**WESFARMERS INDUSTRIAL & SAFETY HOLDINGS NZ LIMITED**

# Annual Report

**FOR THE YEAR ENDED 30 JUNE 2017**

The Board of Directors present their Annual Report including the financial statements of the Group and Company for the year ended 30 June 2017 and the auditor's report thereon.

The shareholders of the Company have exercised their right under section 211 (3) of the Companies Act 1993 and unanimously agreed that this Annual Report need not comply with any of paragraphs (a), and (e) to (j) of section 211 (1) of the Act.

For and on behalf of the Board:

A.M. Hooper
Director
Date: 24 November 2017

A. Antoci
Director
Date: 24 November 2017

WESFARMERS INDUSTRIAL & SAFETY HOLDINGS NZ LIMITED

# STATEMENT OF COMPREHENSIVE INCOME

**FOR THE YEAR ENDED 30 JUNE 2017**

| | Notes | CONSOLIDATED 2017 $ | 2016 $ |
|---|---|---|---|
| Revenue | | 318,825,293 | 318,958,862 |
| Cost of Sales | | (218,270,889) | (222,215,659) |
| **Gross Profit** | | **100,554,404** | **96,743,203** |
| Other operating income | 3 (a) | 1,161,245 | 1,194,764 |
| Distribution expenses | | (58,422,005) | (60,977,163) |
| Administrative expenses | | (11,269,461) | (17,437,636) |
| Other operating expenses | 3 (b) | (2,705,930) | (699,084) |
| **Operating profit before finance cost/income** | | **29,318,253** | **18,824,084** |
| Finance income | 4 | 102,857 | 69,140 |
| Finance costs | 4 | (1,952,771) | (3,751,706) |
| **Net finance costs** | | **(1,849,914)** | **(3,682,566)** |
| Profit from continuing operations before income tax | | 27,468,339 | 15,141,518 |
| Income tax expense | 5 | (5,205,147) | (3,000,389) |
| **Profit from continuing operations after income tax** | | **22,263,192** | **12,141,129** |
| **Other Comprehensive Income** | | - | - |
| **Total Comprehensive Income for the period** | | **22,263,192** | **12,141,129** |

# STATEMENT OF CHANGES IN EQUITY

**FOR THE YEAR ENDED 30 JUNE 2017**

**Reconciliation of movement in capital and reserves**

| | Share Capital | Retained Earnings | Total Equity |
|---|---|---|---|
| **2017** | | | |
| Balance at 1 July 2016 | 1,305,098 | 18,816,582 | 20,121,680 |
| Total comprehensive income for the period | - | 22,263,192 | 22,263,192 |
| Dividends Paid | - | - | - |
| **Balance at 30 June 2017** | **1,305,098** | **41,079,774** | **42,384,872** |

| | Share Capital | Retained Earnings | Total Equity |
|---|---|---|---|
| **2016** | | | |
| Balance at 1 July 2015 | 1,305,098 | 6,675,453 | 7,980,551 |
| Total comprehensive income for the period | - | 12,141,129 | 12,141,129 |
| Dividends Paid | - | - | - |
| **Balance at 30 June 2016** | **1,305,098** | **18,816,582** | **20,121,680** |

WESFARMERS INDUSTRIAL & SAFETY HOLDINGS NZ LIMITED

# BALANCE SHEET

**AS AT 30 JUNE 2017**

| | Notes | 2017 $ | 2016 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 6 | 11,929,279 | 12,011,497 |
| Trade and other receivables | 7 | 50,968,655 | 50,755,725 |
| Inventories | 8 | 48,348,290 | 48,061,814 |
| Interest bearing advances | 14 | 2,500,000 | 3,000,000 |
| **Total current assets** | | **113,746,224** | **113,829,036** |
| **Non-current assets** | | | |
| Property, plant and equipment | 9 | 11,694,116 | 6,734,063 |
| Deferred tax asset | 5 | 4,546,316 | 6,158,651 |
| Intangible assets | 10 | 30,964,721 | 31,227,092 |
| **Total non-current assets** | | **47,205,153** | **44,119,806** |
| **TOTAL ASSETS** | | **160,951,377** | **157,948,842** |
| **EQUITY** | | | |
| Issued capital | 11 | 1,305,098 | 1,305,098 |
| Retained earnings | | 41,079,774 | 18,816,582 |
| **Total equity** | | **42,384,872** | **20,121,680** |
| **Current Liabilities** | | | |
| Trade and other payables | 12 | 36,043,085 | 42,352,204 |
| Employee benefits | 13 | 2,074,911 | 2,011,559 |
| Taxation Payable | | 242,620 | 3,254,565 |
| Interest bearing payables | 14 | 80,000,000 | 90,000,000 |
| **Total current liabilities** | | **118,360,616** | **137,618,328** |
| **Non-current liabilities** | | | |
| Employee benefits | 13 | 205,889 | 208,834 |
| **TOTAL EQUITY AND LIABILITIES** | | **160,951,377** | **157,948,842** |

