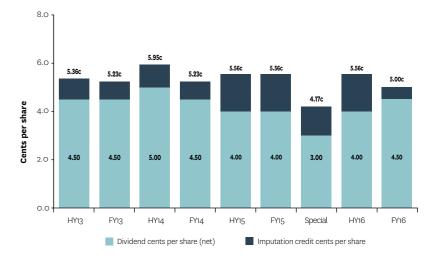
Net Debt² decreased by 7.3% versus the previous year, with increased earnings and \$2.9 million underlying inventory reduction being the major driver. We are encouraged with this performance and remain committed to decreasing

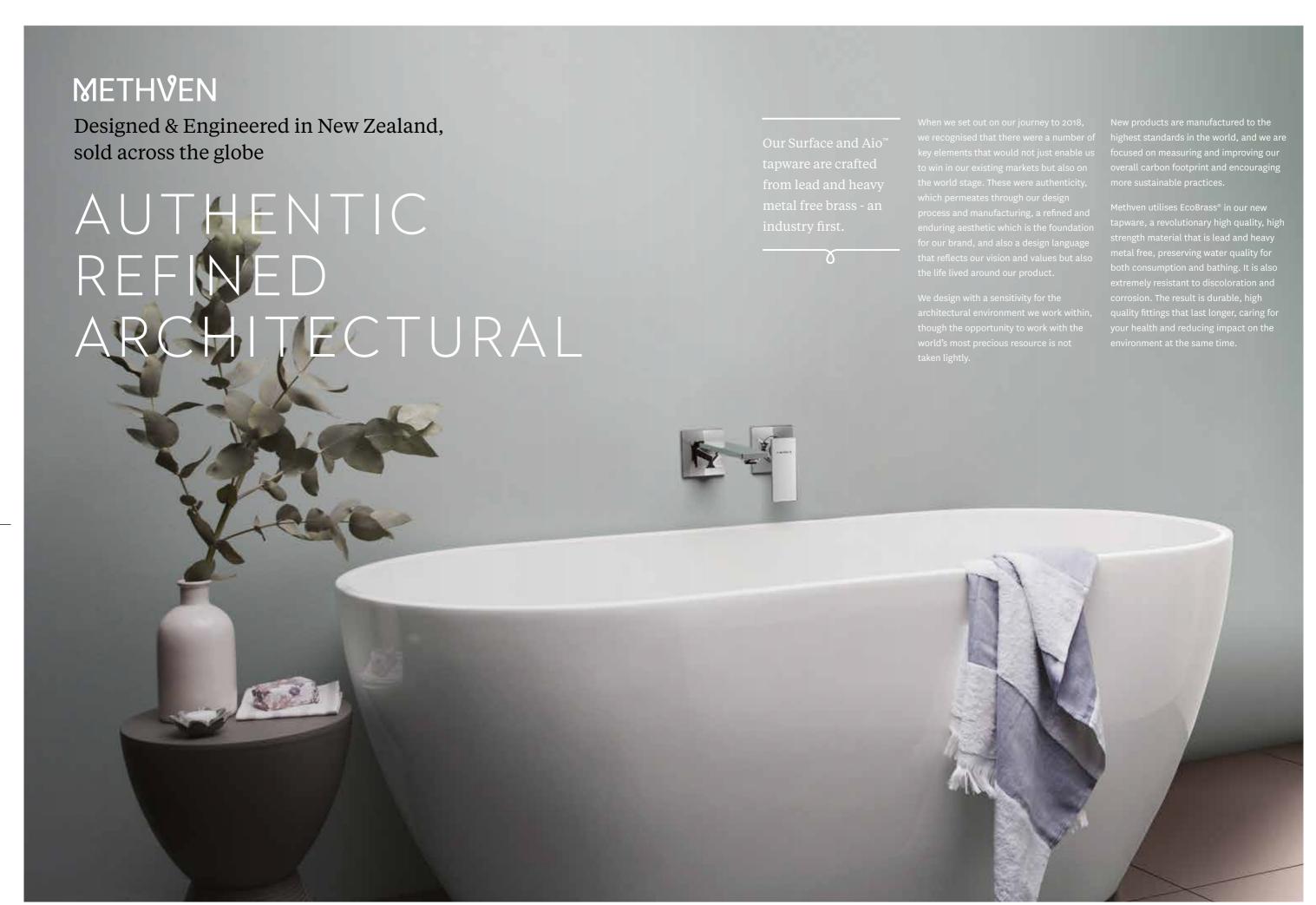
inventory further but increasing our service level to our customers at the same time.

We remain well within our banking covenants.

FINAL DIVIDEND

The Directors have declared a partially imputed final dividend of 4.5 cents per share to be paid on 30 September 2016.







We have systematically improved the business this year but recognise much remains to be done in order to deliver a world class business for our Customers, Shareholders and Team.

D

We highlighted our desire to become the partner of choice to key customers and plumber groups and are delighted to have been asked to lead, or become part of total category initiatives in Australia, the United Kingdom and New Zealand. This gives us further opportunity to think and act like the market leader and also tell our proud story more effectively, thus supporting sustainable sales performance. We are particularly pleased to launch our brand new plumber App in August this year which has been developed with input from plumbers.

Our international distribution continues to perform in line with our expectations, with product range extensions agreed in existing international markets for Implementation in late Q1 2017.

We also gained agreement to add France as a new market commencing in November.

In the year that we celebrate 130
years of Innovation, it was particularly
important that our investment in
improved products and services to
our customers continued with the aim
of delivering long term sustainable
growth. This included the opening
of our two new Methven Experience
Centres (one in the the United Kingdom
and our new Head Office in New
Zealand). Importantly, these are at
the same net operating cost as our
previous operations.

We are also delighted to confirm that Aurajet*, launched in March 2015, became the most awarded product in Methven's proud history with awards in UK, Europe, America and Australasia, including a highly prestigious Red Dot Award in Germany. We are also encouraged that the second phase of Aurajet* launched in June 2016 has already achieved a design award in Australia after only a few weeks in market and has received very positive feedback from customers.

Methven Annual Report

ACHIEVED

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2016 MARKET REVIEW

NEW ZEALAND

	12 n	12 months ended June		
NZ \$000	2016	2015	Variance %	
Sales revenue	35,771	32,281	10.8%	
EBIT ⁴ excluding non-recurring items	4,703	4,010	17.3%	
EBIT % of revenue	13.1%	12.4%	o.7 ppts	

Our Goals in FY16:	How did we perform:
Increase our Revenue	ACHIEVED
Grow sales and share of Tapware	ACHIEVED
Successful launch of Aio™ incremental to Satinjet®	ACHIEVED
130 year plans implemented to underpin brand equity and relevance	On track
Win online	ACHIEVED

- Sales revenue increased by 10.8 % to \$35.8 million, an increase of \$3.5 million, with strong performance reported across all categories and with new contract wins in H2 supporting sustainable growth. It is particularly encouraging that the activity and focus to regain lost market share that we reported at the end of FY15 has delivered results in 2016.
- Double digit growth in tapware sales supported performance across the market, including a number of initiatives only launched in late FY16. In addition, with our aim to drive an improvement in vitality (sales contribution from recent product releases), it is encouraging to note that we launched more new products in FY16 than in the last four years combined.
- Aio™ shower range (now Phase 1 and 2) continues to perform well and in line with our business case assumptions. As anticipated, Aio™ has proven to be a catalyst for the whole brand as it symbolises our 'Spirit of Innovation' and is genuinely recognised as a world class solution.
- · Digital (website visits) continued to build, with total visitors up by 49%.

AUSTRALIA

	12 r	12 months ended June		
AU \$000	2016	2015	Variance %	
Sales revenue	39,607	37,036	6.9%	
EBIT ⁴ excluding non-recurring items	3,326	3,047	9.2%	
EBIT % of revenue	8.4%	8.2%	0.2 ppts	

Our Goals in FY16:	How did we perform:
Profitable revenue growth	Revenue yes/Earnings partial
Grow sales and share of Tapware	Below expectations
Successful launch of Aio™ incremental to Satinjet®	ACHIEVED
130 year plans implemented to under brand equity and relevance	September launch

• Sales revenue increased 6.9%, with encouraging contract wins and response to our new shower and tapware products launched in late FY16.

Win online

- EBIT⁴ increased by 9.2% due to cost base reductions and better operational
 performance than the previous year. Total marketing investment was focused
 on our differentiated shower offer and is supporting brand preference.
 Positively, one major customer now uses the Methven brand to emphasise
 their compelling offer to their customers.
- Delays in implementing price increases to offset the significant negative impact of the weakening AUD/USD created a short term margin and contribution impact (now implemented).
- · Total website visitors grew by 136%, again supporting brand preference.

UNITED KINGDOM

	12 months ended June		
GB £000	2016	2015	Variance %
Sales revenue	11,914	12,192	-2.3%
EBIT ⁴ excluding non-recurring items	553	249	122.1%
EBIT % of revenue	4.6%	2.0%	2.6 ppts

Our Goals in FY16:	How did we perform:
Strong sales and profit growth	Earnings yes/Revenue no
Launch with one new major UK customer	ACHIEVED
Successful launch of Aio™ incremental to Satinjet®	New distribution but not reflected in revenue yet
130 year plans implemented to underpin brand equity and relevance	September launch
Win online	ACHIEVED

- Slight revenue decline due to new contracts won throughout the year being delayed until our new financial year. Sales growth resumed in the final quarter and June 2016 was the highest sales month in four years.
- New distribution achieved with two national partners, rollout started in the second half of FY16.
- EBIT⁴ increased by 122% as the UK cost structure was aligned to reflect current sales. The UK business is profitable and cash generative.
- Total website visitors increased by 61% versus the previous year, with one digital campaign for a national distribution partner recording their best ever performance across the whole business.
- In November 2015, we relocated to a new office and Experience Centre that
 allows us to tell our proud Methven story effectively for the first time in the UK.
 More customers visited our Experience Centre since launch in November 2015
 than visited us in our entire history in the UK. Net operating costs at our new
 improved home in line with previous net operating costs.

