

METHVEN LIMITED	
Results for announcement to the market	
Reporting Period	Year ended 31 March 2009
Previous Reporting Period	Year ended 31 March 2008

	Amount (000s)	Percentage change
Sales revenue from ordinary activities	\$137,321	+19.7%
Profit from ordinary activities after tax attributable to shareholders	\$10,056	+3.1%
Net Profit attributable to shareholders	\$10,056	+3.1%

	Gross amount per share	Imputation tax credit per share
Final Dividend	5.50 cents	2.36 cents
Record Date	19 June 2009	
Dividend Payment Date	30 June 2009	

Audit	The abridged financial statements attached to this report have been audited.
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Comments:	Refer to the following section for commentary.
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Earnings per Security (EPS)

Calculation of basic and fully diluted EPS in accordance with IAS 33: Earnings Per Share

	Current full-year (cents per share)	Previous corresponding full-year (cents per share)
Basic EPS	15.1	18.3
Diluted EPS	15.1	18.3

Dividends Paid/Payable

	Date Paid	Cents per share (fully imputed)
Final Dividend for the year ended 31 March 2009	30 June 2009	5.50
Interim Dividend for the year ended 31 March 2009	31 December 2008	6.25

Net Tangible Assets per share

	Current full-year	Previous corresponding full-year
Net Tangible Assets per share	\$0.18	\$0.12

Results for the Year Ended 31 March 2009

- Group NPAT up 3.1% from \$9.8m to \$10.1m in line with H/Y guidance
- Group Operating Revenue up 19.7% from \$114.8m to \$137.3m
- EBITDA up 4.4% from \$18.9m to \$19.8m
- Net Debt down 17.7% from \$32.6m to \$26.8m
- Fully imputed final dividend of 5.5 cps to be paid on 30 June 2009, down 8.3 percent from 6.0 cps, to bring total dividend for the year to 11.75 cps
- Encouraging UK result with first full year revenues \$57.5m and EBITDA \$7.9m (GBP3.0m) in line with pre-acquisition expectations, despite the depth of the recession. Promising UK exports to the Middle East of \$1.7m
- Methven NZ sales down 10.7% to \$38.1m and EBITDA down 9.5% to \$11.0m but remain domestic leader with 50% plus market share and strength in renovation sector
- Methven Australia sales up 19.8% to \$41.6m on strong growth in Satinjet shower and tapware sales but EBITDA down 26.0% as continued to build sales and distribution structure
- USA EBITDA loss down 28.4% to \$0.9m and migrated to servicing out of NZ with third party warehouse and agency representation.

Directors' Review

Methven Group has delivered a highly creditable 2008-09 result in line with half year guidance to maintain bottom line profit growth despite the incredibly challenging market conditions, particularly in the second half.

The Group result demonstrates the effectiveness of Methven's strategy to diversify its revenue sources across different markets and product ranges. It also reflects the company's inherent strengths to deliver unique showering experiences from turning a home shower into a home spa or retrofitting a hotel room with a luxurious, energy and water efficient Satinjet shower.

Methven Group has successfully reduced its debt to \$26.8 million from \$32.6 million. Potential for further debt reductions from trading cashflows leaves Methven well positioned to weather continued economic uncertainties.

Financial Performance

After a challenging second half, the year to 31 March 2009 ended with NPAT up 3.1% from \$9.8 million to \$10.1 million (including one off UK tax credits of \$636,000).

Group Operating Revenue increased by 19.7% over the prior year from \$114.8 million to \$137.3 million, with EBITDA up 4.4% from \$18.9 million to \$19.8 million. This reflected the full year contribution of Deva Tap Company in the UK, which produced an outstanding result given the trading climate in the market worst affected by recession, combined with the expected contraction in New Zealand. In addition, the extent of the second half downturn in the Australian market meant that we did not generate the contribution targeted to cover the additional expenditure in the sales and marketing area.

The Group benefited from Deva's global sourcing model to reduce the cost of products, a reduction in brass and copper prices, a company-wide regime of tight operating cost management and reduced capital expenditure.

The Group ended the financial year with solid earnings, better cash flows and reduced debt, down 17.7% from \$32.6 million to \$26.8 million.

Dividend

Directors are comfortable with the strength of the balance sheet, including the prudent level of borrowings, banking covenant compliance and favourable debt financing arrangements which are in place to August 2010.