**For and on behalf of the Board, who approved the authorisation and issue of the financial statements on the 24th of November 2017**

The accompanying notes form part of these financial statements.

# STATEMENT OF CASH FLOWS

**FOR THE YEAR ENDED 30 JUNE 2017**

| | Notes | 2017<br>$ | 2016<br>$ |
|---|---|---|---|
| **Operating Activies** | | | |
| Profit from continuing operations before income tax | | 27,468,339 | 15,141,518 |
| Adjustments to reconcile profit before tax to net cash flows: | | | |
| Depreciation and impairment of property, plant and equipment | 9 | 2,003,513 | 1,767,343 |
| Depreciation and impairment of intangible assets | 10 | 262,372 | 263,493 |
| Loss / (Gain) on disposal of property, plant and equipment | 3 | 173,350 | (102,655) |
| Finance Income | 4 | (102,857) | (69,140) |
| Finance Costs | 4 | 1,952,771 | 3,751,706 |
| Movements in tax provisions | | 401,932 | (3) |
| Working Capital Adjustments | | | |
| Increase in trade and other receivables | | (212,930) | (6,963,128) |
| (Increase) / Decrease in Inventories | | (286,476) | 955,312 |
| Decrease in trade and other payables | | (6,266,050) | (797,026) |
| Increase / (Decrease) in Employee Benefits | | 60,407 | (237,679) |
| | | 25,454,371 | 13,709,741 |
| Interest Received | | 102,857 | 69,140 |
| Interest Paid | | (1,995,839) | (3,951,781) |
| Tax Paid | | (7,006,690) | (3,380,236) |
| **Net Cash Flow from Operating Activities** | | **16,554,698** | **6,446,864** |
| | | | |
| **Investing Activities** | | | |
| Proceeds from sale of property, plant and Equipment | | 334,269 | 930,473 |
| Purchase of Property, Plant and Equipment | | (7,471,185) | (1,633,028) |
| **Net Cash Flows from Investing Activities** | | **(7,136,916)** | **(702,555)** |
| | | | |
| **Financing Activities** | | | |
| Proceeds from borrowings | | - | - |
| Repayment of Borrowings | | (9,500,000) | (9,000,000) |
| Dividends Paid | | - | - |
| **Net Cash Flows from Financing Activities** | | **(9,500,000)** | **(9,000,000)** |
| | | | |
| Net decrease in cash Equivalents | | (82,218) | (3,255,691) |
| Cash and cash equivalents at 1 July | | 12,011,497 | 15,267,188 |
| **Cash and cash equivalents at 30 June** | 6 | **11,929,279** | **12,011,497** |

The accompanying notes form part of these financial statements.

### 1. CORPORATE INFORMATION

Wesfarmers Industrial & Safety Holdings NZ Limited (the "Company") is a company incorporated and domiciled in New Zealand. The address of the registered office is 91 Kerrs Road, Wiri, Auckland.

The immediate parent of Wesfarmers Industrial & Safety Holdings NZ Limited is Wesfarmers Industrial & Safety Pty Limited, a company domiciled in Australia, with the ultimate parent being Wesfarmers Limited, a company listed on the ASX.

The Group is a manufacturer, and distributor of personal protective equipment, packaging materials, maintenance and operational repair products.

Wesfarmers Industrial and Safety Holdings NZ Limited acquired the assets of Supagas 2009 Limited on 1 November 2016. The total consideration paid for the purchase was between $3.5m and $7.5m.

The financial statements of the Group are for the year ended 30 June 2017. The financial statements were authorised for issue by the directors on the 24th November 2017.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand and the requirements of the Companies Act 1993.

The financial statements comply with New Zealand equivalents to International Financial Reduced Disclosure Regime (NZ IFRS RDR). The Company is eligible to report in accordance with NZ IFRS RDR on the basis that they do not have public accountability and there is no separation between owners and the governing body.

