

The Warehouse Group Limited Financial Statements

For the 53 week period ended 2 August 2015

Financial Statements

For the 53 week period ended 2 August 2015

The Warehouse Group Limited is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is Level 8, 120 Albert Street, PO Box 2219, Auckland.

These financial statements have been approved for issue by the Board of Directors on 17 September 2015.

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Income Statement

For the 53 week period ended 2 August 2015

	Note	(53 weeks) 2015 \$ '000	(52 weeks) 2014 \$ '000
Continuing operations			
Retail sales		2,770,421	2,648,478
Finance business revenue	4	5,617	2,414
Total revenue		2,776,038	2,650,892
Cost of retail goods sold		(1,854,669)	(1,775,338)
Other income	5	8,268	9,796
Lease and occupancy expense	6	(147,192)	(136,496)
Employee expense	7	(449,887)	(424,849)
Depreciation and amortisation expense	8	(58,634)	(51,349)
Other operating expenses	9	(182,491)	(177,487)
Operating profit		91,433	95,169
Gain on disposal of property	25	5,533	16,810
Direct costs relating to acquisitions	41	-	(1,617)
Contingent consideration	42	(977)	5,259
Goodwill impairment	26	(11,302)	-
Equity earnings of associate	27	2,802	3,006
Earnings before interest and tax		87,489	118,627
Net interest expense (excluding finance business interest received)	10	(16,207)	(13,863)
Profit before tax		71,282	104,764
Income tax expense	11	(20,345)	(26,868)
Net profit for the period from continuing operations		50,937	77,896
Discontinued operations			
Loss from discontinued operations (net of tax)	38	-	(642)
Net profit for the period		50,937	77,254
Attributable to:			
Shareholders of the parent		52,433	77,750
Minority interests	35	(1,496)	(496)
		50,937	77,254
Basic earnings per share			
From continuing operations	15	15.2 cents	24.3 cents
From discontinued operations	15	-	(0.2)cents
From net profit for the period	15	15.2 cents	24.1 cents
Diluted earnings per share			
From continuing operations	15	15.1 cents	24.1 cents
From discontinued operations	15	-	(0.2)cents
From net profit for the period	15	15.1 cents	23.9 cents
Net assets per share	16	157.9 cents	152.1 cents

Statements of Other Comprehensive Income

For the 53 week period ended 2 August 2015

	Note	(53 weeks) Group 2015 \$ '000	(52 weeks) Group 2014 \$ '000
Net profit for the period		50,937	77,254
Items that may be reclassified subsequently to the Income Statement			
Movement in cash flow hedges	21	43,360	(7,244)
Movement in de-designated derivative hedges	31	(2,623)	-
Income tax relating to movement in hedges		(11,406)	2,028
Other comprehensive income		29,331	(5,216)
Total comprehensive income		80,268	72,038
Attributable to:			
Shareholders of the parent		81,764	72,534
Minority interest		(1,496)	(496)
Total comprehensive income		80,268	72,038
Total comprehensive income attributable to shareholders of the parent arise from:			
Continuing operations		81,764	73,176
Discontinued operations		-	(642)
		81,764	72,534

Balance Sheet

As at 2 August 2015

	Note	2015 \$ '000	2014 \$ '000
ASSETS			
Current assets			
Cash and cash equivalents	17	32,195	26,758
Finance business receivables	19	14,228	19,036
Trade and other receivables	20	72,133	72,217
Inventories	18	510,461	492,109
Derivative financial instruments	21	39,127	1,054
Taxation receivable	23	2,250	3,226
Total current assets		670,394	614,400
Non-current assets			
Property, plant and equipment	25	355,095	336,805
Intangible assets	26	147,432	143,691
Investments	27	2,778	5,541
Derivative financial instruments	21	164	398
Deferred taxation	24	22,935	30,845
Total non-current assets		528,404	517,280
Total assets	3	1,198,798	1,131,680
LIABILITIES			
Current liabilities			
Borrowings	29	117,164	104,896
Trade and other payables	22	256,499	284,319
Derivative financial instruments	21	51	7,587
Provisions	28	44,423	48,037
Total current liabilities		418,137	444,839
Non-current liabilities			
Borrowings	29	214,604	142,740
Derivative financial instruments	21	3,882	1,518
Trade and other payables	22	1,000	1,986
Provisions	28	16,893	16,680
Total non-current liabilities		236,379	162,924
Total liabilities	3	654,516	607,763
Net assets		544,282	523,917
EQUITY			
Contributed equity	30	358,215	356,810
Reserves	31	26,488	(2,071)
Retained earnings	32	157,154	164,861
Total equity attributable to shareholders		541,857	519,600
Minority interest	35	2,425	4,317
Total equity		544,282	523,917