However, given the continued uncertainty of the economic outlook, directors have decided to be prudent and reduce the final, fully imputed dividend to 5.5 cps to be paid on 30 June 2009, down 8.3 percent or 0.5 cps on prior year. Shareholders will receive a gross dividend of 7.86 cps, an imputation credit of 2.36 cps, with the net cash in hand dividend being 5.5 cps (for NZ resident shareholders).

Market Overview

United Kingdom

- Operating Revenue of \$57.5 million compared to \$37.3 million for seven months trading in prior year
- EBITDA of \$7.9 million (GBP3.0 million) still in line with pre-acquisition expectations
- Middle East division sales \$1.7 million

The UK (Deva business) produced a strong result despite very weak economic conditions, achieving increased market share while reducing costs.

Deva is a highly successful operator with a low cost model and high service standards. It also oversees the Group's global sourcing capability to achieve a lower cost of product.

While the outlook for the UK economy is for a long recession, there is increasing opportunity for our Satinjet products which we launched in 2008. We are using the experience gained from building the Australian market to move up to branded premium showerware and tapware. There has been modest success already in the specifier and hotel market for Satinjet products.

The expansion of our UK business into the Middle East is also going relatively well with first sales recorded totalling \$1.7 million.

Deva's value end ranges will soon be sold in Australia and New Zealand to complement the branded higher end Methven products to give merchants and consumers wider choice at different price points.

New Zealand

- Operating Revenue down 10.7% from \$42.7 million to \$38.1 million
- EBITDA down 9.5% from \$12.1 million to \$11.0 million (includes market development costs of the Maia beauty shower and all Group overheads)
- Market share increased and well positioned in DIY and renovation market with full ranges
- Combined building permits down 22.4% year on year; new build down 33.9%; renovation down 9.2%

Despite extremely tough trading conditions and a significant drop in the building market, Methven New Zealand continued to maintain and grow its New Zealand market share.

In a climate where cash is king, Methven expects to retain its leadership position and strength in the renovation and DIY segment as merchants are reverting to trusted and credible suppliers with stock on hand and who are able to provide a full range of products at different price points to meet the market.

There is rigorous focus on continuing to reduce costs and leverage the savings through Group sourcing from China and elsewhere.

We are looking more at developing product range extensions in the short term rather than new platform technologies. This includes introducing high end Satinjet Tahī and Kiri showerhead variants with complementary tapware.

A strategic new, world first technology, the new Methven shower infusion range which turns a home shower into a home spa, was released to market in May 2009.

A key area of opportunity we have identified is extending our offer into the hotel sector where we can demonstrate attractive savings in energy and water usage through the retrofit of existing showerheads with Methven Satinjet technology.

Australia

- Operating Revenue up 19.8% from \$34.7 million to \$41.6 million:
 - Satinjet sales up 17% on last year
 - Tapware sales up 53% on last year
 - NEFA maintained market share but at reduced margin in intensely competitive market
- Investment in sales and marketing infrastructure continued

- EBITDA down 26.0% from \$2.9 million to \$2.1 million

Australian Satinjet showerware sales reached a new record high in the year under review with complementary tapware ranges adding to the Methven brand's overall appeal, but the market grew increasingly soft in the second half and cost rationalisation initiatives took time to take effect.

NEFA held market share in the intensely competitive valving segment, but the cost benefits from integrating distribution within the Methven Australia infrastructure are only now beginning to come through along with the savings from China sourcing.

We will continue our push into the hotel market where we have retrofitted 6,000 rooms since 2005 with Satinjet showerware, based on justified energy and water saving benefits, as well as providing hotel guests a luxurious showering experience.

USA

- EBITDA loss down 28.4% from \$1.2 million to \$0.9 million and continuing to reduce
- Rationalised in-market representation to service customers from NZ and through agents

We have reduced the losses in this market from \$1.2 million in 2007-08 to \$900,000 in the year under review and a cost neutral position is expected at the end of the 2009-10 financial year as a result of exiting from direct representation.

We have cut our losses and are being realistic in the current environment to focus on our core markets.

Opportunities for Growth

While the worldwide recession demands prudence, we are alert to new opportunities and are not standing still with a range of short and longer term initiatives being rolled out.

Methven's unique point of difference is that we are dedicated to creating the ultimate shower experience to fulfil what consumers around the world have told us they want from their shower: personal space, time out to relax and indulge, rejuvenate and think. At the same time they want stylish, user friendly showers and they want to know that they are energy and water efficient. Methven Satinjet showers deliver that promise.