GROUP OPERATIONS

	12 months ended June			
NZ \$000	2016	2015*	Variance %	
Sales revenue - external customers	632	519	21.8%	
Sales revenue - internal customers	30,634	26,411	16.0%	
EBIT ⁴ excluding non-recurring items	2,982	2,884	3.4%	
EBIT % of revenue	9.5%	10.7%	-1.2 ppts	

^{*}Sales to internal customers in 2015 has been restated

- · Includes:
 - Both NZ and China manufacturing operations.
 - R&D and other Group support functions.
- · NZ manufacturing and Heshan earnings in line with expectations.
- Relocation and investment in manufacturing capabilities in New Zealand are designed to improve production flexibility and organisational efficiency.















POSITIVE OUTLOOK

FOR THE FULL YEAR TO 30 JUNE 2017

We continue the systematic improvement in products, services and processes within our business, and remain fully committed to deliver long term profitable growth for our Shareholders and team and becoming a truly world class business operating

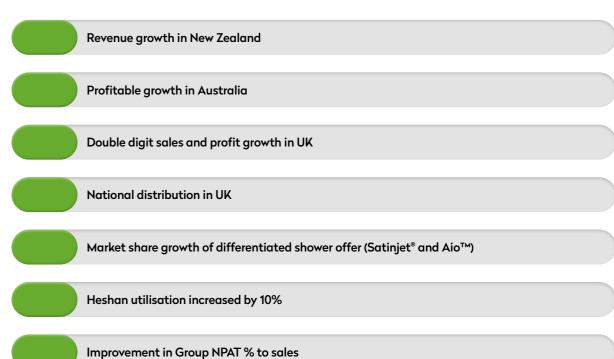
on the world stage. We remain positive that activity, either agreed or underway, will help us deliver that goal but recognise the need to deliver top line growth in the UK despite Brexit volatility.

GUIDANCE - YEAR ENDING JUNE 2017

- Revenue growth of at least 5%.
- NPAT growth for year expected to be 10 - 20% (forecast to be flat year-on-year at half year).
- Revenue and NPAT guidance in constant currency.

METHVEN 130

Our Goals in FY17



METHVEN 130 STRATEGY

Methven 130 sets out our strategic goal to grow sales to \$130 million by June 2018 and NPAT towards our longer term target of 10% of sales. To achieve these goals, we set out our core strategic focus around seven defined areas: Supply Chain and Operations, Technology, Retail, Insight, Digital, Employees, and Sustainability, collectively known as our S.T.R.I.D.E.S.

We are delighted with the progress made during the first year of our three year plan and now update on our progress:

Supply and Operations

Inventory levels reduced, service level maintained to

our customers.

Technology

Aio™ Phase 2 launched in June 2016 on time and on budget. Our next shower technology (currently Methven own 2 of 5 global shower technologies) is on track, with us finalising the technical elements that will allow us to deliver another innovative shower technology.

Retail Two new retail point of sale concepts launched and

performing well.

Insight Net Promoter score research across major Influencer

groups (customers, plumbers, architects, designers, and

team) underway.

Digital Group-wide website visits up 80% versus the

previous year.

Employees New Values defined and launched, good progress on

Employees as shareholders.

Sustainability Environmental Product Declarations in preparation and

many new sustainable initiatives at our new home.

OUR VALUES

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 these during the year.

Insight Drives Action



Our customers are the focus of our energy.

We learn by asking, listening, watching and reflecting. We love feedback that helps us improve our products and our services.

We test insights by action and look to validate our understanding.

When we commit to do something, we do it.

Our Spirit of Innovation



Our belief in our talent to be able to change the world, fuels our Innovation.

We're born curious and free thinkers. We push boundaries, we question rules and we are determined to set new standards.

We create by doing and learn from our mistakes.

Respect for our Planet, Communities and Team



We lead by example and are proud to make a positive, long term difference to the world.

We believe in doing business the right way and that this will benefit our planet and local communities.

We choose solutions and materials that decrease our impact on the world.

Diversity makes us a stronger team and workplace.

We're in this Together



There are strong family values at the heart of our business.

We value long term relationships. We look out for one another.

We understand our strengths and we will invest to help the team to realise their potential.

We will always celebrate success.

HEALTH AND SAFETY

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. The Committee comprises Alison Barrass (Chair), Phil Lough, Richard Cutfield, Norah Barlow and David Banfield. The key focus areas for the Committee are:

- Effective training and education on all aspects of Health and Safety management and leadership.
- Training and developing Health and Safety competency within the organisation.
- Actively reviewing and verifying hazard management in the workplace.

TEAM DEVELOPMENT

APPRENTICE SCHEME AND INTERNATIONAL SECONDMENT LAUNCHED With the move to our new home in Jomac Place, we felt it vital to ensure we invested in future manufacturing skills to support our investment in plant and equipment. We were therefore delighted to launch our new apprentice scheme. Our first two apprentices have been nominated and are currently working towards a National Certificate in Plastics Processing Technology (Injection Moulding) and a National Certificate in Mechanical Engineering (Level 4).

In addition, we seconded a member of our Auckland team to support our commercial team in mainland China for a period of a year. We hope this to be the first of many opportunities for the team to share learnings across geographies.

METHVEN GROUP DIRECTORS

NEW DIRECTOR RECRUITMENT As part of our ongoing assessment of skills needed to support Methven's growth ambitions (Methven 130 and beyond) and our overall succession

planning, the Board commenced the recruitment process for an additional Director to join the Board.

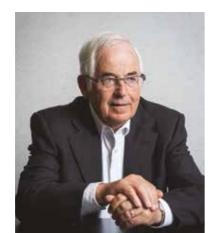


PHIL LOUGH

Chairman

RICHARD CUTFIELD

Independent Director



Phil joined the Board in September 2004. He brings to the table a wide range of skills and experience as an international exporter and marketer of primary and value add products. He is a former CEO of Sealord Group and Deputy Chief Executive of the Dairy Board and has had a hands-on role in guiding the international development of these global businesses. Phil is Chairman and Director of Port Nelson Limited, and is a Director of Livestock Improvement Corporation Limited and Genera Limited. He is a past Chairman of New Zealand Trade and Enterprise. He was awarded the Companion of the Order of New Zealand for services to business in the Queen's Birthday Honours' list in June 2008.



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 an Executive Director of Most Excellent Holdings Limited, owner of international branded nursery products company phil&teds. Having previously served as phil&teds CFO and COO, he now heads the Most Excellent group's private investment vehicle. 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, Phil & Teds Most Excellent Buggy Company Limited and related companies, and Mojo Coffee Cartel. Richard is also an independent director of Vega Industries, and a number of smaller export-focused businesses in the Most Excellent Holdings portfolio.

ALISON BARRASS

Independent Director

NORAH BARLOW

Independent Director

DAVID BANFIELD

Managing Director and Group Chief Executive Officer



Alison joined the Board in June 2012. 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 on the boards of Spark NZ, Callaghan Innovation and The Parenting Place in addition to her non-Executive Director role at Griffin's Foods following her departure as CEO.



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 a full time independent director, holding directorship roles with Evolve Education Limited, Estia Health Limited, Ingenia Communities Group, Cigna Insurance Limited (NZ), Vigil Monitoring Limited, Lifetime Design Limited and Netball Central. Norah is also part of the National Science challenges through her chairmanship of the governance group for the Ageing Well Challenge. 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.



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 relocated to Auckland with his wife Joy and his triplet boys to take up his new position. In May 2015, he was appointed to the Board. David 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. David led their UK and Irish business for 11 years and then moved to become their Global Commercial Director based in Germany. David has significant International experience, having been commercially active in over 30 markets around the world. David has a passion for cultural understanding, most recently evidenced by the "coming together" ceremony in Methven China that recognised the importance of both Chinese and Kiwi heritage and ultimately led to the successful integration into the Methven group. David is focused on leveraging Kiwi design, engineering and manufacturing on the world stage.



FROM LEFT TO RIGHT

BRENDAN DOWNEY-PARISH CHIEF COMMUNICATION & INNOVATION OFFICER

in January 2014 as Group January 2014 as Group Chief Marketing Officer and in October 2014, also was appointed to the assumed responsibility for the Insight, and R&D functions. He is passionate about ensuring consumers' needs are at the heart of the organisation and ensuring that business decisions are driven by sound consumer insight. Brendan has significant sales and marketing expertise gained across the dairy, beverage and food sectors, in NZ and the Middle East.