The impact of adoption of NZ IFRS RDR is immaterial.

The financial statements are presented in New Zealand Dollars (NZD) to the nearest dollar. The financial statements are prepared on the historical cost basis except for financial instruments including foreign exchange contracts that are stated at their fair value.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

### BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of Wesfarmers Industrial & Safety Holdings NZ Limited, and its subsidiaries, Wesfarmers Industrial & Safety NZ Limited, Coregas NZ Limted, and its 50% share in an unincorporated joint venture, Lion Protector Total Care. All intercompany balances and transactions are eliminated on consolidation.

### INTEREST IN JOINT VENTURE OPERATION

The Group interest in its joint venture operation is accounted for by recognising the Group assets and liabilities from the joint venture on a line by line basis, as well as expenses incurred by the Group and the Group share of income earned from the joint venture operation, in the financial statements.

### PROPERTY, PLANT AND EQUIPMENT

**Owned assets**

Land and buildings and other items of property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of overheads.

Where material parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

**Leased assets**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependant on the use cf a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Leases where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. The assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

**PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

**Subsequent costs**

Subsequent costs are added to the carrying amount of an item of property, plant and equipment when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognised in the Statement of Comprehensive Income as an expense as incurred.

**Depreciation**

Depreciation of property, plant & equipment other than freehold land is calculated using the following rates so as to allocate the cost of the assets, less their estimated residual values, over their useful lives:

| | |
|---|---|
| Buildings | 50 years |
| Plant & machinery, fixtures and fittings | 4 to 10 years |
| Leasehold improvements | 10 years |
| Motor vehicles | 4 years |
| Computer equipment | 2 to 5 years |

The straight-line depreciation method is used.

**INTANGIBLE ASSETS**

**Goodwill**

All business combinations are accounted for by applying the acquisition method. Goodwill represents amounts arising on acquisition of a business and is the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is tested annually for impairment.

**Other Intangible Assets**

Software development costs are intangible assets with a finite life and are stated at cost less any accumulated amortisation.
Intangible assets are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired.

| Type of asset | Estimated Life | Amortisation rate |
|---|---|---|
| • Software development costs | 5 Years | 20% |

**TRADE AND OTHER RECEIVABLES**

Trade and other receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

**CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise cash at bank and in hand, with maturity less than 3 months.

**INVENTORIES**

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cost is based on the the weighted average princilple and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

**IMPAIRMENT**

The carrying amounts of the Company's assets are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated.

If the estimated recoverable amount of an asset is less than its carrying amount, the asset is written down to its estimated recoverable amount and an impairment loss is recognised in the Statement of Comprehensive Income.

An impairment loss in respect of goodwill is not reversed. Other impairment losses are reversed when there is a change in the estimates used to determine an increase in the recoverable amount.

## EMPLOYEE BENEFITS

### Defined contribution pension plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the Statement of Comprehensive Income as incurred.

### Long service leave

The Company's net obligation in respect of long service leave is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value. The discount rate is the market yield on relevant New Zealand Government Stock at the Balance sheet date.

### Share-based payment transactions

The Company provides benefits to employees (including directors) of the Company in the form of share based payment transactions, whereby employees render services in exchange for shares. The shares issued are shares in the ultimate parent, Wesfarmers Limited (listed on the ASX), not in the Wesfarmers Industrial & Safety Holdings NZ Limited Group.

There are currently two plans in place to provide these benefits:
(I) The Wesfarmers Employee Share Acquisition Plan (WESAP) which provides benefits to employees, including senior executives and directors and
(ii) The Wesfarmers EmployeeShare Acquisiton Plan - Senior Employees (WESAPS) which provides benefits to management, executives and directors.

The cost of these equity settled transactions with employees is measured by reference to the share price as traded on the ASX at the share acquisition date, and are recognised at fair value as an expense in the Statement of Comprehensive Income as incurred. Under the plans performance hurdles are applicable and must be acheived before shares are granted.

## PROVISIONS

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

### Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

## TRADE AND OTHER PAYABLES

Trade and other payables are stated at cost.

## REVENUE

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

### Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer. Revenue is stated net of discounts, but before payment of promotional expenses and commissions.

### Sublease income

Income from sub-leased property is recognised in the Statement of Comprehensive Income on a straight line basis over the term of the lease.

## INTEREST

### Finance income

Interest income is recognised as the interest accrues (using the effective interest method which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

### Finance costs

Interest expense and borrowing costs are recognised in the Statement of Comprehensive Income when incurred.