In 2008, we launched the world's first beauty shower, Satinjet Maia, with a unique Vitamin C filter to neutralise chlorine to help purify the water and better protect the face, skin and hair from drying out as well as all over body spray and deep tissue massage features.

Methven Shower Infusions

In 2009, another world first is being trialled – Methven shower infusions. It's a simple idea that enables an ordinary shower to be transformed into a personal home spa experience.

It comes with a patented infusion pod that can be attached to an existing shower system. The pod includes a cartridge that is filled with naturally based essential oils, vitamins and fragrances to transform the mood and pamper the skin. The shower infusion is released when the shower water runs through the pod creating an aromatherapy and hydrotherapy experience. A complementary range of hand and body products has also been produced to sell alongside the shower infusions to create a total HomeSpa experience.

The infusion innovation is already being sold at Auckland's premium Smith and Caughey department store, selected plumbing merchants in Auckland and Hamilton and via Methven's website at www.methven.com. At this stage the infusions are only being trialled in New Zealand to ensure we have a proven sales model before extending distribution.

Hotel Market

A priority for Methven currently is to promote to hotels the water and energy efficiencies, coupled with a luxurious shower experience, which can be gained from a simple retrofit of bathrooms with Satinjet showerware. Potential savings have strong appeal to hoteliers looking for every avenue to lift their margins.

The company has retrofitted around 6,000 rooms in Australia alone and believes that this sector provides a global niche opportunity.

Export Development Model

Methven is also seeking to expand its geographic market reach beyond Australasia and the UK in its bid to become a global brand.

A complementary export model is being pursued with dedicated expertise to secure plumbing and DIY distributors in new markets, including Asia, South America and Europe, for Methven's wide range of showerware, tapware and valving.

Range Extensions

We are re-focusing on enhancing the current Satinjet proprietary offering to exploit our existing platform technology, rather than investing primarily in developing new platform technologies. Enhancements of the premium Tahi and Kiri showerware have been launched to provide wider choice to discerning consumers. Methven tapware ranges are also being extended to provide a complete bathroom look.

Strategy and Outlook

Trading conditions in all Methven's key markets remain extremely challenging. The directors therefore do not expect the company to replicate the relatively strong prior year first half performance this year.

However, we have real confidence in the company's business models, its ability to weather the current economic climate and to resume profitable growth in the future.

Methven's plan includes continued focus on costs, particularly by utilising the Deva managed global procurement process, and reducing capital expenditure and working capital.

The renovation and replacement market is also proving relatively resilient. The global opportunities for Satinjet retrofits for hotels provide an immediate marketing priority as is extending our international distribution in non traditional markets. Methven also believes a key factor in its competitive appeal is being able to offer extended ranges of products from premium end through to Deva-sourced tapware and showerware that suit the value end of the market.

Strategic investments in the new HomeSpa shower infusions technology will be maintained with a view to positioning Methven in the beauty and wellbeing category in the longer term.

We will keep the market and shareholders informed of our progress through the year.

INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2009

NZ \$000	Notes	CONSOLIDATED		PARENT	
		2009	2008	2009	2008
Sales revenue	6	137,321	114,759	43,902	49,775
Cost of sales		(81,627)	(66,110)	(23,616)	(27,965)
Gross profit		55,694	48,649	20,286	21,810
Other revenue	6	9	354	2,260	927
Expenses	7				
Research, design and engineering		(2,659)	(2,566)	(2,652)	(2,566)
Sales, distribution, marketing & brand development		(29,100)	(24,592)	(6,387)	(7,459)
Administration and other expenses		(7,938)	(5,405)	(3,167)	(2,453)
Finance costs		(2,553)	(2,006)	(649)	(687)
Profit before income tax		13,453	14,434	9,691	9,572
Income tax expense	8	(3,397)	(4,677)	(2,532)	(3,231)
Net profit attributable to shareholders of the parent		10,056	9,757	7,159	6,341
Earnings per share for profit attributable to the shareholders of the parent:					
Basic earnings per share (cents)	29	15.1	18.3	10.7	11.9
Diluted earnings per share (cents)	29	15.1	18.3	10.7	11.9