DAVID BANFIELD MANAGING DIRECTOR AND GROUP CHIEF EXECUTIVE OFFICER

Brendan joined Methven David joined Methven in Deidre joined Methven CEO, and in May 2015, Board. He has significant prior to the Company international experience, listing on the NZ Stock most recently for Brita, where he led their UK and Irish business for 11 years and then moved to become their Global Commercial Director based in Germany and regional Director of Southern Europe. He has been commercially active in over 30 markets legal, statutory, NZX around the world and transacted in around 60. David is focused on leveraging Kiwi design, engineering and manufacturing on the world stage

GROUP CHIFF FINANCIAL

Aaron joined Methven in June 2001, being promoted to Chief Financial Officer in 2003 and Supply. He is Exchange. She plays a key role contributing to development of the Company's strategic direction and business plans, and providing practice. Aaron is financial oversight. focused on re-building Deidre acts as Company operational capability Secretary ensuring in Methven ensuring our compliance with efficient manufacturing heritage continues, and corporate affairs both within the core requirements. Deidre has New Zealand business held a range of national and at our Chinese and international manufacturing base. financial roles, including Aaron has international with Auckland Regional operations experience Council and Matthew within sectors such as

Clark PLC.

DEIDRE CAMPBELL AARON LATIMER GROUP DIRECTOR OF

electronics and medical.

in July 2014 as Group Director of Operations passionate about visual 'lean' methodology to core manufacturing disciplines are in line with global best

Our People and Culture function is central to management and utilises Methven's belief that long-term competitive run operations, ensuring advantage comes from an environment where employees can reach their full potential. A Carl is driven to create great workplaces by attracting, developing and engaging a talented team. Carl is a qualified and experienced HR professional who has worked with several global organisations, including Beam Suntory, Ricoh, Spark and Vodafone.

CARL CHEATER

ANDY GRIGOR

HEAD OF PEOPLE & CULTURE GROUP HEAD OF DESIGN

Carl joined Methven in Andy joined Methven June 2014, as Methven's in May 2016 as Group first NZ-based HR leader. Head of Design. His extensive design and product development experience, most recently with Fisher & Paykel, is fuelled by curiosity and an enthusiastic passion for design, an eye for contemporary HR leader, detail and focus on making ideas happen. Andy has international design experience in a diverse range of products, including furniture, lighting and small appliances, and has received wide recognition and design awards both locally and internationally including a Red Dot award.



FROM LEFT TO RIGHT

RICH EVANS

CHIEF OPERATING OFFICER -

Rich joined Methven in February 2016 as Chief Operating Officer - NZ Market to lead a newly formed senior management team, to further develop and implement the NZ market strategic plan. Having spent the last 4 years as Methven UK's Operations Director, Rich has a passion for product and service innovation, people development and customer service. He began his career in the UK bathroom industry with Bristan Group where he held multiple roles in Operations, IT, Customer Service and Marketing.

HAMISH KOFOED

GENERAL MANAGER SALES

Hamish joined Methven in September 2014 as General Manager, Sales. He has a Sales & Marketing and Product Development background, most recently with Mico, where he managed the Bathrooms Specification function. Hamish has recently been promoted to the position of Head of Specification New Zealand/Australia, charged with identifying commercial sales opportunities and strategies in targeted channels for the wide Methven Group.

MATTHEW JONES GENERAL MANAGER

Matthew joined Methven in September 2015 as General Manager Marketing. He has a functional marketing background in FMCG, most recently with Nestlé where he held various roles across New Zealand and Australia over a 9 year period.

STIAN ANDERSEN GENERAL MANAGER.

Stian joined Methven in March 2011 as Finance Manager, having relocated from the UK to Auckland with his NZ wife and family. Prior to that, Stian spent 8 years with the globally iconic Dulux brand, across numerous commercial and technical financial roles



FROM LEFT TO RIGHT

SIMONE PAPPAS HEAD OF FINANCE & OPERATIONS

Simone joined Methven in October 2011 and is Head of Finance and Operations. An accountant by trade, Simone has experience in NZ and Australia, is responsible for detailed financial planning, and is integral to Australian strategic planning. Simone has recently taken on responsibility for Operations in addition to Finance, and is focused on delivering best in class service levels to our customers whilst optimising cost ratios.

BELINDA BOUNDS HR MANAGER

Belinda joined Methven in October 2015, as HR Manager, Australia. She has an HR background, most recently with Perpetual Guardian NZ as HR Business Partner, where she led the HR function through an integration process, including executing cost synergies, and developing and implementing a 3 year

strategic plan.

TROY MORTLEMAN CHIEF OPERATING OFFICER AUSTRALIA - INTERIM

Troy joined Methven in May 2005 and has spent the last 11 years in various customerfacing commercial roles. Troy is currently acting Chief Operating Officer, Australia and played a key part in developing the Australian strategic plan to 2018. Troy is passionate about delivering results through the team and sharing experiences with colleagues around the world for the betterment of the overall Methven

LAURA KEOGH

Laura joined the team as Head of Marketing in March 2015. She is responsible for the strategic development and implementation of Methven Australia's marketing communication and new product development plan, in support of local and global company objectives. Laura has significant brand and consumer experience in Australia and the USA.



FROM LEFT TO RIGHT

STEVE ROTHWELL COMMERCIAL DIRECTOR

Steve joined Methven in 2006, following 10 years in various roles with Rawlplug Limited. Prior to that, he spent 4 years with Carlton Cards as Territory Sales Representative.

PETER MAKIN GROUP PROCUREMENT

Peter joined Methven in July 2000 as a Procurement Assistant, completing his Degree with the Chartered Institute of Purchasing and Supply in 2004. He has held various roles in Procurement and Supplier Management for the UK business, before being promoted to his current Group role in 2013.

MARTIN WALKER CHIEF EXECUTIVE OFFICER

Martin joined Methven in August 2014 as CEO UK, Europe, Middle East and Africa. Tasked with growing Methven's business, and increasing Methven's brand awareness across the region, he has set about transforming the UK organisation by developing a new team, opening new markets, new customers and new premises. Martin's career includes 10 years as Sales Director and Deputy MD at BRITA, and 3 years as Curver's MD, leading the turnaround for the UK and Ireland business, doubling revenue, and turning them into a long term profitable business.

DERRICK WALTON OPERATIONS & IT DIRECTOR

OPERATIONS & IT DIRECT

Derrick joined Methven in February 2016 from Promethean where he was Director of **Customer Operations** for 13 years. He has a background in Operations and IT management, having held IT roles with one of the largest Sage ERP resellers; and a textile manufacturing business. Derrick's formative career years were spent with the BSS Group in their domestic plumbing merchant business in both IT and Operations.

CHRIS LAWMAN FINANCIAL CONTROLLER

Chris joined Methven in 2010 from Universal Leasing, where he was Group Financial Accountant, Prior to that, Chris spent 5 years with Admiral Leasing plc, in various roles, most recently as Financial Controller. Chris trained as a Chartered Accountant, before joining Kingston Smith LLP.



FROM LEFT TO RIGHT

GORDON CHENG OPERATIONS DIRECTOR

Gordon joined Methven in February 2016. He has a background in operations, having spent the last years as Operations Director of Manitowoc Foodservice (Foshan) Co. Ltd. Prior to that, Gordon spent 9 years with Delta Faucet China in a number of roles, most latterly as Manufacturing Manager.

ANDY CHEN

HR for Walmart in China where he managed the people integration of the \$1.4 billion acquisition of Trust Mart. Andy has led the leadership team in China and the successful

integration of Methven Heshan into the Methven group.

Andy joined Methven Sky joined Methven in designate - Methven Heshan. Andy has a very strong International background focused on people and culture. Andy was the Executive Vice President of Shirble Department Store where Brewery as Human he led the turnaround of Resources Supervisor. the \$800 million retail business. Prior to that, he was Senior Director of

SKY WANG MANAGER OF PEOPLE

February 2016. She has a background in human resources, most recently as HR & Administration Manager for Amphenol Sincere Flex Circuits, and prior to that, with San Miguel (Guangdong)

LESLIE DENG FINANCE DIRECTOR

Leslie joined Methven in February 2016. He has a background in finance, having spent the last 5 years with Bertelsmann Group - Arvato Foshan, where he served as General Manager. Leslie previously worked for Tokheim and Mattel Inc.

KEVIN ZHANG COMMERCIAL DIRECTOR

Kevin joined Methven in October 2015, following 2 years with Axent Group as Regional Manager of East China. Prior to that, he spent 5 years with Roca China, most latterly as National New Business Sales Manager.

ACKNOWLEDGEMENTS

The Board and Executive Team acknowledges the global Methven team for their considerable efforts in helping to achieve this year's result. The significant behindthe-scenes work from all our staff to deliver many key initiatives, including the significant task of relocating both our NZ and UK operations each to new premises, demonstrates loyalty, dedication and passion. This strong commitment in all areas of our business positions us well to deliver the aims of long term profitable growth and becoming a truly world class business.

We are extremely proud of our record of retaining talent in New Zealand. In 2015, we launched Legends of Methven, to celebrate the contribution and recognise the loyalty of 20 current employees or retired ex-employees who have served over a quarter of a century with us.

20 people recognised as Legends of Methven.

δ



Photo excludes 4 staff who have retired.

GOVERNANCE STATEMENT

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").

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 set 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 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 directions.

The Board's structure and governance arrangements are set out in the Methven Limited Board Charter.
There are currently five Directors on the Board, four of the five Directors are non-executive Directors all of whom are considered independent.
David Banfield, Group CEO, is the only executive on the Board.

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.