## FOREIGN CURRENCY AND HEDGING

### Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies in the Balance sheet date are translated to NZD at the foreign exchange rate ruling at that date. Foreign exchange differences arising on their translation are recognised in the Statement of Comprehensive Income.

### Hedging - foreign exchange contracts

The Group uses foreign exchange contracts to economically hedge its exposure to foreign exchange risk arising from future sales of manufactured goods in foreign currencies.

Foreign exchange contracts are recognised in the Balance sheet at their fair value. The change in fair value is recognised in the Statement of Comprehensive Income.

## INCOME TAX

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

• except for a deferred income tax liability arising from the initial recognition of goodwill;

• except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

• in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

• except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

• in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Income tax relating to items recognised directly in equity are recognised in equity and not in the Statement of Comprehensive Income.

## GOODS AND SERVICES TAX

All amounts are shown exclusive of Goods and Services Tax (GST), except for receivables and payables that are stated inclusive of GST.

## INTERCOMPANY LOANS AND RECEIVABLES

Intercompany loans are recognised and carried at cost. Intercompany receivables are recognised and carried at original invoice amount.
Intercompany loan and receivable balances are reconciled and confirmed with each counter party on a monthly basis. The Statement of Comprehensive Income is immediately adjusted for any resulting difference.

## 3. REVENUES AND EXPENSES

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| **3 (a) Other operating income** | | |
| Freight recovery income | 1,159,410 | 1,194,106 |
| Other income | 1,835 | 658 |
| | **1,161,245** | **1,194,764** |
| **3 (b) Other operating expenses** | | |
| Impairment of trade receivables (bad and doubtful debts) | 539,197 | 436,284 |
| Net loss on sale of fixed assets | 173,350 | (102,655) |
| Other | 1,993,383 | 365,455 |
| | **2,705,930** | **699,084** |
| **3 (c) Employee benefits included in expenses** | | |
| Wages & Salaries | 41,797,993 | 44,119,231 |
| Redundancy costs | 491,243 | 1,040,980 |
| Long service leave expense | 76,713 | 60,102 |
| Defined contribution superannuation scheme | 1,680,198 | 1,864,173 |
| Employee shares | 490,295 | 806,911 |
| | **44,536,442** | **47,891,397** |
| **3 (d) Lease payments included in the income statement** | | |
| Minimum lease payments - operating lease | 11,216,300 | 11,875,393 |
| | **11,216,300** | **11,875,393** |

## 4. NET FINANCE COSTS

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Interest income | 102,857 | 69,140 |
| Interest Expense | (1,952,771) | (3,751,706) |
| **Net Finance costs** | **(1,849,914)** | **(3,682,566)** |

## 5. INCOME TAX EXPENSE

Major components of income tax expense for the years ended 30 June 2017 and 2016 are:

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| **Income Statement** | | |
| *Current Income tax* | | |
| Current income tax charge | 4,032,842 | 6,552,125 |
| Adjustments in respect of current income tax of previous years | (440,030) | 42,214 |
| Deferred income tax | | |
| Relating to origination and reversal of temporary differences | 1,612,335 | (3,593,950) |
| | **5,205,147** | **3,000,389** |

## 5. INCOME TAX EXPENSE (continued)

A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Company effective income tax rate for the years ended 30 June 2017 and 2016 is as follows:

| | 2017 | 2016 |
|---|---|---|
| | $ | $ |
| Accounting profit before tax from continuing operations | 27,468,339 | 15,141,518 |
| Income not taxable for tax purposes | 5,768,003 | 4,881,602 |
| Accounting profit before tax from continuing operations | 21,700,336 | 10,259,916 |
| At the statutory income tax rate of of 28% | 6,076,094 | 2,872,776 |
| Adjustments in respect of current income tax of previous years | (932,520) | - |
| Expenditure not allowable for income tax purposes | 81,297 | 31,067 |
| Others | (19,724) | 96,545 |
| Income tax expense | **5,205,147** | **3,000,388** |