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

BALANCE SHEET

AS AT 31 MARCH 2009

NZ \$000	Notes	CONSOLIDATED		PARENT	
		2009	2008	2009	2008
Assets					
Current assets					
Cash and cash equivalents		3,732	3,930	540	596
Trade receivables	9	25,307	27,458	6,007	9,381
Inventories	10	31,849	30,546	6,249	9,711
Derivative financial instruments	11	1,672	504	451	36
Income tax receivable		-	159	-	110
Intercompany loans	12	-	-	11,400	9,246
Prepayments and other assets		861	1,099	182	252
Total current assets		63,421	63,696	24,829	29,332
Non-current assets					
Investments in subsidiaries	26	-	-	27,385	27,280
Property, plant and equipment	13	8,444	8,640	5,470	6,106
Deferred tax assets	14	1,767	1,546	437	700
Intangible assets	15	45,932	46,756	4,123	3,969
Total non-current assets		56,143	56,942	37,415	38,055
Total assets		119,564	120,638	62,244	67,387
Liabilities					
Current liabilities					
Trade creditors		13,167	14,594	1,777	4,592
Interest bearing liabilities	17	4,045	12,634	-	-
Derivative financial instruments	11	376	599	79	323
Income tax payable		1,558	-	65	-
Provisions	16	471	491	453	474
Other creditors and accruals		9,886	8,377	2,455	2,882
Employee accruals		2,011	1,870	769	903
Total current liabilities		31,514	38,565	5,598	9,174
Non-current liabilities					
Interest bearing liabilities	17	26,527	23,892	5,121	6,269
Derivative financial instruments	11	39	-	-	-
Deferred tax liabilities	14	3,353	3,159	-	-
Non-current employee accruals		123	91	123	91
Total non-current liabilities		30,042	27,142	5,244	6,360
Total liabilities		61,556	65,707	10,842	15,534
Net assets		58,008	54,931	51,402	51,853
Equity					
Share capital	19	46,986	46,986	46,986	46,986
Reserves	20	(299)	(1,479)	441	(108)
Retained earnings	20	11,321	9,424	3,975	4,975
Total equity		58,008	54,931	51,402	51,853

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2009

CONSOLIDATED			Share capital	Hedge reserve	Share options reserve	Retained earnings	Currency translation reserve	Total equity
		Notes						
NZ \$000								
Balance at 1 April 2007			17,170	(456)	42	6,378	(168)	22,966
Movement in foreign currency translation reserve		20	-	-	-	-	(1,288)	(1,288)
Movement in cashflow hedge reserve		20	-	512	-	-	-	512
Deferred tax on hedge reserve		20	-	(172)	-	-	-	(172)
Movement in share option reserve		20	-	-	51	-	-	51
Profit for the year		20	-	-	-	9,757	-	9,757
Total recognised income and expense for the year			-	340	51	9,757	(1,288)	8,860
Costs attributed to raising share capital		19	(592)	-	-	-	-	(592)
Dividends		21	-	-	-	(6,711)	-	(6,711)
Share options exercised		19	352	-	-	-	-	352
Shares issued		19	30,056	-	-	-	-	30,056
Balance at 31 March 2008			46,986	(116)	93	9,424	(1,456)	54,931
Balance at 1 April 2008			46,986	(116)	93	9,424	(1,456)	54,931
Movement in foreign currency translation reserve		20	-	-	-	-	108	108
Movement in cashflow hedge reserve		20	-	1,423	-	-	-	1,423
Deferred tax on hedge reserve		20	-	(438)	-	-	-	(438)
Movement in share option reserve		20	-	-	87	-	-	87
Profit for the year		20	-	-	-	10,056	-	10,056
Total recognised income and expense for the year			-	985	87	10,056	108	11,236
Dividends		21	-	-	-	(8,159)	-	(8,159)
Balance at 31 March 2009			46,986	869	180	11,321	(1,348)	58,008

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

STATEMENT OF CHANGES IN EQUITY (continued)

PARENT

NZ \$000

	Notes	Share capital	Hedge reserve	Share option reserve	Retained earnings	Total equity
Balance at 1 April 2007		17,170	(405)	42	5,345	22,152
Movement in cashflow hedge reserve	20	-	317	-	-	317
Deferred tax on hedge reserve	20	-	(113)	-	-	(113)
Movement in share option reserve	20	-	-	51	-	51
Profit for the year		-	-	-	6,341	6,341
Total recognised income and expense for the year		-	204	51	6,341	6,596
Costs attributed to raising share capital	19	(592)	-	-	-	(592)
Dividends	21	-	-	-	(6,711)	(6,711)
Share options exercised	19	352	-	-	-	352
Shares issued	19	30,056	-	-	-	30,056
Balance at 31 March 2008		46,986	(201)	93	4,975	51,853
Balance at 1 April 2008		46,986	(201)	93	4,975	51,853
Movement in cashflow hedge reserve	20	-	660	-	-	660
Deferred tax on hedge reserve	20	-	(198)	-	-	(198)
Movement in share option reserve	20	-	-	87	-	87
Profit for the year	20	-	-	-	7,159	7,159
Total interest recognised and expense for the year		-	462	87	7,159	7,708
Dividends	21	-	-	-	(8,159)	(8,159)
Balance at 31 March 2009		46,986	261	180	3,975	51,402