As part of our ongoing assessment of skills needed to support Methven's growth ambitions (Methven 130 and beyond) and our overall succession planning, 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 periods ended 31 March 2015 and 30 June 2016 were as follows:

	30 Jun	30 June 2016		h 2015
	Number	Number %		%
Directors				
Female	2	40	2	40
Male	3	60	3	60
Total	5	100	5	100
Officers¹				
Female	1	11	1	14
Male	8	89	6	86
Total	9	100	7	100
Total ————————————————————————————————————	9	100	7	100

 $^{^{\}mbox{\tiny 1}}$ Officers were 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 product holder of Methven;
- · 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 have close family ties with any person who falls within any of the categories described above; and

· While both Phil Lough and Richard Cutfield have a tenure of 10+years, their institutional knowledge gained during this time is viewed as important to provide balance to the perspective provided by the more recent appointments and their independence is not considered to be compromised.

The Board has considered the above factors and considers that, as at 30 June 2016, four of the directors are independent directors, namely Phil Lough, Richard Cutfield, Alison Barrass and Norah Barlow.

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.

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 & Safety Committee.

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

Audit, Compliance and Risk **Management Committee**

The Audit, Compliance and Risk Management Committee comprises Norah Barlow (Chair), Phil Lough, Richard Cutfield and Alison Barrass. This Committee assists the Board to fulfil its responsibilities in the areas of financial and risk management.

Remuneration Committee

The Remuneration Committee comprises, Richard Cutfield (Chairman), Phil Lough, Alison Barrass, and Norah Barlow.

The committee is responsible for determining and reviewing compensation arrangements for the Directors, Group CEO and the executive management team, ensuring appropriate performance management, talent identification and succession planning frameworks are in place.

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. The Committee comprises Alison Barrass (Chair), Phil Lough, Richard Cutfield and Norah Barlow.

The key focus areas for the committee

- Effective training and education on all aspects of Health and Safety Management and Leadership.
- Training and developing Health and Safety competency within the organisation.
- Actively reviewing and verifying hazard management in the workplace.

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 fifteen months ended 30 June 2016:

	Board Meetings	Audit, Compliance, and Risk Management Committee	Remuneration Committee	Health & Safety Committee
Phil Lough	15	9	3	1
Peter Stanes**	3	2	0	0
Richard Cutfield	15	9	3	1
Alison Barrass	13	7	3	2
Norah Barlow	15	9	3	1
David Banfield*	12	N/A	N/A	2
-				

 $^{^{\}star}$ David Banfield was appointed to the Board effective from 25 May 2015. David is a director of the Board and a member of the Health and Safety Committee.

^{**}Peter Stanes resigned effective from 14 July 2015

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; and
- 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 received the following Director fees from the Company in the 15 months ended 30 June 2016:

	15 months ended 30 June 2016	\$000
Phil Lough	Independent Chairman	117
Richard Cutfield	Independent	61
Alison Barrass	Independent	61
Norah Barlow	Independent	62
Peter Stanes	Independent (Retired 14 July 2015)	13
Total		314

PRINCIPLE 5 - REMUNERATION (CONTINUED)

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 encourage 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.

Executive Remuneration

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

Short-term performance-based cash remuneration is dependent on annual evaluation of performance.

The Share Plans in place for long-term performance-based equity remuneration are described in note 5.1 to the financial statements.

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; and
- Adhering to the NZX Listing rule whereby the lead audit partner is rotated from the engagement after 5 years.

Attendance at annual meeting

PwC as external auditor of the 2016 financial statements will attend the Company's annual shareholder meeting and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Company seeks to ensure that its PRINCIPLE 8 – SHAREHOLDER RELATIONS 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 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 foster

to engage with the entity

constructive relationships with

shareholders that encourage them

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 45.

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
Heshan Methven 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 2016.
- (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 15 month period ended 30 June 2016.

	Holding 1 April 2015	Number of shares purchased (sold)	Holding 30 June 2016
Directors of Methven Limite	d		
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)	858,380	-	858,380
Directors of subsidiaries			
Deidre Campbell (iii)	294,930	-	294,930
Martin Walker (iii)	200,000	-	200,000

^{*}appointed as Director of Methven Limited as at 25/5/15

- (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 the CEO share arrangement, which forms part of a performance based package to align and link his incentives with growing sustainable shareholder value. David has 458,380 shares under the arrangement, and has been provided a loan equal to 70% of the aggregate issue price of the shares, with interest charged at commercial interest rates. For more details on the CEO share arrangement refer to note 5.1.

(iii) David Banfield has 400,000 shares as part of the Executive Share Scheme. Deidre Campbell and Martin Walker have 200,000 shares each 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.

NET TANGIBLE ASSETS PER SHARE

Net tangible assets per share as at 30 June 2016 were \$0.14 (31 March 2015: \$0.11).

REMUNERATION OF EMPLOYEES

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

\$000	2016	\$000	2016	\$000	2016
100 - 110	14	160 - 170	3	250 - 260	2
110 - 120	13	170 - 180	1	260 - 270	1
120 - 130	11	180 - 190	2	270 - 280	2
130 - 140	2	200 - 210	1	450 - 460	2
140 - 150	4	210 - 220	1	510 - 520	1
150 - 160	6	220 - 230	1		

Offshore remuneration has been converted into New Zealand dollars at the average exchange rate used for translating the operating results, specifically; Australia 0.9206, UK 0.4542, and China 4.3041

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 period ended 30 June 2016:

Director	Entity	Relationship
Phil Lough	Fisher & Paykel Appliances Holdings Limited	Ceased to be a director
	Genera Limited	Appointed director
	MyFarm Trustee Limited	Appointed director
Alison Barrass	Callaghan Innovation Limited	Appointed director
	The Parenting Place	Appointed director
	Spark New Zealand Limited	Appointed director
	Methven Limited	New shareholder
Norah Barlow	Summerset Group Holdings Limited	Ceased to be a director
	Cooks Global Foods Limited	Ceased to be a director
	Lifetime Design Limited	Appointed director
David Banfield*	Methven Limited	Appointed director

^{*}appointed as Director of Methven Limited as at 25/5/15

SHAREHOLDER INFORMATION

The details set out below were as at 31 July 2016.

Principal shareholders	Ordinary shares	%
National Nominees New Zealand Limited	7,375,182	10.13%
Superlife Trustee Nominees Limited	3,949,663	5.43%
Guardian Nominees No 2 Ltd	3,791,529	5.21%
BT NZ Unit Trust Nominees Ltd	2,778,915	3.82%
Richardson Moses Fala & Megan Rae Fala Smith & Lance Frederick Hirst	2,746,930	3.77%
Forsyth Barr Custodians Ltd	2,073,303	2.85%
Accident Compensation Corporation	2,049,913	2.82%
FNZ Custodians Limited	1,845,985	2.54%
Methven Employee Share Trustee Limited	1,450,000	1.99%
NZ Permanent Trustees Ltd Grp Invstmnt Fund No 20	1,000,000	1.37%
NZPT Custodians (Grosvenor) Limited	802,504	1.10%
Public Trust Forte Nominees Limited	597,705	0.82%
Investment Custodial Services Limited	561,407	0.77%
BNP Paribas Nominees NZ Limited	493,991	o.68%
David Robert Banfield	458,380	0.63%
Custodial Services Limited	457,967	0.63%
Custodial Services Limited	345,246	0.47%
Ivan Tomishenko Alach & Geraldine Anna Alach	328,265	0.45%
Custodial Services Limited	326,904	0.45%
Tea Custodians Limited	287,465	0.40%

Size of holding	Number of holders	Holders %	Securities	% Issued Capital
1 - 1,000	242	7.45	180,152	0.25
1,001 - 5,000	1308	40.27	4,030,505	5.54
5,001 - 10,000	757	23.31	5,926,044	8.14
10,001 - 50,000	825	25.40	17,302,141	23.78
50,001 - 100,000	59	1.82	4,237,804	5.82
100,001 and over	57	1.75	41,096,764	56.47

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 31 July 2016 (there being a total of 72,773,410 shares on issue at that date):

	Date of notice	Ordinary shares
Salt Funds Management Limited	8 Jul 2016	8,927,626
Westpac Banking Corporation	12 Jul 2016	6,570,444
Milford Asset Management Limited	11 Jun 2015	5,126,301
Superlife Trustee Nominees Limited	8 Dec 2014	3,762,150

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2016

The Directors have pleasure in presenting the financial statements of Methven Limited, set out on pages 50 to 87, for the period ended 30 June 2016. The Directors authorised these financial statements for issue on 6 September 2016.

During the period Methven Limited changed its balance date from March to June. As a result these audited financial statements are for a fifteen month period to 30 June 2016 compared to a twelve month period to 31 March 2015. It is acknowledged that this makes comparability less meaningful and for this reason the Summary Report and Market Review on pages 4 to 19 focus on comparing our unaudited performance for the twelve months ended 30 June 2016 to the same period in the prior year.

Phil Lough Chairman

6 September 2016

Nul Jahr

Norah Barlow

Chair of the Audit, Compliance and Risk Management Committee



Independent auditors' report

To the shareholders of Methven Limited

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 2016, its financial performance and its cash flows for the period then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

What we have audited

Methven Limited's consolidated financial statements comprise:

- \bullet the statement of financial position as at 30 June 2016;
- the income statement for the period then ended;
- the statement of comprehensive income for the period then ended;
- the statement of changes in equity for the period then ended:
- the cash flow statement for the period then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies.