Statement of Cash Flows

For the 53 week period ended 2 August 2015

	Note	(53 weeks) 2015 \$ '000	(52 weeks) 2014 \$ '000
Cash flows from operating activities			
Cash received from customers		2,774,126	2,660,562
Retail business interest income		138	105
Payments to suppliers and employees		(2,665,960)	(2,537,407)
Income tax paid		(22,398)	(37,492)
Interest paid		(18,662)	(13,351)
		67,244	72,417
Loans repaid by finance business customers		88,395	36,420
New loans to finance business customers		(79,170)	(32,228)
Net cash flows from operating activities		76,469	76,609
Cash flows from investing activities			
Proceeds from sale of property, plant & equipment and computer software		31,120	27,544
Staff share purchase and other advances repaid		374	22,505
Dividend received from associate	27	5,565	3,136
Purchase of property, plant & equipment and computer software		(109,345)	(91,010)
Advances received from related party		-	3,000
Landlord advances		-	(17,901)
Refund of staff share purchase advances		(75)	(80)
Contingent and deferred acquisition consideration	42	(20,043)	(12,401)
Acquisition of minority interest	36	-	(2,000)
Acquisition of subsidiaries, net of cash acquired	41	-	(35,845)
Net cash flows from investing activities		(92,404)	(103,052)
Cash flows from financing activities			
Proceeds from / (Repayment of) short term borrowings		112,395	(110,308)
Proceeds from / (Repayment of) term borrowings		(50,000)	90,000
Net proceeds received on the repayment and reissuance of the fixed rate senior bond		22,811	-
Repayment of finance leases		(1,440)	(1,903)
Proceeds from equity raise	30	-	114,072
Purchase of treasury stock	30	(2,754)	(3,230)
Treasury stock dividends received	32	188	237
Dividends paid to parent shareholders		(59,432)	(58,059)
Dividends paid to minority shareholders	35	(396)	(371)
Net cash flows from financing activities		21,372	30,438
Net cash flow		5,437	3,995
Opening cash position		26,758	22,763
Closing cash position	17	32,195	26,758

Reconciliation of Operating Cash Flows

For the 53 week period ended 2 August 2015

	Note	(53 weeks) 2015 \$ '000	(52 weeks) 2014 \$ '000
Net profit		50,937	77,254
Non-cash items			
Depreciation and amortisation expense	3	58,634	51,369
Goodwill impairment	26	11,302	-
Share based payment expense	31	2,114	2,266
Interest capitalisation		235	524
Movement in deferred tax	24	(4,230)	(4,672)
Movement in de-designated derivative hedges	31	(1,889)	-
Share of profit from associate	27	(2,802)	(3,006)
Total non-cash items		63,364	46,481
Items classified as investing or financing activities			
Gain on sale of property, plant and equipment		(4,842)	(14,528)
Direct costs relating to acquisitions	41	-	1,617
Contingent consideration	42	977	(5,259)
Supplementary dividend tax credit	23	468	488
Total investing and financing adjustments		(3,397)	(17,682)
Changes in assets and liabilities			
Trade and other receivables		(10,290)	(4,270)
Finance business receivables		4,808	2,321
Inventories		(18,352)	(15,484)
Trade and other payables		(8,176)	(5,752)
Provisions		(3,401)	433
Income tax		976	(6,692)
Total changes in assets and liabilities		(34,435)	(29,444)
Net cash flows from operating activities		76,469	76,609