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

CASHFLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2009

NZ \$000	Notes	CONSOLIDATED		PARENT	
		2009	2008	2009	2008
Cash flows from operating activities					
Receipts from customers		139,426	111,676	47,218	48,225
Payments to suppliers		(92,995)	(73,769)	(24,830)	(30,771)
Payments to employees		(25,355)	(20,075)	(9,364)	(8,956)
		<u>21,076</u>	<u>17,832</u>	<u>13,024</u>	<u>8,498</u>
Dividends received		-	-	1,278	-
Interest received		9	158	177	448
Interest paid		(2,415)	(1,568)	(560)	(635)
Income taxes paid		(2,123)	(5,613)	(2,292)	(3,620)
Net cash inflow / (outflow) from operating activities	28	<u>16,547</u>	<u>10,809</u>	<u>11,627</u>	<u>4,691</u>
Cash flows from investing activities					
Payment for purchase of subsidiary, net of cash acquired	25	-	(43,411)	-	(21,102)
Payments for property, plant and equipment, patent and trademarks		(2,611)	(4,318)	(1,113)	(2,914)
Loans to subsidiaries		-	-	(1,068)	(3,855)
Proceeds from sale of property, plant and equipment		63	664	-	-
Capitalisation of subsidiary		-	-	(105)	-
Net cash (outflow) / inflow from investing activities		<u>(2,548)</u>	<u>(47,065)</u>	<u>(2,286)</u>	<u>(27,871)</u>
Cash flows from financing activities					
Net proceeds from issues of shares and other equity securities		-	27,480	-	27,480
Proceeds from borrowings		-	18,347	-	2,707
Repayment of borrowings		(6,092)	-	(1,238)	-
Dividends paid	21	(8,159)	(6,711)	(8,159)	(6,711)
Net cash (outflow) / inflow from financing activities		<u>(14,251)</u>	<u>39,116</u>	<u>(9,397)</u>	<u>23,476</u>
Net (decrease) / increase in cash and cash equivalents		<u>(252)</u>	<u>2,860</u>	<u>(56)</u>	<u>296</u>
Cash and cash equivalents at the beginning of the financial year		3,930	1,102	596	300
Foreign currency translation adjustment		54	(32)	-	-
Cash and cash equivalents at end of year		<u>3,732</u>	<u>3,930</u>	<u>540</u>	<u>596</u>

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

1 General information

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

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

These financial statements have been approved for issue by the Board of Directors on 27 May 2009.

2 Summary of significant accounting policies

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 policies have been applied consistently to all years previously presented unless otherwise stated.

(a) Basis of preparation

Entities reporting

The financial statements are for Methven Limited ('the Parent') and the consolidated economic entity comprising Methven Limited and its subsidiaries (together "Methven" or the "Group").

Statutory base

Methven Limited is a company registered under the Companies Act 1993 and an issuer in terms of the Securities Act 1978.

The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

The Company and Group are designated as profit oriented entities for financial reporting purposes.

Measurement base

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets as identified in specific accounting policies below.

Critical accounting estimates

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined in note 4.

(b) Group financial statements

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

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully de-consolidated from the date on which control ceases.

The purchase method is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. 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 cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer to note 15). If the cost of acquisition is less than the fair value of the Group's share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

2 Summary of significant accounting policies (continued)

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.

(c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

(d) Foreign currency translation

(i) 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 and parent financial statements are presented in New Zealand dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement 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); and
- all resulting exchange differences are recognised as a separate component of equity.

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. When a foreign operation is partially disposed of or sold exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

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.

(e) Revenue recognition

Revenue comprises the fair value of the sale of goods and services 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:

(i) Sales of goods

Sales of goods are recognised when a Group entity has dispatched the goods sold. This is the point where risks and rewards associated with ownership of the goods have been transferred and collectibility of the related receivables is reasonably assured.

(ii) Interest income

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

2 Summary of significant accounting policies (continued)

(f) Inventories

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. 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.