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 areas of review engagements and liquidation services. The provision of these other services has not impaired our independence as auditors of the Group.

Other matter

Our audit report was initially issued on 25 August 2016. Subsequent to that date and as described in note 5.4, the Company identified a misclassification between 'Cost of sales' and 'Administration and other expenses' of \$2.4 million within the income statement. This misclassification has subsequently been corrected in the financial statements approved by the directors on 6 September 2016. Our audit procedures on subsequent events since 25 August are solely restricted to the amendment to the financial statements as described in note 5.4 to the financial statements.

Information other than the financial statements and auditor's report

The Directors are responsible for the annual report. The other information included in the annual report is expected to be made available to us after the date of this auditors 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.

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://xrb.govt.nz/Site/Auditing_Assurance_ Standards/Current_Standards/Page5.aspx

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:

Chartered Accountants

Auckland

25 August 2016, except as to Note 5.4 which is 6 September 2016.

INCOME STATEMENT

FOR THE FIFTEEN MONTHS ENDED 30 JUNE 2016

NZ \$000	Notes	15 mths ended 30 Jun 16	12 mths ended 31 Mar 15
Sales revenue	2.2	129,987	96,349
Cost of sales		(74,947)	(52,835)
Gross profit		55,040	43,514
Other income	2.2	3,435	753
Expenses	2.3		
Research, design and engineering		(2,969)	(2,558)
Sales, distribution, marketing and brand development		(29,726)	(22,367)
Administration and other expenses		(12,918)	(9,868)
Finance costs		(1,711)	(1,404)
Profit before income tax		11,151	8,070
Income tax expense	2.4	(2,557)	(2,380)
Net profit attributable to shareholders of the parent		8,594	5,690
Earnings per share for profit attributable to the shareholders of the parent:			
Basic earnings per share (cents)	3.8(b)	12.1	8.2
Diluted earnings per share (cents)	3.8(b)	12.1	8.2

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FIFTEEN MONTHS ENDED 30 JUNE 2016

	15 mths	12 mths
NZ \$000	go Jun 16	ended 31 Mar 15
Net profit for the period	8,594	5,690
tems that may be reclassified subsequently to profit or loss		
Movement in foreign currency translation reserve	(1,106)	460
Movement in cashflow hedge reserve	(1,003)	2,130
Income tax relating to items that may be reclassified	315	(587)
Total items that may be reclassified subsequently to profit or loss	(1,794)	2,003
Other comprehensive income for the period net of tax	(1,794)	2,003
Total comprehensive income for the period attributable to the shareholders of the parent	6,800	7,693

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

NZ \$000	Notes	As at 30 Jun 16	As at 31 Mar 15
Assets			
Current assets			
Cash and cash equivalents		2,240	2,008
Trade receivables	3.1	17,911	15,259
Inventories	3.2	18,739	22,588
Derivative financial instruments	4.2	1,084	1,607
Income tax receivable		178	116
Prepayments and other assets		1,480	3,011
Total current assets		41,632	44,589
Non-current assets			
Property, plant and equipment	3.3	9,553	6,463
Deferred tax assets	3.5	3,162	2,279
Intangible assets	3.4	39,406	41,827
Total non-current assets		52,121	50,569
Total assets		93,753	95,158
Liabilities			
Current liabilities			
Trade creditors		10,838	9,350
Interest bearing liabilities	3.6	145	-
Derivative financial instruments	4.2	937	172
Income tax payable	1	158	2,008
Provisions	5.5(c)	360	385
Other creditors and accruals	3.3(-)	5,054	3,771
Employee accruals		2,869	2,040
Contingent consideration	3.7	-,5	1,304
Total current liabilities		20,361	19,030
Non-current liabilities			
Interest bearing liabilities	3.6	24,217	24,762
Derivative financial instruments	5.0		60
Non-current employee accruals		173	169
Contingent consideration	3.7	-/3	1,236
Total non-current liabilities	3-7	24,390	26,227
Total liabilities		44,751	45,257
Net assets		49,002	49,901
Equity		73,002	73,301
Share capital	3.8	52,080	52,080
Reserves	5.0	(10,503)	(8,820)
Retained earnings		7,425	6,641
Total equity		49,002	49,901

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

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 JUNE 2016

					_		
NZ \$000	Notes	Share capital	Hedge reserve	Share-based payments reserve	Currency translation reserve	Retained earnings	Total equity
Balance at 1 April 2014		46,986	(742)	-	(10,167)	6,788	42,865
Movement in foreign currency translation reserve		-	-	-	460	-	460
Movement in cashflow hedge reserve		-	2,130	-	-	-	2,130
Movement in deferred tax on hedge reserve		-	(587)	-	-	-	(587)
Profit for the year		-	-	-	-	5,690	5,690
Total comprehensive income		-	1,543	-	460	5,690	7,693
Dividends	3.8	-	-	-	-	(5,837)	(5,837)
Shares issued	3.8	5,094	-	-	-	-	5,094
Movement in share based payments reserve		-	-	86	-	-	86
Balance at 31 March 2015		52,080	801	86	(9,707)	6,641	49,901
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

CASHFLOW STATEMENT

FOR THE PERIOD ENDED 30 JUNE 2016

N/7.40.00	Natas	15 mths ended	12 mths ended
NZ \$000	Notes	30 Jun 16	31 Mar 15
Cashflows from operating activities		(00 454
Receipts from customers		125,652	96,474
Government grants		696	780
Payments to suppliers		(77,467)	(66,825)
Payments to employees		(27,412)	(21,097)
		21,469	9,332
Interest received		1	6
Interest paid		(1,714)	(1,315)
Income taxes paid		(5,026)	(1,766)
Net cash inflow from operating activities	5.5(a)	14,730	6,257
Cashflows from investing activities Payments for property, plant and equipment, patents, trademarks and software		(5,685)	(3,358)
Payments to acquire Invention Sanitary		-	(5,402)
Proceeds from sale of property, plant and equipment		32	14
Net cash outflow from investing activities		(5,653)	(8,746)
Cashflows from financing activities			
Issue of ordinary shares		-	150
Proceeds from / (Repayment of) borrowings		(888)	8,058
Dividends paid		(7,810)	(5,837)
Net cash inflow/(outflow) from financing activities		(8,698)	2,371
Net decrease in cash and cash equivalents		379	(118)
Cash and cash equivalents at the beginning of the financial period		2,008	2,104
Foreign currency translation adjustment		(147)	22
Cash and cash equivalents at end of period		2,240	2,008

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2016

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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 6 September 2016. 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), New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and 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 period 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' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

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. These 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-ofuse asset' for virtually all lease contracts.	Must be applied for periods beginning on or after 1 January 2019. Early adoption is permitted but only in conjunction with NZ IFRS 15. The Group has yet to assess the impact of this standard.
NZ IFRS 9 Financial instruments (2014)	In July 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 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition. The new standard also introduces expanded disclosure requirements. The transition rules for IFRS 9 only allow a six month period up to February 2015 to early adopt other versions of IFRS 9. After this date, an entity may only early adopt the complete standard.	Must be applied for periods beginning or after 1 January 2018. The Group has yet to assess the impact of this standard.
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 2017. The Group is still assessing the potential impact of adopting this new standard. The Group has not yet decided when to adopt NZ IFRS 15.

1 GENERAL INFORMATION (CONTINUED)

1.5 Key changes during the period

The following key changes to Methven Limited's business have occurred during the 15 months ended 30 June 2016:

- During the period the company changed its financial year-end from 31 March to 30 June so as to:
- · More evenly spread trading days over its first and second half year periods;
- · Improve the predictability of year end results by removing stock, and therefore debt, volatility caused by Chinese New Year in February; and
- · Improve the predictability of year end results by having more time to react to the volatile December and January trading months.
- It is acknowledged that the change in balance date, resulting in a 15 month reporting period, makes comparative reporting against a 12 month period less meaningful. However unaudited comparatives of certain key financial features for the 12 months ended 30 June have been included in the commentary section on pages 4 to 19.
- · As a part of the change of balance date the company announced a special dividend of 3.0 cents per share paid in December 2015. The company has now changed its dividend payment dates to March and September of each year (previously June and December).
- · Significant investments were made in the 2015 financial year in marketing and operational capability including the launch of Aurajet® technology and a new digital strategy. During the 12 months ended 30 June 2016 sales grew 8.1% with a significant portion of this directly linked to the investments made in the prior year.
- · Investment in property, plant, tooling and other production equipment increased \$4.1 million on the prior period. This increase was largely driven by the NZ and UK businesses premise relocations, production equipment and the current period being 15 months versus 12 month prior period.
- · During the period there were a number of non-recurring items as detailed in the table below. Methven comments on net profit after tax excluding non-recurring items, a non-GAAP measure, to provide data that is useful in understanding the underlying and on going operations of the Group.