Statement of Changes in Equity

For the 53 week period ended 2 August 2015

	Share Capital	Treasury Stock	Hedge Reserves	Employee Share Benefits Reserve	Retained Earnings	Minority Interest	Total Equity
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
For the 53 week period ended 2 August 2015							
Balance at the beginning of the period	365,517	(8,707)	(5,780)	3,709	164,861	4,317	523,917
Net profit for the period	-	-	-	-	52,433	(1,496)	50,937
Net change in fair value of cash flow hedges	-	-	31,220	-	-	-	31,220
Net change in value of de-designated hedges	-	-	(1,889)	-	-	-	(1,889)
Total comprehensive income	-	-	29,331	-	52,433	(1,496)	80,268
Contributions by and distributions to owners:							
Share based payments charged to the income statement	-	-	-	2,114	-	-	2,114
Share rights exercised	-	4,250	-	(2,886)	(1,364)	-	-
Dividends paid	-	-	-	-	(58,964)	(396)	(59,360)
Treasury stock dividends received	-	-	-	-	188	-	188
Purchase of treasury stock	-	(2,845)	-	-	-	-	(2,845)
Balance at the end of the period	365,517	(7,302)	23,551	2,937	157,154	2,425	544,282
	(note: 30)	(note: 30)	(note: 31)	(note: 31)	(note: 32)	(note: 35)	
For the 52 week period ended 27 July 2014							
Balance at the beginning of the period	251,445	(7,361)	(564)	3,281	153,228	11,736	411,765
Profit for the period	-	-	-	-	77,750	(496)	77,254
Net change in fair value of cash flow hedges	-	-	(5,216)	-	-	-	(5,216)
Total comprehensive income	-	-	(5,216)	-	77,750	(496)	72,038
Contributions by and distributions to owners:							
Proceeds from equity raise	114,072	-	-	-	-	-	114,072
Share based payments charged to the income statement	-	-	-	2,266	-	-	2,266
Share rights exercised	-	1,993	-	(1,838)	(155)	-	-
Dividends paid	-	-	-	-	(57,571)	(371)	(57,942)
Treasury stock dividends received	-	-	-	-	237	-	237
Purchase of treasury stock	-	(3,339)	-	-	-	-	(3,339)
Minority interest acquired	-	-	-	-	(8,628)	(6,552)	(15,180)
Balance at the end of the period	365,517	(8,707)	(5,780)	3,709	164,861	4,317	523,917
	(note: 30)	(note: 30)	(note: 31)	(note: 31)	(note: 32)	(note: 35)	

Notes to and forming part of the Financial Statements

For the 53 week period ended 2 August 2015

1. SUMMARY OF ACCOUNTING POLICIES

These financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice and New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS). The financial statements also comply with International Financial Reporting Standards (IFRS). The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Reporting entity

The Warehouse Group Limited is a limited liability company incorporated and domiciled in New Zealand and registered under the New Zealand Companies Act 1993. The Group is listed on the New Zealand stock exchange. The financial statements of the Group have been prepared in accordance with the requirements of the Financial Reporting Act 2013, the Companies Act 1993 and the New Zealand Stock Exchange (NZX). The Warehouse Group Limited is registered under the Companies Act 1993 and is an FMC Reporting Entity under Part 7 of the Financial Markets Conduct Act 2013.

Functional and presentation currency

Items included in the Financial Statements of each of the Group's operations are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in New Zealand dollars, which is the Group's presentation currency. The New Zealand dollar amounts presented in these financial statements are rounded to the nearest thousands, unless otherwise stated. Ordinary shares and share rights/options disclosures are also rounded to the nearest thousands.

Reporting period

The Group has reported its full year result on a 53 week basis. The current year represents the 53 week period commencing 28 July 2014 to 2 August 2015. The prior full year comparative represents the 52 week period commencing 29 July 2013 to 27 July 2014.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through the income statement.

(a) Basis of consolidation

The consolidated financial statements include the parent company and its subsidiaries and associates.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are not consolidated from the date that control ceases.

The Group financial statements consolidate the financial statements of subsidiaries, using the acquisition method. The acquisition method of accounting is used to account for the acquisition of subsidiaries and businesses by the Group. The consideration transferred in a business is measured at fair value, which is calculated as the sum of the acquisition-date fair value of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity interest issued by the acquirer. It includes any asset or liability arising from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. Each identifiable asset and liability is generally measured at its acquisition-date fair value except if an NZ IFRS requires another measurement basis. The excess of the consideration transferred over the Group's share of the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed is recognised as goodwill. If the consideration transferred is less than the acquisition-date fair value of identifiable assets acquired and liabilities assumed, a gain is recognised directly in the income statement.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated.