(g) Property, plant and equipment

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 asset, 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.

Land is not depreciated. 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:

Buildings	20 - 40	years
Motor vehicles	5 - 10	years
Plant and equipment	3 - 20	years
Fixtures, fittings and office equipment	3 - 13	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.

(h) Intangible assets

(i) Goodwill

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. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill acquired in business combinations is not amortised. Instead, goodwill 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. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash generating units that are expected to benefit from the business combination in which the goodwill arose. The Group allocates goodwill to the Australian, UK and the New Zealand entities (note 15).

(ii) 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. Amortisation is calculated using the straight-line method to allocate the cost of patents and trademarks over their estimated useful life (15-20 years). Capitalised costs relating to applications that are turned down are expensed immediately into the income statement.

(iii) Research and development

Research expenditure is recognised as an expense as incurred. Development costs are recognised as assets if they meet the recognition criteria. Otherwise, the costs of development activities are expensed as incurred. Development costs recognised as assets are amortised over their estimated useful lives.

2 Summary of significant accounting policies (continued)

(iv) 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. These costs are amortised over their estimated useful lives (3 to 5 years). Costs associated with maintaining computer software programs are recognised as an expense when incurred.

(v) Customer relations

Customer relations acquired due to a business acquisition are capitalised based on fair value. The relationships are deemed to have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost of the asset over its useful life.

(i) 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.

(j) Income tax

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.

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 assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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.

(k) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. An estimate is made for doubtful receivables based on a review of all outstanding amounts at period end. Bad debts are written off during the period in which they are identified. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision and any write off of trade receivables is recognised in the income statement within 'Sales, distribution, marketing & brand development'.

(l) Cash and cash equivalents

Cash and cash equivalents includes cash in hand and at bank.

(m) Share capital

Ordinary shares are classified as equity.

2 Summary of significant accounting policies (continued)

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.

(n) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transactions) and the redemption value is recognised in the income statement over the period of the borrowing using the effective interest rate. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(o) Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

(i) *Warranty*

A liability is recognised for the expected value of claims on product sales that are still under warranty at balance date. Expected costs are based on historical data relating to product returns.

(ii) *Deferred maintenance*

A liability is recognised to cover a contractual obligation to perform remedial work at the Auckland premises. The provision is based on third party quotations and is released as and when expenditure is incurred. The level of the liability is reassessed annually.

(p) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(q) Goods and Services Tax (GST)

The income statement and statement of cash flows have been prepared so that all components are stated exclusive of GST. All items in the balance sheet are stated net of GST, with the exception of receivables and payables which include GST invoiced.

(r) Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised as the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The rental obligations, net of finance charges, are recognised in the balance sheet. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

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

(s) Investments

Investments in subsidiaries are stated at cost in the balance sheet of the Parent.

2 Summary of significant accounting policies (continued)

(t) Employee benefits

(i) *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.

(ii) *Long service leave*

Provision for long service leave is calculated and accrued from the date of employment to the extent that it is probable that the leave entitlement will vest. In addition, the provision for sick leave, being an accumulating compensated absence, is recognised based on the expectation the Group will pay sick leave as a result of the unused entitlement that has accumulated at the balance sheet date.

(iii) *Equity-settled share-based compensation*

The Group operates a number of equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options 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, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

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

(u) Dividends

Dividend distribution to shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Parent's shareholders.

(v) Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year. 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.

(w) Statement of cash flows

The following are the definitions of the terms used in the statement of cash flows:

(a) Operating activities include principle revenue producing activities and all transactions and other events that are not investing or financing activities.

(b) Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment and investments. Investments can include securities not falling within the definition of cash.

(c) Financing activities are those activities that result in changes in the size and composition of the capital structure. This includes both equity and debt not falling within the definition of cash. Dividends paid in relation to the capital structure are included in financing activities.

(x) Financial instruments

Financial instruments comprise financial derivatives, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition financial instruments are measured as described below.

2 Summary of significant accounting policies (continued)

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Trade and other receivables are stated at their cost less impairment losses.

Interest-bearing borrowings are classified as other non-derivative financial instruments.

Trade and other payables are stated at cost.

(y) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured 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 Group documents at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 11. Movements in the cash flow hedging reserve in shareholders' equity are shown in note 20.

(i) Cash flow hedge

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

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale 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 income statement. 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 income statement.

(ii) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

(z) Government grants

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 deferred 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.