NZ \$000	Reported in	15 mths ended 30 Jun 16	12 mths ended 31 Mar 15
Reported net profit after tax		8,594	5,690
Inventory provision adjustment	Cost of sales	1,821	-
Relocation costs	Cost of sales	758	-
Contingent consideration release	Other Income	(2,729)	-
Merger and acquisition costs	Expenses	-	360
Legal fees	Expenses	431	234
Marketing credits writedown	Expenses	152	-
Restructuring costs	Expenses	77	199
Total non-recurring items		510	793
Net profit after tax excluding non-recurring iten	ns	9,104	6,483

1 GENERAL INFORMATION (CONTINUED)

- · During the period the Group cleared a total of \$1.4 million of slow moving and obsolete inventory. This was a record for the Group and gave us unprecedented learning about the value we could realise for older inventory, and highlighted that the provision assumptions used previously were inadequate. As a result, we conducted a detailed review at all sites and compared it with our best case example in the UK where ageing stock has been cleared effectively over a number of years. As a result of this review, we concluded that we needed to record a one-off provision of \$1.8 million to cover clearance of older stock across N7. Australia and Heshan.
- · The Group relocated both the UK office and the NZ Head Office and manufacturing operation to new leasehold sites. These sites provide us with the opportunity to open market leading Experience Centres and to recognise our long term commitment to manufacturing in New Zealand, implementing Design, Engineering, Toolmaking, Foundry, Polishing and Assembly on site. Relocation costs were incurred during the period of \$0.8 million
- The earnings delivered from the Invention Sanitary acquisition were in line with expectation and full integration has now been achieved with the successful transition of the leadership team led by Andy Chen. Hui Zhuang (Invention Sanitary vendor) retired from the business in December 2015. Working capital has remained higher than foreseen during due diligence, and in May 2016 agreement was reached with Mr Zhuang to forfeit any earnout that arose from the acquisition despite realising anticipated earnings, given the extent of increased working capital delivered on settlement. As a result the \$2.7 million Contingent Consideration liability was released to the Income Statement during the period. Refer note 3.7.
- · Merger and Acquisition costs relate to the agreement to acquire the business assets Invention Sanitary.
- · Legal fees relate to costs incurred to successfully defend a claim by a former service provider.
- · Marketing Credits asset held on the Australia balance sheet, have been written down reflecting actual usage.
- · Restructuring costs relate to one-off costs as a result of organisational changes made in the China and UK segments.

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
- · Inventory valuation these relate to the assumptions used to determine the net realisable value of inventories. Refer to note 3.2.

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.

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,
- $\cdot\,\,$ research and development leading to new design, technology and Intellectual Property,
- · marketing and brand development activity,
- \cdot manufacturing operations including locations in New Zealand and China, and
- · strategic and management support, IT and corporate services.

New Zealand

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

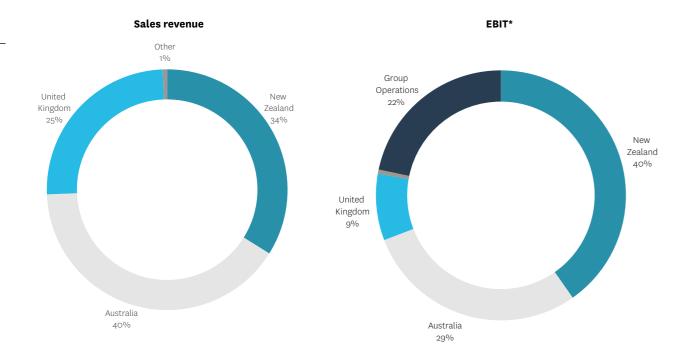
Australia

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

United Kingdom

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

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 Chief Operating Decision Makers (CODM).



*EBIT is defined as earnings before interest, tax and non-recurring items.

2. PROFIT AND LOSS INFORMATION (CONTINUED)

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
Non-recurring items (note 1.5)						510
Net profit after tax excluding non-recurring items						9,104

12 mths ended 31 Mar 15 (restated**)					Inter segment eliminations/	
	New			Group	unallocated	
NZ \$000	Zealand	Australia	UK	Operations	and Other	Total
Sales revenue from external customers	32,114	38,884	24,423	539	389	96,349
Sales revenue from internal customers	-	53	11	24,657	(24,721)	-
Total sales revenue	32,114	38,937	24,434	25,196	(24,332)	96,349
Earnings before interest and tax	4,367	2,624	393	2,118	(34)	9,468
Interest received/(paid)	-	(352)	(704)	(342)	-	(1,398)
Net profit before income tax	4,367	2,272	(311)	1,776	(34)	8,070
Income tax (expense) / credit	(1,324)	(683)	35	(514)	106	(2,380)
Net profit/(loss) for the year	3,043	1,589	(276)	1,262	72	5,690
Non-recurring items (note 1.5)						793
Net profit after tax excluding non-recurring items						6,483

^{**2015} results have been reclassified for the following: earnings is earnings before interest and tax (EBIT) (2015: EBITDA); China sales segment amalgamated into intersegment eliminations and other.

2. PROFIT AND LOSS INFORMATION (CONTINUED)

(b) Notes to and forming part of the segment information $% \left(x\right) =\left(x\right) ^{2}$

Revenue from the Group's top 5 customers comprises 44% (2015: 45%) of the total Group revenue. Revenue from the top 5 customers is spread across our New Zealand and Australia segments. The Group's largest customer accounts for 16% of the Group's revenue (2015: 14%) and is spread across the New Zealand and Australia segments.

The assets and liabilities of the Group are reported to the CODM 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;
- · 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 6% (2015: 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

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. Other grants are recognised as accrued income when there is a reasonable assurance that they will be received and that the Group will comply with the conditions associated with the Grant. 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	15 mths ended 30 Jun 16	12 mths ended 31 Mar 15
Sales revenue from sale of goods	129,987	96,349
Other income		
Interest	1	6
Government grants	705	747
Contingent consideration released (note 3.7)	2,729	-
	3,435	753
_		

2. PROFIT AND LOSS INFORMATION (CONTINUED)

2.3 Expenses

NZ \$000	15 mths ended 30 Jun 16	12 mths ended 31 Mar 15
Depreciation (note 3.3)	2,878	2,011
Amortisation (note 3.4)	1,832	1,203
Finance costs		
Interest charges	1,711	1,310
Rental expense relating to operating leases		
Minimum lease payments	2,731	2,061
Sundry expenses		
Donations	14	Ę
Directors' fees (note 5.1)	314	249
Bad and doubtful debts expense/(recovery)	11	(2)
Employee benefit expense		
Wages, salaries and short term benefits	28,528	20,935
Termination benefits	307	440
Employee share option expense (note 5.1)	111	86
Remuneration of auditors:		
Audit of financial statements		
Audit of financial statements (i)	273	28
Other services		
Other services (ii)	56	126
Total other services	56	126
Total fees paid to auditor	329	407

⁽i) The audit fee includes the fees for both the annual audit of the financial statements and agreed upon procedures for interim financial statements

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 period for non-audit related services were 17% of total fees paid.

⁽ii) Other services include review engagements associated with grant compliance reporting and interim review services related to the liquidation of UK subsidiary Windsor Water Fittings Limited. In the prior year this also included technical acquisition accounting services in relation to the acquisition of Invention Sanitary.

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.

	15 mths ended	12 mths ended
NZ \$000	30 Jun 16	31 Mar 15
(a) Income tax expense		
Current tax expense:		
Current tax	3,249	3,056
Adjustment for prior year	(74)	(39)
	3,175	3,017
Deferred tax expense (note 3.5)		
Origination and reversal of temporary differences	(673)	(639)
Reduction in company tax rates	49	(5)
Adjustment for prior year	6	7
	(618)	(637)
Income tax expense	2,557	2,380
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	11,151	8,070
Tax at 28% (2015: 28%)	3,122	2,260
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:	(451)	154
Difference in overseas tax rates	(111)	75
Adjustment for prior year	(52)	(104)
Reduction in company tax rates	49	(5)
Income tax expense	2,557	2,380

The weighted average effective tax rate for the Group was 23.0% (2015: 29.5%).

(c) Imputation credits

Imputation credits available for use in subsequent periods were \$6,000 (2015:\$1,483,000).

3 FINANCIAL POSITION INFORMATION

3.1 Current assets - Trade receivables

NZ \$000	As at 30 Jun 16	As at 31 Mar 15
Trade receivables	18,352	15,537
Provision for doubtful receivables	(441)	(278)
	17,911	15,259

Recognition and measurement:

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 16	As at 31 Mar 15
NZD	6,138	4,054
AUD	6,941	6,797
GBP	4,634	4,284
RMB	15	15
JSD	183	109
	17,911	15,259

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 2016, Group trade receivables of \$441,000 (2015: \$278,000) 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 16	As at 31 Mar 15
1 to 6 months	381	219
Over 6 months	60	59
	441	278

As at 30 June 2016 1.6% (2015: 2.2%) of the Groups 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 2016 the Group had two customer balances greater than 10% of total trade receivables. One customer balance comprised 13% (2015: 14%) of Group trade receivables and the other accounted for 10% (2015: 9%).

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)

3.2 Current assets - Inventories

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.

	As at	As at
NZ \$000	30 Jun 16	31 Mar 15
Raw materials and components	6,545	7,617
Work in progress	776	757
Finished goods	14,612	15,634
Provision for inventory obsolescence	(3,194)	(1,420)
Net inventories	18,739	22,588

Critical accounting estimate

As referenced in note 1.5, the Group recognised a non-recurring increase to inventory provisions during the period of \$2.6 million (2015: \$Nil). This assessment was based on the learnings gained from inventories that had been liquidated during the period and then applied to estimate the net realisable value of inventories at balance date. While no further material change in the net realisable values of inventory is expected, it is reasonably possible that inventories are liquidated above or below the estimated net realisable values.

Group inventories recognised as an expense (within cost of sales) during the period ended 30 June 2016 amounted to \$64,490,000 (2015: \$47,580,000).