(b) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Associates have been recorded in the consolidated financial statements on an equity accounting basis, which recognises the Group's share of retained surpluses in the income statement and its share of post acquisition increases or decreases in net assets in the balance sheet.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised for the major business activities as follows:

- Retail Sales - Revenue is recognised at the point of sale when delivery takes place and the associated risks of ownership have passed to the customer. Products sold to customers have a right of return and an estimate for such returns are provided for at the time of sale based on historical return rates.
- Finance business revenue – revenue from card commissions is recognised at the point of transactions at services establishments. Membership fees are recognised on a time apportionment basis over the membership period.
- Vouchers – Revenue from the sale of vouchers (gift cards, refunds and Christmas club) are recognised when the voucher is redeemed and the customer purchases goods, or when the customer voucher is no longer expected to be redeemed, based on an analysis of historical redemption rates.
- Lay-by sales - Lay-by sales are recognised when legal title to the goods passes to the customer.
- Interest revenue - Interest revenue is recognised when it is earned, using the effective interest method.
- Dividend income - Dividend income is recognised when the dividend is declared.

(d) Property, plant and equipment

Cost

The cost of purchased property, plant and equipment is the value of the consideration given to acquire the assets and the value of other directly attributable costs, which have been incurred in bringing the assets to the location and condition necessary for their intended use.

Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

The cost of self-constructed assets includes the cost of all materials used in construction, direct labour on the project, financing costs, and costs of obtaining regulatory consents that are directly attributable to the project.

Costs incurred on repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Property, plant and equipment are depreciated on a straight line basis to allocate the cost, less any residual value, over their useful life.

Estimated useful life of property, plant and equipment:

Freehold land	indefinite
Freehold buildings	50 - 100 years
Store fittings and equipment	4 - 12 years
Vehicles	5 - 8 years
Work in progress	not depreciated

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

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

(e) Income tax

The income tax expense or revenue for the period is the tax payable on the current year'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.

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 in subsidiaries and associates where the parent entity 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.

Current and deferred tax balances attributable to amounts recognised in equity are similarly recognised in equity.

Notes to and forming part of the Financial Statements

For the 53 week period ended 2 August 2015

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(f) 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.

(g) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct purchase cost and an appropriate proportion of supply chain variable expenditure. Cost also includes the transfer from equity of any gains or losses on qualifying hedges related to inventories. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(i) Trade and finance receivables

Trade and finance receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. Trade receivables arise from sales made to customers on credit or through the collection of rebates from suppliers not otherwise deducted from suppliers' payable accounts. Finance receivables arise from charge card, credit card and personal loans transactions facilitated by the Group's Finance business.

Collectibility of trade and finance receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impaired 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 receivables. The amount of the provision is the difference between the asset's carrying amount and the estimated recoverable amount. The amount of the provision is recognised in the income statement.

(j) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

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 at the lease commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in borrowings. 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 is depreciated over the shorter of the useful life of the asset and the lease term.

(k) Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration paid over the Groups interest in the fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the minority interest in the acquiree.

For the purposes of impairment testing goodwill acquired in a business combination are allocated to each of the Group's cash generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which goodwill is monitored for internal management purposes. Goodwill is monitored at a level which is not larger than an operating segment.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Brand Names

Brand names acquired in a business combination are recognised at fair value at the acquisition date. Brand names are considered to have indefinite useful lives as the Group have rights to use these names in perpetuity. The carrying value of Brand Names are tested for impairment annually or more frequently if events or changes in circumstances indicate potential impairment, and are carried at cost less accumulated impairment losses.

Computer software

All costs directly incurred in the purchase or development of major computer software or subsequent upgrades and material enhancements, which can be reliably measured and are not integral to a related asset, are capitalised as intangible assets. Direct costs may include internal payroll and on-costs for employees directly associated with the project.

Costs incurred on computer software maintenance are expensed to the income statement as they are incurred. Computer software is amortised over the period of time during which the benefits are expected to arise, representing a period of between two to ten years. Amortisation commences once the computer software is available for use.

(l) Impairment of non-financial assets

Assets that have an indefinite useful life such as Goodwill and Brand Names, as well as assets that are subject to amortisation or depreciation are reviewed annually for impairment or whenever events or changes in circumstances indicate that the carrying amount of the asset 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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(m) 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 expected to be settled within 12 months of the reporting date are recognised in provisions 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

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on New Zealand government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

(iii) Performance based compensation

The Group recognises a liability and an expense for performance based compensation (bonuses) based on a formula that takes into consideration individual performance and company performance linked to the profit attributable to the company's shareholders. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(iv) Equity settled share-based compensation

Equity settled share-based compensation benefits are provided to employees in accordance with the Group's employee executive share rights plan. The fair value of share rights granted under the plan are recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the share rights.