(aa) Comparative Information

To ensure consistency with the current period deferred tax figures have been reclassified where appropriate. Deferred tax assets of \$1,546,000 have been separately recognised as an asset rather than being netted off against deferred tax liabilities.

(ab) Standards, amendments and interpretations to existing standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 April 2009 or later periods but which the Group has not early adopted:

- **NZ IFRS 3 (Amendment) 'Business Combinations'** (effective from 1 January 2009). The amendment includes a number of updates including the requirement that all costs relating to a business combination must be expensed and subsequent remeasurement of the business combination must be put through to the profit and loss. The Group will apply NZ IFRS 3 (Amendment) prospectively to all business combinations from 1 April 2009.
- **IFRS 8 'Operating segments'** (effective from 1 January 2009) IFRS 8 replaces IAS 14. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply IFRS 8 from 1 April 2009. This will impact disclosure only.
- **NZ IAS 1 (Amendment) 'Presentation of Financial Statements'** (effective from 1 January 2009). The amendment requires a number of changes to the presentation and disclosures in financial statements. The Group will apply NZ IAS 1 (Amendment) from 1 April 2009. This will impact disclosures only.
- **NZ IAS 23 (Amendment) 'Borrowing costs'** (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as a part of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply NZ IAS 23 (Amendment) from 1 April 2009 but is currently not applicable to the Group as there are no qualifying assets.
- **NZ IFRS 2 (Amendment), 'Share-based payment'** (effective from 1 January 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply NZ IFRS 2 (Amendment) from 1 April 2009. It is not expected to have a material impact on the Group's result.

4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Goodwill impairment

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates, refer note 2h(i). Refer to note 15 for details of these assumptions and the potential impact of changes to the assumptions.

(ii) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision in income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination are made. Refer to note 8.

(iii) Customer relations

The valuation of the customer relations which were acquired in the business combination were determined based on future sales and margins expected to be generated from the customer relations. These calculations require the use of estimates. Customer relations are tested for impairment when there is an indication of a trigger event.

5 Segment information

(a) Description of segments

The Group operates in one industry segment, being the design and supply of shower and tapware and domestic water control valves. Inter-segment sales are on an arm's length basis.

New Zealand

The home country of the parent entity is the base for new design and technology development, strategic and management support, sales and marketing of shower and tapware and domestic water control valves in New Zealand and Pacific Islands.

Australia

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

USA

Comprises sales and marketing operations in the United States of America supplying shower and tapware.

United Kingdom

Comprises sales and marketing operations in the United Kingdom and the Middle East, supplying shower and tapware.

China

Provides quality control and sourcing operations in Asia for the group.

(b) Business segments

2009

	New Zealand	Australia	USA	UK	China	Total continuing operations	Inter-segment eliminations/unallocated	Consolidated
NZ \$000								
Sales revenue	43,902	41,564	77	57,542	-	143,085	(5,764)	137,321
Earnings before interest, tax, depreciation, amortisation and marketing support.	10,987	2,148	(877)	7,900	(408)	19,750	2	19,752
Inter-segment charges	(1,155)	(121)	919	-	400	43	(43)	-
Earnings before interest, tax, depreciation and amortisation	9,832	2,027	42	7,900	(8)	19,793	(41)	19,752
Depreciation and amortisation	(1,594)	(850)	(37)	(1,258)	(16)	(3,755)	-	(3,755)
Interest received/(paid)	176	(447)	-	(2,272)	-	(2,543)	(1)	(2,544)
Inter-segmental dividend	1,277	-	-	(1,277)	-	-	-	-
Profit before income tax	9,691	730	5	3,093	(24)	13,495	(42)	13,453
Income tax expense								(3,397)
Profit for the year								10,056

Other segmental items

Assets	62,244	21,002	1,052	68,623	90	153,011	(33,447)	119,564
Liabilities	10,842	15,803	1,200	41,271	11	69,127	(7,571)	61,556
Acquisitions of property, plant and equipment and intangibles	1,154	1,067	30	336	24	2,611	-	2,611

2008

	New Zealand	Australia	USA	UK	China	Total continuing operations	Inter-segment eliminations/unallocated	Consolidated
NZ \$000								
Sales revenue	49,775	34,695	51	37,325	-	121,846	(7,087)	114,759
Earnings before interest, tax, depreciation, amortisation and marketing support.	12,145	2,905	(1,225)	5,105	-	18,930	(3)	18,927
Inter-segment charges	(1,452)	269	1,183	-	-	-	-	-
Earnings before interest, tax, depreciation and amortisation	10,693	3,174	(42)	5,105	-	18,930	(3)	18,927
Depreciation and amortisation	(1,246)	(675)	(9)	(715)	-	(2,645)	-	(2,645)
Interest received/(paid)	125	(382)	-	(1,591)	-	(1,848)	-	(1,848)
Profit before income tax	9,572	2,117	(51)	2,799	-	14,437	(3)	14,434
Income tax expense								(4,677)
Profit for the year								9,757

