

Financial Markets Conduct (Methven Limited) Exemption Notice 2019

Pursuant to section 556 of the Financial Markets Conduct Act 2013, the Financial Markets Authority, being satisfied of the matters set out in section 557 of that Act, gives the following notice.

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Notice

1 Title

This notice is the Financial Markets Conduct (Methven Limited) Exemption Notice 2019.

2 Commencement

This notice comes into force on 12 August 2019.

3 Revocation

This notice is revoked on the close of 2 December 2019.

4 Application

An exemption granted by this notice applies to the accounting period of Methven Limited ending 30 June 2019.

5 Interpretation

(1) In this notice, unless the context otherwise requires—

Act means the Financial Markets Conduct Act 2013

GWAIL means GWAIL (NZ) Limited

GWAIL FY19 Financial Statements means the consolidated group financial statements for GWAIL for the financial year ending on 30 June 2019

Methven means Methven Limited

Methven FY19 Financial Statements means the consolidated group financial statements for Methven for the financial year ending on 30 June 2019

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ISRE (NZ) 2400 means the International Standard on Review Engagements (New Zealand) 2400 issued by the New Zealand Auditing and Assurance Standards Board of the External Reporting Board under the Financial Reporting Act 1993

Regulations means the Financial Markets Conduct Regulations 2014

- (2) Any term or expression that is defined in the Act or the Regulations and used, but not defined, in this notice has the same meaning as in the Act or the Regulations.

6 Exemptions

Methven is exempted from –

- (a) section 461D of the Act, in respect of the requirement to have the Methven FY19 Financial Statements audited by a qualified auditor; and
- (b) section 461H(1) of the Act, to the extent that section requires a copy of an auditor's report to be delivered to the Registrar for lodgment.

7 Conditions

The exemptions in clause 6 are subject to the conditions that –

- (a) GWAIL prepares the GWAIL FY19 Financial Statements, as required by section 202(1) of the Companies Act 1993;
- (b) Methven and its subsidiaries form part of the consolidated group for the GWAIL FY19 Financial Statements from 10 April 2019 to 30 June 2019;
- (c) the GWAIL FY19 Financial Statements are audited in accordance with section 207 of the Companies Act 1993;
- (d) the GWAIL FY19 Financial Statements, together with the auditor's report on those statements, are delivered to the Registrar for registration, as required by section 207E of the Companies Act 1993;
- (e) the Methven FY19 Financial Statements are reviewed by a qualified auditor in accordance with ISRE (NZ) 2400; and
- (f) the Methven FY19 Financial Statements are delivered to the Registrar for lodgment under section 461H(1) of the Act, within 4 months after Methven's 30 June 2019 balance date, and accompanied by –
 - (i) a copy of the auditor's review report on the Methven FY19 Financial Statements prepared in accordance with paragraph 7(e) of this notice; and
 - (ii) written notification to the Registrar that Methven is relying on this notice in respect of the accounting period to which the Methven FY19 Financial Statements relate.

Dated at Auckland this *8th* day of *August* 2019


Nick Kynoch
General Counsel
Financial Markets Authority

Statement of reasons

This notice comes into force on 12 August 2019 and is revoked on 2 December 2019.

The notice exempts Methven Limited (**Methven**), subject to conditions, from –

- section 461D of the Financial Markets Conduct Act 2013 (the **Act**), in respect of the requirement to have Methven's consolidated group financial statements for year ending 30 June 2019 (the **Methven FY19 Financial Statements**) audited by a qualified auditor; and
- section 461H(1) of the Act to the extent that section requires a copy of an auditor's report to be delivered to the Registrar for lodgment.

The Financial Markets Authority (**FMA**), after satisfying itself as to the matters set out in section 557 of the Act, considers it appropriate to grant the exemptions because –

- Methven was delisted from the NZX Main Board on 10 April 2019 following a successful takeover from GWAIL (NZ) Limited (**GWAIL**), a subsidiary of the ASX-listed entity GWA Group Limited (**GWA**). Despite no longer being a listed issuer, the Act treats Methven as continuing to be an FMC Reporting Entity for the entire accounting period in which it was delisted from the NZX Main Board. Unless the exemptions are granted, Methven will be required to –
 - ensure the Methven FY19 Financial Statements are audited by a qualified auditor; and
 - ensure a copy of an auditor's report accompanies the Methven FY19 Financial Statements when they are delivered to the Registrar for lodgment;
- Methven's previous shareholders were provided with comprehensive information at the time of the takeover offer to allow them to fully evaluate the merits of the offer. That information included an independent report prepared by Grant Samuel on the merits of the proposed takeover offer which detailed, among other things, Methven's financial performance, financial position and share price performance. Additionally as part of the exemptions' condition, the Methven FY19 Financial Statements will be reviewed by a qualified auditor, with a review report lodged within 4 months after Methven's 30 June 2019 balance date. In these circumstances, it is unlikely that an audit and audit report on the Methven FY19 Financial Statements would be of direct relevance to Methven's previous shareholders;
- as a wholly-owned subsidiary of GWAIL, the audience for the Methven FY19 Financial Statements has changed. GWAIL and GWA are now the primary audience for the Methven FY19 Financial Statements. Both GWAIL and GWA do not require the Methven FY19 Financial Statements to be audited by a qualified auditor; and
- as a wholly owned subsidiary of GWAIL, Methven's financial information from 10 April 2019 will be included in GWAIL's consolidated group financial statements for the financial year ending 30 June 2019 (the **GWAIL FY19 Financial Statements**). As the GWAIL FY19 Financial Statements must be audited in accordance with section 207 of the Companies Act 1993, Methven's financial information from 10 April 2019 to 30 June 2019 will be subject to auditor oversight.

For the above reasons, the FMA is satisfied that the exemptions are desirable in order to promote the purposes of the Act. Specifically, to avoid unnecessary compliance costs, as the cost and internal management time required to have the Methven FY19 Financial Statements audited would be disproportionate to the benefits involved in circumstances where Methven is no longer a listed issuer, and the primary audience of those statements has changed.

The FMA is further satisfied that the exemptions are not broader than is reasonably necessary to address the matters that give rise to the exemptions as –

- the exemptions only apply to the accounting period of Methven ending 30 June 2019;
- the exemptions only apply to the requirement to have the Methven FY19 Financial Statements audited, and for a copy of that audit report to be lodged with the Registrar. In all other respects, Methven must comply with other provisions of the Act, including Part 7; and
- the exemptions are subject to conditions, including that a qualified auditor reviews the Methven FY19 Financial Statements in accordance with the International Standard on Review Engagements (New Zealand) 2400, and for a copy of that review report to be lodged with the Registrar, within 4 months after Methven's 30 June 2019 balance date.