The fair value at grant date of the share right's are independently determined using an appropriate valuation model that takes into account the exercise price, the term of the share right, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the share right, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the share right.

At each balance date, the Group revises its estimate of the number of share rights that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the vesting of share rights, the balance of the share-based payments reserve relating to the share rights is netted against the cost of treasury stock purchased to satisfy the obligation of settling the share based payment and any residual balance transferred to retained earnings.

Notes to and forming part of the Financial Statements

For the 53 week period ended 2 August 2015

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(n) Derivatives

The Group is party to the following financial derivatives:

- Forward foreign exchange rate contracts
- Interest rate swaps

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.

For the purposes of hedge accounting, hedges are classified as:

- Cash flow hedges when they hedge the exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or to a highly probable forecast transaction; or
- Fair value hedges when they hedge the exposure to changes in fair value of a recognised asset or liability.

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.

(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 cash flow hedge 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 interest payment 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), 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 attributed to the hedged risk. The Group only applies fair value hedge accounting for hedging fixed interest on borrowings. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings and changes in the fair value of the fixed rate borrowings attributable to interest rate risk are recognised in the income statement within net interest expense.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of the hedged item, for which the effective interest method is used, is amortised over the period to maturity.

(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.

(o) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments traded in active markets (such as publicly traded derivatives) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of forward exchange contracts is determined using forward exchange market rates at the balance date.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on the applicable market interest yield rates at balance date.

The nominal value of trade receivables and payables are assumed to approximate their fair values.

(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 normally unsecured and are usually settled within 60 days of recognition.

(q) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

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 date.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. The capitalisation rate used to determine the amount of borrowing costs to be capitalised is based on a weighted average of the interest expense incurred by the Group. Other borrowing costs are recognised as an expense when incurred.

(r) 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;
- the amount can be 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. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(s) Segment reporting

An operating segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other operating segments. These segments form the basis of internal reporting used by Management and the Board of Directors to monitor and assess performance and assist with strategy decisions.

The Group operates solely within one geographical segment (New Zealand), and accordingly no geographical segment analysis is provided.

(t) Contributed equity

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

Where the Group purchases its own equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the shareholders until the shares are cancelled or reissued. Where such shares are reissued, any consideration received, net of any directly attributable incremental transaction costs, is included in equity attributable to shareholders.

(u) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised by the board of the Group, on or before the end of the financial year but not distributed at balance date.

(v) Foreign currencies

Transactions in foreign currencies are converted to New Zealand dollars at the exchange rate ruling at the date of the transaction. At balance date monetary assets and liabilities denominated in foreign currencies are retranslated to New Zealand dollars at the closing exchange rate, and exchange variations arising from these translations are recognised in the income statement.

(w) Operating profit

Operating profit represents earnings before taxation and interest from continuing operations adjusted for equity earnings from the Group's associate company and any unusual items. Unusual items includes profit and losses from the disposal of properties, goodwill impairment, direct costs relating to the acquisition of subsidiaries and gains or losses arising from the reassessment of acquisition contingent consideration.

(x) Adjusted net profit

Adjusted net profit (refer note 12) represents net profit attributable to shareholders of the parent adjusted for the after tax effect of unusual items and discontinued operations.

Notes to and forming part of the Financial Statements

For the 53 week period ended 2 August 2015

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(y) Changes to accounting policies that have been adopted for new accounting standards and new interpretations in the preparation and presentation of the financial statements:

There have been no significant changes in accounting policy during the current year. accounting policies have been applied on a basis consistent with the prior year.

(z) New and proposed accounting standards, amendments and interpretations to existing standards that are relevant to the Group, but not yet effective, and have not been early adopted by the Group, are:

NZ IFRS 9, '*Financial instruments*', effective for the Group from 30 July 2018, this standard replaces parts of IAS 39 *Financial Instruments: Recognition and Measurement* that relates to the classification and measurement of financial instruments. All financial assets are required to be classified into two measurement categories: at fair value and at amortised cost. The determination is based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

For financial liabilities, the standard retains most of the NZ IAS 39 requirements. An additional presentational requirement has been added for liabilities designated at fair value through profit and loss. Where the fair value option is taken, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income.