The Group recognised a net increase of \$1,774,000 (2015: decrease \$119,000) 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.



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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 vehicles3 - 5 yearsPlant and equipment3 - 20 yearsFixtures, fittings and office equipment3 - 12 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is less than its estimated recoverable amount.

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

		Plant, fixtures,		
	Capital work	fittings and	Motor	
NZ \$000	in progress	equipment	vehicles	Total
As at 1 April 2014				
Cost	387	21,105	251	21,743
Accumulated depreciation	-	(16,794)	(230)	(17,024)
Net book amount	387	4,311	21	4,719
Year ended 31 March 2015				
Opening net book amount	387	4,311	21	4,719
Effect of movement in exchange rates	-	81	1	82
Additions	1,489	798	2	2,289
Assets acquired from Invention Sanitary (refer note 3)	=	1,375	16	1,391
Transferred completed work in progress	(829)	820	9	-
Depreciation charge	-	(1,995)	(16)	(2,011)
Disposals	-	(7)	-	(7)
Closing net book amount	1,047	5,383	33	6,463
As at 31 March 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
As at 31 March 2015				
New Zealand	1,047	2,779	12	3,838
Australia	-	855	5	860
United Kingdom	-	149	-	149
China	-	1,600	16	1,616
Net book amount	1,047	5,383	33	6,463

3. FINANCIAL POSITION INFORMATION (CONTINUED)

NZ \$000	Capital work in progress	Plant, fixtures, fittings and equipment	Motor vehicles	Total
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

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.
Customer relations	Customer relations acquired on business acquisition are capitalised based on the fair value of cash flows forecast to be derived from the relationship. The relationships are deemed to have a finite useful life and are carried at cost less accumulated amortisation and impairment.	Straight line method to allocate the cost of the asset over its useful life of 10 years.

Impairment of non-financial assets

Assets that have an indefinite useful life 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 recognised as internally generated intangible assets.

3. FINANCIAL POSITION INFORMATION (CONTINUED)

N7 4000	0.4	Caft	Patents &	Customer	T-4-1
NZ \$000	Goodwill	Software	trademarks	relations	Total
As at 1 April 2014					
Cost	29,196	3,637	1,609	7,799	42,24
Accumulated amortisation	-	(2,106)	(843)	(5,700)	(8,649)
Net book amount	29,196	1,531	766	2,099	33,592
Year ended 31 March 2015					
Opening net book amount	29,196	1,531	766	2,099	33,592
Effect of movement in exchange rates	843	47	-	68	958
Additions	7,339	763	381	=	8,48
Amortisation charge	-	(448)	(114)	(641)	(1,203
Disposals	-	(3)	-	-	(3
Closing net book amount	37,378	1,890	1,033	1,526	41,82
As at 31 March 2015					
Cost	37,378	4,357	1,989	8,019	51,74
Accumulated amortisation	-	(2,467)	(956)	(6,493)	(9,916
Net book amount	37,378	1,890	1,033	1,526	41,82
As at 31 March 2015					
New Zealand	3,504	837	796	-	5,13
Australia	1,871	36	-	-	1,90
United Kingdom	24,491	650	237	1,526	26,90
China	7,512	367	-	-	7,87
Net book amount	37,378	1,890	1,033	1,526	41,82
Period ended 30 June 2016					
Opening net book amount	37,378	1,890	1,033	1,526	41,82
Effect of movement in exchange rates	(1,096)	(2)	(18)	59	(1,057
Additions	-	165	303	-	46
Amortisation charge	_	(703)	(249)	(880)	(1,832
Disposals	-	-	-	-	(1,002
Closing net book amount	36,282	1,350	1,069	705	39,40
As at 30 June 2016					
Cost	36,282	4,400	2,165	7,675	50,52
Accumulated amortisation	-	(3,050)	(1,096)	(6,970)	(11,116
Net book amount	36,282	1,350	1,069	705	39,40
As at 30 June 2016					
New Zealand	3,504	599	794	-	4,89
Australia	1,872	11	-	-	1,88
United Kingdom	23,440	485	275	705	24,90
China	7,466	255		-	7,72
Net book amount	36,282	1,350	1,069	705	39,40

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 2018 (UK) and June 2017 (New Zealand and Australia). 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 2016. No impairment has been recognised in any of the prior periods presented.

	New Zealand	Australia	UK	China manufacturing	Total
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	8.2%	8.0%	9.0%	10.4%	
2015					
Goodwill NZ\$000	3,504	1,871	24,491	7,512	37,378
Terminal growth rate	2.2%	3.5%	2.6%	2.9%	
Discount rate	8.2%	8.0%	9.0%	8.1%	

Critical Accounting Estimate

Management does not expect reasonably possible changes in key assumptions would reduce the recoverable amount of the New Zealand, Australia and China manufacturing CGU below its carrying amount. In respect of the UK CGU reasonably possible changes in key assumptions have been tested and no impairment is indicated. These are set out below:

Key Assumptions	Variation	UK Goodwill Impairment NZ \$000
Terminal year sales growth rate	-1.0%	No impairment
Sales growth rate reduction (percentage points)	- 60.0%	No Impairment
Discount rate (percentage points)	+1.0%	No Impairment

However it is acknowledged that given the uncertain environment, changes to key assumptions beyond management's control cannot be discounted entirely and impairment testing will continue to be monitored regularly.

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 of operations 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 \$696,000 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 \$288,000 of tax losses during the period and there is no expiration date on the remaining tax losses.

NZ \$000	As at 30 Jun 16	As a 31 Mar 1,
(a) The balance comprises temporary differences attributable to:		
Depreciation	648	60;
Provisions and accruals	1,847	1,20'
Customer relations	(139)	(305
Tax losses	696	999
Derivative financial instruments	110	(219
	3,162	2,27
(b) Movements:		
Opening balance	2,279	2,21:
Credited to the income statement (note 2.4)	618	63'
Charged (credited) to equity	316	(587
Movement between current and deferred tax balance	(39)	(12
Foreign exchange differences	(12)	29
Closing balance	3,162	2,27
(c) Income/(expense) recognised in income statements:		
Depreciation	44	180
Provisions and accruals	684	12,
Customer relations	178	13.
Tax losses	(288)	(176
Other	-	36'
	618	63'

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)**

otal deferred tax liabilities	(228)	(361)
peferred tax liability to be recovered within 12 months	(209)	(3)
peferred tax liability to be recovered after more than 12 months	(19)	(358)
otal deferred tax assets	3,390	2,640
peferred tax asset to be recovered within 12 months	2,196	1,010
peferred tax asset to be recovered after more than 12 month	1,194	1,630
IZ \$000	As at 30 Jun 16	As at 31 Mar 15

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 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
inance leases (note 5.2(ii))	NZD			145	714
				145	24,217

				Current	Non-current
		Facility limit			
	Currency	(000's)	Expiry	NZ \$000	NZ \$000
As at 31 March 2015					
Bank facility - BNZ loan	NZD	\$24,000	Apr 2016	-	20,810
Bank facility - Yorkshire Bank loan	GBP	£3,500	Apr 2016	-	3,952
				-	24,762
Finance leases (note 5.2(ii))	NZD			-	-
				-	24,762

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 2016 the Group complied with this covenant with an interest cover over the 12 months to 30 June 2016 of 8.8 times (31 March 2015: 9.1 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 2016 the Group complied with this covenant with a gearing ratio over the 12 months to 30 June 2016 of 2.0 times (31 March 2015: 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 2016 the Group complied with this covenant with 86% of total assets, and 86% of EBITDA (31 March 2015: 93% of total assets and 95% of EBITDA). The Guaranteeing Group comprised the Parent and all subsidiaries excluding Methven (Xiamen) Trading Co Ltd and Heshan Methven Bathroom Fitting Co Ltd.

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

Interest rates

The weighted average effective interest rate on borrowings was 5.5% (2015: 5.8%).

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 16	As at 31 Mar 15
Cash and cash equivalents	2,240	2,008
Finance leases	(859)	2,000
Bank facility loans	(23,503)	(24,762)
Net Debt	(22,122)	(22,754)

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 values 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, 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 business earnings are in line with the original expectations, inventory levels have been 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 is nil and the contingent consideration liability previously recognised of NZ\$2.7 million has been released to the Income Statement in the other income line.

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 16 Shares	As at 31 Mar 15 Shares	As at 30 Jun 16 NZ \$000	As at 31 Mar 15 NZ \$000
Opening balance of ordinary shares issued	72,773,410	66,606,265	52,080	46,986
Shares issued for Acquisition of Invention Sanitary	-	4,258,765	-	4,944
Share issued to key management	-	1,450,000	-	-
Shares issued to the Chief Executive Officer	-	458,380	-	150
Closing balance of ordinary shares issued	72,773,410	72,773,410	52,080	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.

The shares issued to key management and the CEO are treasury shares as the Company has a beneficial interest in the shares until the vesting conditions are met in relation to the Executive share scheme, or the limited recourse loans are repaid in full in relation to the CEO share scheme. As at 30 June 2016 the Company had 1,908,380 treasury shares on issue (2015: 1,908,380).