Other segmental items

Assets	67,387	17,854	682	70,841	-	156,764	(36,126)	120,638
Liabilities	15,534	11,500	777	46,401	-	74,212	(8,505)	65,707
Acquisitions of property, plant and equipment and intangibles	2,914	1,350	35	14	-	4,313	-	4,313
Acquisition of business(note 25)	-	-	-	18,371	-	18,371	-	18,371

17 Interest bearing liabilities

	Currency	Facility limit	Expiry	CONSOLIDATED		PARENT	
				Current NZ \$000	Non-current NZ \$000	Current NZ \$000	Non-current NZ \$000
As at 31 March 2009							
Bank facility - Yorkshire Bank invoice finance	GBP	£3,500	Dec 09	3,997	-	-	-
Bank facility - BNZ loan	NZD	\$9,000	Aug 10	-	5,121	-	5,121
Bank facility - Yorkshire Bank loan	GBP	£9,000	Aug 10	47	21,406	-	-
Lease liability (note 23)	AUD			1	-	-	-
Total interest bearing liabilities				<u>4,045</u>	<u>26,527</u>	<u>-</u>	<u>5,121</u>

	Currency	Facility limit	Expiry	CONSOLIDATED		PARENT	
				Current NZ \$000	Non-current NZ \$000	Current NZ \$000	Non-current NZ \$000
As at 31 March 2008							
Bank facility - Yorkshire Bank invoice finance	GBP	£3,000	Dec 09	7,494	-	-	-
Bank facility - BNZ loan	NZD	\$9,000	Aug 10	-	6,269	-	6,269
Bank facility - Yorkshire Bank loan	GBP	£9,000	Aug 10	91	17,623	-	-
Vendor deferred consideration	GBP	£2,000	Feb 09	5,035	-	-	-
Lease liability (note 23)	AUD			14	-	-	-
Total interest bearing liabilities				<u>12,634</u>	<u>23,892</u>	<u>-</u>	<u>6,269</u>

The vendor deferred consideration of £2.0m was paid on the 2 March 2009.

Both the BNZ and the Yorkshire Bank are part of the National Australia Bank Group.

Security

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

- the interest cover ratio for the Group shall not be less than 2.5 times. As at 31 March 2009 the Group complied with this covenant with an interest cover of 6.9 times (31 March 2008: 6.7 times).
- the gearing ratio for the Group (net debt divided by EBITA) shall not exceed 3.5 times. As at 31 March 2009 the Group complied with this covenant with a gearing ratio of 2.0 times (31 March 2008: 1.7 times).
- the Guaranteeing Group holds not less than 95% of Total Assets and earns not less than 95% of Total Revenue and EBITDA. As at 31 March 2009 the Group complied with this covenant with 100% of Total Assets, Total Revenue and EBITDA (31 March 2008: 100%).

Group compliance has been maintained during the financial year and prior year.

Interest rates

The weighted average effective interest rate on borrowings was 7.32% (2008: 8.27%).

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

NZ \$000	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
Profit for the year	10,056	9,757	7,159	6,341
Depreciation	2,423	1,942	1,389	1,162
Amortisation	1,332	703	205	84
Employee share options amortisation	87	51	87	51
Net (gain) loss on disposal of assets	17	(176)	-	20
Derivative financial instruments movement	(103)	(293)	-	-
Cost of debt amortisation	89	52	89	52
Net exchange differences	-	-	(379)	259
Impact of changes in working capital items				
Trade receivables	2,151	(2,965)	3,374	(1,450)
Inventories	(1,305)	(2,490)	3,467	(1,967)
Prepayments and other assets	390	90	70	89
Trade creditors	(1,427)	1,653	(2,815)	1,293
Other operating liabilities	1,564	392	(1,457)	(968)
Tax receivable	1,717	(282)	175	(38)
Deferred income tax	(444)	2,375	263	(237)
Net cash inflow from operating activities	<u>16,547</u>	<u>10,809</u>	<u>11,627</u>	<u>4,691</u>