NZ IFRS 9 (2013) is a revised version of NZ IFRS 9. The revised standard incorporates new hedge accounting requirements including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.

NZ IFRS 9 (2014) Financial Instruments requires the use of the expected credit losses model when calculating impairment of financial instruments.

This standard is not expected to significantly impact the Group.

NZ IFRS 15, *Revenue from contracts with customers*, effective for the Group from 31 July 2017. NZ IFRS 15 addresses recognition of revenue from contracts with customers. It replaces the current revenue recognition guidance in NZ IAS 18 *Revenue* and NZ IAS 11 *Construction contracts* and sets out a 5 step model for revenue recognition to represent the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group has yet to assess the impact of NZ IFRS 15.

2. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires the Group to make judgements, estimates and assumptions that effect the reported amounts of assets and liabilities at balance date and the reported amounts of revenues and expenses during the year.

The Group has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made.

(a) Taxation (note 11, 23, 24)

Transactions and calculations are undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The tax calculation also requires estimates about items that are not known at balance date or prior to the Group reporting its final result.

(b) Inventories (note 18)

Assessing provisions for inventory obsolescence, net realisable value and shrinkage involves making estimates and judgements in relation to future selling prices and expected shrinkage rates since the most recent stock count. Shrinkage is a reduction in inventory due to shoplifting, employee theft, paperwork errors and supplier fraud. Shrinkage is confirmed by performing cyclical stock counts to verify inventory quantities.

(c) Derivative financial instruments (note 21)

The Group holds significant amounts of derivatives which are hedge accounted. The calculation of the fair values is determined in accordance with the accounting policy stated in Note 1 (o).

(d) Intangible assets (note 26)

The Group has assessed if Goodwill and indefinite life Brand Names have suffered any impairment since they were acquired. The recoverable amounts of cash generating units are determined based on value in use calculations. These calculations require the use of estimates and projections of future operating performance.

Impairment testing performed at balance date indicated that the carrying value of the intangible assets for the Torpedo 7 Group were impaired and accordingly the Group has recognised a Goodwill impairment loss in the current year result. There is sufficient headroom between the value in use calculations and the carrying value of the remaining intangible assets such that a reasonably possible change in the assumptions and estimates should not result in any other impairment.

Notes to and forming part of the Financial Statements - Continued

For the 53 week period ended 2 August 2015

3. SEGMENT INFORMATION

	Note	Revenue		Operating Profit	
		2015 \$ 000	2014 \$ 000	2015 \$ 000	2014 \$ 000
The Warehouse		1,718,307	1,665,233	79,600	76,903
Warehouse Stationery		262,780	250,561	12,723	11,793
Noel Leeming		665,628	620,520	6,424	11,308
Torpedo7		131,231	107,658	34	1,085
Other Group operations		9,276	14,217	(5,555)	(4,373)
Inter-segment eliminations		(16,801)	(9,711)	-	-
Retail Group		2,770,421	2,648,478	93,226	96,716
Financial Services Group		5,617	2,414	(1,793)	(1,547)
		2,776,038	2,650,892	91,433	95,169
Unallocated (expenses) / revenue					
Gain on disposal of property	25			5,533	16,810
Direct costs relating to acquisitions	41			-	(1,617)
Contingent consideration	42			(977)	5,259
Goodwill impairment (Torpedo7)	26			(11,302)	-
Equity earnings of associate	27			2,802	3,006
Earnings before interest and tax				87,489	118,627
Net interest expense (excluding finance business interest received)	10			(16,207)	(13,863)
Income tax expense	11			(20,345)	(26,868)
Net profit for the period from continuing operations				50,937	77,896
Loss from discontinued operations (net of tax)	38			-	(642)
Net profit for the period				50,937	77,254
Operating margin					
The Warehouse				4.6 %	4.6 %
Warehouse Stationery				4.8 %	4.7 %
Noel Leeming				1.0 %	1.8 %
Torpedo7				0.0 %	1.0 %
Retail Group				3.4 %	3.7 %

(a) Operating segments

The Group has five main operating segments trading in the New Zealand retail and financial services sectors. The operating segments are managed separately with their own management, stores and infrastructure. These segments form the basis of internal reporting used by Management and the Board of Directors to monitor and assess performance and assist with strategy decisions.