| **Deferred taxation** | Balance sheet 2017 | Balance sheet 2016 | Income statement 2017 | Income statement 2016 |
|---|---|---|---|---|
| Deferred income tax at 30 June relates to the following: | | | | |
| Employee entitlements | 573,028 | 621,710 | 48,682 | 42,685 |
| Provision for doubtful debts | 228,952 | 157,353 | (71,599) | (73,709) |
| Provision for stock obsolesence | 1,807,372 | 1,881,735 | 74,363 | (996,259) |
| Provision for settlement discounts | 25,172 | 42,840 | 17,668 | 27,263 |
| Provisions and Accruals | 1,797,890 | 2,991,093 | 1,193,203 | (2,452,190) |
| ACC levy accrual | 56,141 | 92,557 | 36,416 | (11,426) |
| Accelerated depreciation for tax purposes | 67,098 | 380,700 | 313,602 | (130,314) |
| Land revaluation reserve | (9,337) | (9,337) | - | - |
| **Deferred Income tax asset** | **4,546,316** | **6,158,651** | **1,612,335** | **(3,593,950)** |

## 6. CASH AND CASH EQUIVALENTS

| | 2017 | 2016 |
|---|---|---|
| | $ | $ |
| Cash at bank and in hand | **11,929,279** | **12,011,497** |

Wesfarmers Industrial & Safety NZ Limited, Bunnings Limited, NZ Finance Holdings Pty Limited (group members), and the Westpac Banking Corporation are parties to a set off, overdraft, and cross-guarantee agreement dated 3rd May 2004. Under this agreement each group member jointly and severally guarantees the obligations of each group member to the Westpac Banking Corporation to a gross indebtedness limit of $10,000,000. As at 30 June 2017 the gross indebtedness amounted to $5,229,648 (2016: $7,148,896). Cash at bank earns interest at the Westpac 30 day money market deposit rate less 0.50%, the rate being set on the first business day of the month and to apply for the balance of the month.

## 7. TRADE AND OTHER RECEIVABLES

| | 2017 | 2016 |
|---|---|---|
| | $ | $ |
| Trade receivables | 46,851,055 | 44,215,062 |
| Other debtors | 3,692,958 | 3,802,554 |
| Prepayments | 424,642 | 2,738,109 |
| | **50,968,655** | **50,755,725** |

Trade receivables are shown net of provision for doubtful debts of $1,229,846 (2016: $1,778,374)

## 8. INVENTORIES

| | 2017 $ | 2016 $ |
|---|---|---|
| Raw materials | 774,190 | 927,239 |
| Work in progress | 128,651 | 178,546 |
| Finished goods | 47,445,449 | 46,956,029 |
| Total inventories at the lower of cost and net realisable value | **48,348,290** | **48,061,814** |

## 9. PROPERTY, PLANT AND EQUIPMENT

| At 30 June 2017 | Cost 1 July $ | Additions $ | Disposals $ | Cost 30 June $ |
|---|---|---|---|---|
| Land | - | 71,446 | - | 71,446 |
| Buildings | - | - | - | - |
| Plant, machinery, fixtures & fittings | 32,263,024 | 5,269,099 | (474,053) | 37,058,070 |
| Leasehold improvements | 3,604,714 | 1,647,413 | (836,767) | 4,415,360 |
| Motor vehicles | 314,969 | 66,998 | (17,198) | 364,769 |
| Capital work in progress | 295,032 | 416,229 | - | 711,261 |
| | 36,477,739 | 7,471,185 | (1,328,018) | 42,620,906 |

| At 30 June 2017 | Accumulated Depreciation 1 July $ | Current Year Depreciation $ | Disposals $ | Accumulated Depreciation 30 June $ | Carrying Value 30 June $ |
|---|---|---|---|---|---|
| Land | - | - | - | - | 71,446 |
| Buildings | - | (2,388) | 2,388 | - | - |
| Plant, machinery, fixtures & fittings | (26,024,995) | (1,725,226) | 315,559 | (27,434,662) | 9,623,408 |
| Leasehold improvements | (3,442,582) | (256,489) | 486,060 | (3,213,011) | 1,202,349 |
| Motor vehicles | (276,099) | (19,410) | 16,392 | (279,117) | 85,652 |
| Capital work in progress | - | - | - | - | 711,261 |
| | (29,743,676) | (2,003,513) | 820,399 | (30,926,790) | 11,694,116 |

| At 30 June 2016 | Cost 1 July $ | Accumulated Depreciation 1 July $ | Cost 30 June $ | Accumulated Depreciation 30 June $ |
|---|---|---|---|---|
| Land | 197,135 | - | - | - |
| Buildings | 573,262 | (193,956) | - | - |
| Plant, machinery, fixtures & fittings | 31,026,910 | (25,381,122) | 32,263,024 | (26,024,995) |
| Leasehold Improvements | 3,930,038 | (3,530,813) | 3,604,714 | (3,442,582) |
| Motor vehicles | 472,744 | (377,330) | 314,969 | (276,099) |
| Computer equipment | - | - | - | - |
| Capital work in progress | 979,328 | - | 295,032 | - |
| | 37,179,417 | (29,483,221) | 36,477,739 | (29,743,676) |