(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	As at
	30 Jun 16	31 Mar 15
Basic earnings per share		
Net profit attributable to shareholders (\$000)	8,594	5,690
Weighted average number of ordinary shares on issue	70,865,030	69,814,924
Basic earnings per share (cents)	12.1	8.2
Diluted earnings per share		
Net profit attributable to shareholders (\$000)	8,594	5,690
Weighted average number of ordinary shares for diluted earnings per share	70,865,030	69,814,924
Diluted earnings per share (cents)	12.1	8.2

3. FINANCIAL POSITION INFORMATION (CONTINUED)

(c) Dividends per share

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

	As at	As at
	30 Jun 16	31 Mar 15
	Cents per	Cents per
	share	share
nterim 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	-
nterim dividend for the period ended 31 March 2015	-	4.0
Final dividend for the period ended 31 March 2014	-	4.5
	11.0	8.5

The 2014 final dividend paid during 2015 the year was imputed at a rate of 14%. All other dividends paid during the current and prior period were imputed at a rate of 28%.

Supplementary dividends of \$127,681 (2015: \$52,958) 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 risk.

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.
Contingent consideration		This is the present value of the estimated earnout payments the Group expected to make (refer note 3b)
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 purchase of inventory in US dollars and Euro, translation of subsidiary results in Great Britain pounds, Australian dollars and Chinese Yuan. These exposures are categorised into transactional exposures and 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 period end. Foreign subsidiary assets and liabilities are translated at the closing rate at period 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 and RMB).

Translation

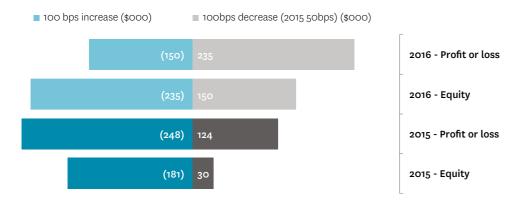
The Group has foreign exchange exposure when converting subsidiary results from their local currencies (in AUD, GBP and RMB) into NZD for the purposes of consolidating Group results

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 if foreign exchange rates at balance date had been 100 basis points higher or lower with all other variables held constant. In consideration of the increased downside risk in the market compared to the prior year, sensitivities have been increased to 100 basis points.



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 6 - 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:

		A = =+
NZ \$000	As at 30 Jun 16	As at 31 Mar 15
Foreign exchange contracts		0 0
Buy USD / Sell NZD	(406)	77
Sell AUD / Buy NZD	105	47
Buy EUR / Sell NZD	-	(20)
Buy GBP / Sell NZD	126	-
Buy USD / Sell AUD	(172)	1,079
Buy USD / Sell GBP	575	396
Buy EUR / Sell GBP	84	(69)
nterest rate swaps		
GBP swap	(35)	(42)
NZD swap	(130)	(93)
Total derivative financial instruments	147	1,375
Classified as:		
Assets	1,084	1,607
Liabilities	(937)	(232)

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.

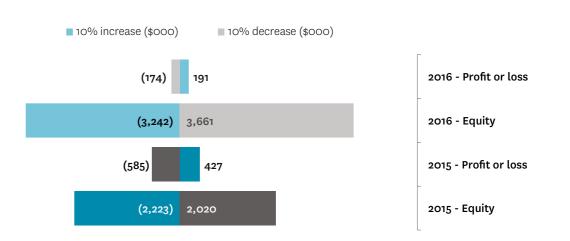
The contracts require settlement of net interest receivable or payable quarterly. The settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis.

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	: 2016	31 Marc	ch 2015	
	Weighted average interest rate	Balance \$000	Weighted average interest rate	Balance \$000	
Bank overdrafts and bank loans Interest rate swaps (notional principal amount)	5·5% 3·3%	23,503	5.8%	24,762	

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. In consideration of the increased downside risk in the market compared to the prior year, sensitivities have been increased to 100 basis points.



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 o.2m, AUD o.25m and GBP o.05m.

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 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. FINANCIAL RISK MANAGEMENT (CONTINUED)

As at 31 March 2015						
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	(341)	(31)	(24,818)	=	(25,190)	(24,762)
Contingent consideration	(1,322)	-	(1,322)	-	(2,644)	(2,540)
Trade creditors	(9,350)	-	-	-	(9,350)	(9,350)
Other creditors and accruals	(3,771)	-	-	-	(3,771)	(3,771)
Total non-derivatives	(14,784)	(31)	(26,140)	-	(40,955)	(40,423)
Derivatives						
Net settled (interest rate swaps)	(33)	(31)	(64)	(7)	(135)	(135)
Gross settled (foreign exchange contracts)						
- inflow	22,994	7,278	-	-	30,272	30,272
- (outflow)	(22,522)	(6,240)	-	-	(28,762)	(28,762)
Total derivatives	439	1,007	(64)	(7)	1,375	1,375

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

 $The key management personnel includes the {\it Chief Executive Officer} and those employees who report directly to the {\it CEO}.$

Compensation

NZ \$000	15 mths ended 30 Jun 16	12 mths ended 31 Mar 15
Salaries and other short term employee benefits	3,035	1,840
Termination benefits	169	-
Employee share option expenses	111	86
Directors	314	249
	3,629	2,175

5. OTHER INFORMATION (CONTINUED)

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

Total expenses recognised from the share based payment transactions during the period was \$111,000 (2015: \$86,000).

Executive Share Scheme

In October 2014 Methyen issued 1,450,000 treasury shares to selected senior executives at market price. Methyen provided the participants with a loan 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 4 year vesting period (previously 3 year vesting period).

Dividends will be used to repay interest and principal on the loan. Methven holds security over the shares until such time as the outstanding balance of the loan has been fully repaid.

The participants will be eligible to be paid a cash bonus at the end of the vesting period in June 2018 based on June 2018 NPAT targets as follows:

NPAT year ending 30 June 2018 (\$NZ)	% of bonus payable
\$10.5m - \$11.0 m	25%
\$11.5m - \$12.0m	50%
\$12.5m - \$13.0m	100%

These targets are for the purposes of the Executive Share Scheme only and should NOT be construed as guidance. The targets are measured before

If the NPAT targets are not met by the end of the vesting period 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 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 increase in line with the probability, subject to the maximum amount payable under the scheme.

200,000 treasury shares were forfeited and no share options vested during the period. The Board also resolved to establish further employee share schemes as detailed further in note 5.4.

Transactions with other parties

Payments of RMB 2,429,000 (NZ\$560,000) (2015: \$522,000) were made to related parties of Hui Zhuang, a former Director of Heshan Methven Bathroom Fittings Co., Ltd and former owner of Invention Sanitary Ltd. The payments made in the current period related to the rent of premises

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

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 16	As at 31 Mar 15
Within one year	2,307	1,610
One to two years	1,947	1,436
Two to five years	3,815	4,555
Later than five years	5,578	5,481
	13,647	13,082

(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 and have been classified under current and non-current interest bearing liabilities on the consolidated balance sheet.

NZ \$000	As at 30 Jun 16	As at 31 Mar 15
Within one year	210	-
Later than one year but not later than five years	842	-
Later than five years	-	-
Minimum Lease Payments	1,052	-
Future Finance Charges	(193)	-
Recognised as a liability	859	-

(iii) Capital commitments

As at 30 June 2016 Group had \$217,000 capital commitments (2015:\$Nil).

5. OTHER INFORMATION (CONTINUED)

5.3 Contingencies

The Group had no material contingent liabilities or assets as at 30 June 2016 (2015: \$Nil).

5.4 Events occurring after the reporting period

The following events have occurred subsequent to 30 June 2016:

The Board of Directors resolved to pay a final dividend of 4.5 cents per share or \$3.3 million. The dividend will be paid on 30 September 2016 to all shareholders on the Company's register at the close of business on 23 September 2016.

The Board resolved to establish further employee share schemes for implementation in the new financial year. These include an Employee Share Option Plan and a Discounted Share Purchase Plan for staff looking to invest more. The schemes are intended to align and link employees as owners of the business and focus action on growing sustained shareholder value.

The financial statements were initially approved and released on 25 August 2016. Subsequent to that date an expenditure misclassification was identified and Methven amended the following expense lines within the Income Statement on page 50: reduced 'Cost of sales' by \$2.4 million, with an equal and offsetting increase to 'Administration and other expenses'. The change is limited to expense classification within the Income Statement and all other information released on 25 August 2016 remains unchanged. In particular there is no impact to the Company's reported net profit after tax. While the amendment has been assessed to be immaterial to the overall financial performance of the Group for the 15 months ended 30 June 2016, the Directors' preference has been to issue corrected financial statements to maintain the quality of our financial reporting to shareholders.

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	15 mths ended 30 Jun 16	12 mths ended 31 Mar 15
Profit for the period	8,594	5,690
Depreciation	2,878	2,011
Amortisation of intangible assets	1,832	1,203
Share options expensed	111	86
Net loss on disposal of assets	133	10
Contingent consideration release	(2,729)	-
Impact of changes in working capital items (net of acquisitions)		
Trade receivables	(4,335)	215
Inventories	3,758	789
Prepayments and other assets	1,560	(1,667)
Trade creditors	1,726	(2,283)
Employee accruals	825	473
Provisions, other creditors and accruals	2,846	(883)
Tax receivable	(1,965)	1,254
Deferred income tax	(504)	(641)
Net cash inflow from operating activities	14,730	6,257

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	2016 %	2015 %
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
Windsor Water Fittings Limited	UK	Liquidated	N/A	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
Heshan Methven Bathroom Fitting Co. Limited	China	Supply and Manufacture of tapware	100	100

Windsor Water Fittings Limited has been liquidated during the period.

(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.

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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