The Warehouse

The Warehouse is predominantly a general merchandise and apparel retailer, with 92 (2014: 91) stores located throughout New Zealand.

Warehouse Stationery

Warehouse Stationery is a stationery retailer, with 65 (2014: 63) stores located throughout New Zealand.

Noel Leeming

Noel Leeming is a consumer electronics and home appliances retailer, with 78 (2014: 77) stores located throughout New Zealand.

Torpedo7

Torpedo7 is a multi-channel retailer operating both online through a variety of websites and through 12 stores (2014: 10 stores) currently trading under the Torpedo7 and Number 1 Fitness brand names. During the comparative year Torpedo7 group increased its online retail presence and strengthened its multi-channel capability with the acquisitions of Number1 Fitness in September 2013 and Shotgun Supplements and R&R Sport in December 2013 (refer note 41).

Financial Services Group

The Financial Services Group currently represents the operating activities of Diners Club (NZ) Limited (DCNZ). DCNZ is a credit card company offering credit to its customers through a branded credit card under a franchise agreement with Diners Club International. The comparative period trading results represent the 5 month trading period following the Group's acquisition of DCNZ in March 2014 (refer note 41).

Other Group operations

This segment includes the Group's property operations, which owns a number of stores and distribution centres occupied by the other business segments. This segment also includes the Group's corporate function and Waikato Valley Chocolates, which supplies product to The Warehouse.

Transfer prices between business segments are set on an arm's length basis in a manner similar to third parties. Segment revenues and expenses include transfers between segments, which are eliminated on consolidation.

Notes to and forming part of the Financial Statements - Continued

For the 53 week period ended 2 August 2015

3. SEGMENT INFORMATION (continued)

(b) Other segment information

	Note	Depreciation & Amortisation		Capital Expenditure	
		2015	2014	2015	2014
		\$ 000	\$ 000	\$ 000	\$ 000
The Warehouse		41,072	37,512	35,844	56,790
Warehouse Stationery		6,713	6,123	6,739	8,051
Noel Leeming		6,342	4,304	13,152	11,747
Torpedo7		1,286	1,037	3,866	762
Finance business		864	324	14,827	406
Other group operations		2,357	2,049	43,816	16,511
Continuing operations		58,634	51,349	118,244	94,267
Discontinued operations	38	-	20	-	-
		58,634	51,369	118,244	94,267
Comprising					
Property, plant and equipment	25	52,147	44,858	96,211	86,622
Intangible assets	26	6,487	6,511	22,033	7,645
		58,634	51,369	118,244	94,267

(c) Balance sheet segment information

	Note	Total Assets		Total Liabilities	
		2015	2014	2015	2014
		\$ 000	\$ 000	\$ 000	\$ 000
The Warehouse		491,532	491,466	165,841	159,487
Warehouse Stationery		83,298	84,558	32,742	27,031
Noel Leeming		152,841	124,790	92,682	119,888
Torpedo7		50,804	46,883	14,843	28,569
Finance business		31,963	22,339	5,008	4,849
Other Group operations		173,093	166,702	7,699	11,198
Operating assets / liabilities		983,531	936,738	318,815	351,022
Unallocated assets / liabilities					
Cash and borrowings	17 ,29	32,195	26,758	331,768	247,636
Derivative financial instruments	21	39,291	1,452	3,933	9,105
Investments	27	2,778	5,541	-	-
Intangible goodwill and brands	26	115,818	127,120	-	-
Taxation assets/liabilities	23 ,28	25,185	34,071	-	-
Total		1,198,798	1,131,680	654,516	607,763

Segment assets and liabilities are disclosed net of intercompany balances.

4. FINANCE BUSINESS REVENUE

	2015	2014
	\$ 000	\$ 000
Commission	1,975	632
Interest received	2,241	1,131
Other	1,401	651
	5,617	2,414

5. OTHER INCOME

	2015	2014
	\$ 000	\$ 000
Tenancy rents received	5,328	5,242
Insurance recoveries	-	1,152
Other	2,940	3,402
	8,268	9,796

6. LEASE AND OCCUPANCY EXPENSE

	2015	2014
	\$ 000	\$ 000
Operating lease costs	113,883	103,710
Other occupancy costs	33,309	32,786
	147,192	136,496