## 10. INTANGIBLE ASSETS

| | 2017 $ | 2016 $ |
|---|---|---|
| Goodwill carrying amounts | | |
| At 1 July | 30,608,939 | 30,608,939 |
| At 30 June | **30,608,940** | **30,608,939** |
| | | |
| Software development | | |
| at 1 July - net | 618,153 | 880,525 |
| At 30 June - at cost | 2,821,667 | 2,821,667 |
| Amortisation | (262,372) | (262,372) |
| Accumulated amortisation | (2,465,886) | (2,203,514) |
| Net carrying amount | 355,781 | 618,153 |
| | | |
| Workwear Trademarks and Patents | | |
| at 1 July - net | - | 1,121 |
| At 30 June - at cost | - | 1,121 |
| Amortisation | - | (1,121) |
| Accumulated amortisation | - | (1,121) |
| Net carrying amount | - | - |
| **Total Intangible Assets** | **30,964,721** | **31,227,092** |

| | 2017 | 2016 |
|---|---|---|
| | $ | $ |
| **11. SHARE CAPITAL** | | |
| Share Capital | 1,305,098 | 1,305,098 |

As at 30 June 2017, share capital comprised 352,549 ordinary shares (2016: 352,549). Shares do not have a par value.
All ordinary shares have equal voting rights and share equally in dividends and surpluses on winding up.
The share capital for Work Wear New Zealand of 600,000 ordinary shares was transferred to Wesfarmers Industrial and Safety NZ Limited on acquisition on 1 December 2014.
When managing Capital, managements objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the company.

The company is not subject to any externally imposed capital requirements.

| | 2017 | 2016 |
|---|---|---|
| | $ | $ |
| **12. TRADE AND OTHER PAYABLES** | | |
| Trade creditors | 18,126,352 | 17,824,775 |
| Accrued expenses | 14,759,061 | 20,171,755 |
| GST payable | 1,692,954 | 1,492,277 |
| Non-interest bearing intercompany payables | 1,464,718 | 2,863,397 |
| Prepayments | - | - |
| | **36,043,085** | **42,352,204** |

| | 2017 | 2016 |
|---|---|---|
| | $ | $ |
| **13. EMPLOYEE BENEFITS** | | |
| Liability for annual leave - Current | 2,026,651 | 1,927,982 |
| Liability for long-service leave - Current | 48,260 | 83,577 |
| Liability for long-service leave - Non-current | 205,889 | 208,834 |
| | **2,280,800** | **2,220,393** |

**Share based payments**

Company employees have the opportunity to participate in the Wesfarmers Employee Share Acquisition Plan (WESAP). Eligible employees may be invited to participate in the WESAP. This provides an opportunity for employees of Wesfarmers Industrial & Safety NZ Limited (WIS NZ) to acquire shares in Wesfarmers Limited. Eligible employees are those who are 18 years old or older, permanent employees, New Zealand tax resident, not a director of a Wesfarmers group company, and who have completed a minimum of 3 months service. The WESAP is offered when Wesfarmers achieves certain Return on Equity performance targets. The Plan Trustee will acquire up to the value of NZ$750 per eligible employee using contributions from WIS NZ and the NZ$1 contribution from the employee. These shares will be registered and held on the employee's behalf by the Plan Trustee for a 3 year restricted disposal period. Dividends and capital returns applicable to the shares are paid directly to the employee.

For the year ended 30 June 2017, the amount of $423,000 was recognised as an expense to fund the purchase of 7,191 shares under the WESAP.

Eligible WISNZ management and executives have the opportunity to participate in the Wesfarmers Employees Share Acquisition Plan - Senior Employees (WESAPS). Under this program, Incentives are offered when certain Return on Equity targets are meet. If paid, the after tax proceeds are used to purchase shares under the WESAPS.

For the year ended 30 June 2017, the gross amount of $227,388 was recognised as an expense to fund the purchase of 3,464 shares under the WESAPS.

**14. INTEREST BEARING LOANS & ADVANCES (intercompany)**

| Current | 2017 | 2016 |
|---|---|---|
| **Payable to:** | $ | $ |
| NZ Finance Holdings Pty Limited ( C ) | - | - |
| NZ Finance Holdings Pty Limited ( D ) | 80,000,000 | 90,000,000 |
| Wesfarmers Industrial & Safety Holdings NZ Limited ( B ) | - | - |
| | **80,000,000** | **90,000,000** |
| **Receivable from:** | $ | $ |
| Wesfarmers Industrial & Safety Holdings NZ Limited ( B ) | - | - |
| NZ Finance Holdings Pty Limited ( A ) | 2,500,000 | 3,000,000 |
| | **2,500,000** | **3,000,000** |

( A ) During the year an intercompany interest free on call unsecured advance was extended by NZ Finance Holdings Pty Limited to Wesfarmers Industrial & Safety Limited.

( B ) An unsecured intercompany loan was extended by Wesfarmers Industrial & Safety NZ Limited to its parent Wesfarmers Industrial & Safety Holdings NZ Limited.

( C ) During the year an Intercompany interest free on call advance was extended by NZ Finance Holdings Pty Limited.

( D ) The Group's operations are funded by an Intercompany Loan extended from NZ Finance Holdings Pty Limited (refer note 19, 'Related Parties'). The Directors of NZ Finance Holdings have undertaken not to demand or withdraw the intercompany loan in circumstances that would result in Wesfarmers Industrial & Safety Holdings NZ Limited not being able to pay its debts as and when they fall due. The interest rate applicable to this loan as at 30 June 2017 was 2.01% (2016: 2.45%).

**15. JOINT VENTURE**

Wesfarmers Industrial & Safety NZ Limited has a 50% interest in Lion Protector Total Care Joint Venture. The Joint Venture is not audited. Operating results, assets and liabilities are proportionately consolidated within the financial statements as follows:

| | 2017 | 2016 |
|---|---|---|
| | $ | $ |
| Cash and cash equivalents - current | 60,898 | 832,193 |
| Receivables - current | 223,872 | 256,578 |
| Property, Plant and Equipment - non current | 53,118 | 16,126 |
| Total share of assets | 337,888 | 1,104,897 |
| Less current liabilities | (159,787) | (559,580) |
| Net investment in joint venture | **178,101** | **545,317** |
| Revenue | 916,042 | 958,542 |
| Expenses | (833,258) | (842,258) |
| Profit before income tax | 82,784 | 116,284 |
| Income tax expense | (23,179) | (32,559) |
| Net profit | **59,605** | **83,725** |

During the year the joint venture distributed profits of $450,000 to each of the two parties.

**16. OPERATING LEASES**

| **Leases as lessee** | 2017 | 2016 |
|---|---|---|
| Non-cancellable operating lease rentals are payable as follows: | $ | $ |
| Less than one year | 10,630,871 | 9,944,703 |
| Between one and five years | 23,234,619 | 23,882,259 |
| More than five years | 310,920 | 1,297,083 |
| | **34,176,410** | **35,124,045** |

## 17. CAPITAL COMMITMENTS

Total capital commitments contracted for at balance date but not provided for in the financial statements are nil (2016: nil).

## 18. CONTINGENCIES

There are no known contingent liabilities at existing at balance date (2016: nil).

## 19. RELATED PARTIES

The consolidated financial statements include the financial statements of Wesfarmers Industrial & Safety Holdings NZ Limited and the subsidiary and joint venture listed in the following table.

| Name | Country of Incorporation | % Equity Interest 2017 | % Equity Interest 2016 | Investment 2017 | Investment 2016 |
|---|---|---|---|---|---|
| Wesfarmers Industrial & Safety NZ Limited | New Zealand | 100% | 100% | 49,947,951 | 49,947,951 |
| Coregas NZ Limited | New Zealand | 100% | 0% | - | - |
| Lion Protector Total Care JV (unincorporated) | | 50% | 50% | 178,101 | 545,317 |
| | | | | 50,126,052 | 50,493,268 |

Wesfarmers Industrial & Safety Holdings NZ Limited is the ultimate New Zealand parent entity. The ultimate parent of the group is Wesfarmers Limted, incorporated in Australia, and listed on the ASX.

NZ Finance Holdings Pty Limited, incorporated in New Zealand and a 100% member of the Wesfarmers Limited Group.
J Blackwood & Son Limited, incorporated in Australia and a 100% member of the Wesfarmers Limited Group.
Lion Apparel, Inc - 50% Joint Venture partner of Wesfarmers Industrial & Safety NZ Limited in Lion Protector Total Care Joint venture.

The following table, and notes below, provide the total amount of transactions which have been entered into with related parties for the relevant financial year. The sales to and purchases from related parties are for goods and services sold and purchased in the normal course of business. The interest paid (payable) and received (receivable) to/from related parties is transacted at normal commercial rates.

| | | Interest income from related parties | Sales to related parties | Purchases from related parties | Amounts owed by related parties | Amounts owed to related parties |
|---|---|---|---|---|---|---|
| NZ Finance Holdings Pty Ltd | 2017 | 49,410 | - | - | 2,500,000 | 80,000,000 |
| | 2016 | 58,690 | - | - | 3,000,000 | 90,000,000 |
| Wesfarmers Ltd (A) | 2017 | - | - | 356,994 | - | 161,394 |
| | 2016 | - | - | 455,920 | - | 208,719 |
| J Blackwood & Sons Ltd | 2017 | - | 15,771 | 274,919 | - | 1,464,718 |
| | 2016 | - | 27,073 | 105,096 | - | 2,798,307 |
| Lion Apparel, Inc | 2017 | - | - | - | - | - |
| | 2016 | - | - | - | - | - |

( A ) The purchases from related parties includes a management service charge of $164,769 (2016: $213,232) and a charge for insurance premiums of $192,225 (2016: $242,688).

( B ) Total compensation to Key Management was $1,901,144 (2016: $1,178,721).

## 20. FINANCIAL INSTRUMENTS

The carrying value of financial instruments is the same as fair value.

Categies of financial assets and financial liabilities:

| | Cash and Cash Equivalents | Loans and Receivables | Financial Liabilities at Amortised Cost | Total |
|---|---|---|---|---|
| Consolidated | | | | |
| As at 30 June 2017 | | | | |
| Assets | | | | |
| Cash cash equivalents | 11,929,279 | - | - | 11,929,279 |
| Receivables | - | 50,968,655 | - | 50,968,655 |
| Interest Bearing Loan | - | 2,500,000 | - | 2,500,000 |
| | 11,929,279 | 53,468,655 | - | 65,397,934 |
| Liabilities | | | | |
| Trade and Other Payables | - | - | 36,043,085 | 36,043,085 |
| Interest Bearing Payables | - | - | 80,000,000 | 80,000,000 |
| | - | - | 116,043,085 | 116,043,085 |
| As at 30 June 2016 | | | | |
| Assets | | | | |
| Cash cash equivalents | 12,011,497 | - | - | 12,011,497 |
| Receivables | - | 50,755,725 | - | 50,755,725 |
| Interest Bearing Loan | - | 3,000,000 | - | 3,000,000 |
| | 12,011,497 | 53,755,725 | - | 65,767,222 |
| Liabilities | | | | |
| Trade and Other Payables | - | - | 42,352,204 | 42,352,204 |
| Interest Bearing Payables | - | - | 90,000,000 | 90,000,000 |
| | - | - | 132,352,204 | 132,352,204 |

## 21. SUBSEQUENT EVENTS

There are no subsequent events

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# Independent auditor's report to the Shareholders of Wesfarmers Industrial & Safety Holdings NZ Limited Report on the audit of the financial statements

## Opinion

We have audited the financial statements of Wesfarmers Industrial & Safety Holdings NZ Limited ("the Company") and its subsidiaries (together "the Group") on pages 2 to 15, which comprise the statement of financial position of the Group as at 30 June 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended of the Group, and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements on pages 2 to 15 present fairly, in all material respects, the financial position of the Group as at 30 June 2017 and its financial performance and cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime.

This report is made solely to the company's shareholders. Our audit has been undertaken so that we might state to the company's shareholders those matters 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.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

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

We provide taxation services to the Group. We have no relationship with, or interest in, the company or any of its subsidiaries. Partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group.

## Information other than the financial statements and auditor's report

The directors of the company are responsible for the Annual Report, which includes information other than the financial statements and auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

If, based upon the work we have performed on the other information 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.

## Directors' responsibilities for the financial statements

The directors are responsible, on behalf of the entity, for the preparation and fair presentation of the financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing on behalf of the entity 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 cease operations, or have no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the 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 International Standards on Auditing (New Zealand) 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 financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the External Reporting Board website: https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities. This description forms part of our auditor's report.

Ernst + Young

Chartered Accountants
Auckland
24 November 2017