Notes to and forming part of the Financial Statements - Continued

For the 53 week period ended 2 August 2015

7. EMPLOYEE EXPENSE

	Note	2015 \$ 000	2014 \$ 000
Wages and salaries		438,995	410,613
Directors' fees	13	734	669
Performance based compensation		8,044	11,301
Equity settled share based payments expense	31	2,114	2,266
		449,887	424,849

8. DEPRECIATION AND AMORTISATION EXPENSE

	Note	2015 \$ 000	2014 \$ 000
Freehold buildings		1,562	1,400
Store fittings and equipment		41,769	35,659
Computer hardware		8,327	7,269
Vehicles		489	530
Property, plant and equipment	25	52,147	44,858
Intangible assets	26	6,487	6,511
Depreciation and amortisation expense		58,634	51,369
From continuing operations		58,634	51,349
From discontinued operations	38	-	20
Depreciation and amortisation expense		58,634	51,369

9. OTHER OPERATING EXPENSES

	2015 \$ 000	2014 \$ 000
Other operating expenses include		
Provision / (Recovery) for bad and doubtful debts	(736)	1,597
Loss on disposal of plant and equipment	691	2,282
Donations	632	620
Net foreign currency exchange (gain) / loss	(77)	32
Auditors' fees		
Auditing the Group financial statements	535	516
Reviewing the half year financial statements	89	86
Other services	55	43
Total fees paid to PricewaterhouseCoopers	679	645

Fees paid to PricewaterhouseCoopers for other services related to limited assurance services provided for treasury policy advice and digital services testing. The Group also capitalised audit assurance services (\$21,000) provided in connection with the issuance of the Group's fixed rate senior bond (refer note 29). For information on the Group's policies regarding audit governance and independence refer to the Corporate Governance section of the Group's annual report.

10. NET INTEREST EXPENSE (EXCLUDING FINANCE BUSINESS INTEREST RECEIVED)

	Note	2015 \$ 000	2014 \$ 000
Interest on bank overdrafts		123	175
Interest on bank borrowings		8,082	5,697
Interest on finance leases		259	338
Interest on fixed rate senior bond		7,725	7,661
Fair value interest rate swaps		(469)	(840)
Interest rate swap cash flow hedges transfer from equity	21	862	1,150
Interest expense		16,582	14,181
Interest received on bank deposits		138	105
Use of money interest		220	87
Employee share plan		17	126
Interest income		375	318
Net interest expense		16,207	13,863

Notes to and forming part of the Financial Statements - Continued

For the 53 week period ended 2 August 2015

11. INCOME TAX

Reconciliation between the tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate.

	Note	2015	2014
		\$ 000	\$ 000
Profit before tax from continuing operations		71,282	104,764
Loss before tax from discontinued operations	38	-	(892)
Profit before tax		71,282	103,872
Taxation calculated at 28%		19,959	29,084
Adjusted for the tax effect of:			
Direct costs relating to acquisitions		-	453
Goodwill impairment		3,165	-
Contingent consideration		274	(1,473)
Entertainment		443	380
Equity earnings of associate		(785)	(842)
Share based payments		(598)	76
Other non deductible expenditure		793	984
Depreciation adjustment on building disposals	12	(2,490)	(1,956)
Income tax over provided in prior year		(416)	(88)
Income tax expense		20,345	26,618
From continuing operations		20,345	26,868
From discontinued operations	38	-	(250)
Income tax expense		20,345	26,618
Effective tax rate		28.5%	25.6%
Income tax expense comprises:			
Current year income tax payable	23	23,842	31,288
Deferred taxation	24	(3,497)	(4,670)
		20,345	26,618

12. GROUP ADJUSTED NET PROFIT RECONCILIATION

	Note	2015	2014
		\$ 000	\$ 000
Net profit attributable to shareholders of the parent		52,433	77,750
Less: Unusual items			
Gain on disposal of property	25	5,533	16,810
Contingent consideration	42	(977)	5,259
Goodwill impairment	26	(11,302)	-
Direct costs relating to acquisitions	41	-	(1,617)
		(6,746)	20,452
Income tax relating to unusual items		(1,549)	(4,707)
Income tax expense related to depreciation adjustment on building disposals	11	2,490	1,956
		(5,805)	17,701
Add back: Loss from discontinued operations (net of tax)	38	-	(642)
Minority interests	35	1,104	-
Group adjusted net profit	33	57,134	60,691
Earnings per share based on adjusted net profit			
Basic earnings per share	15	16.6 cents	18.8 cents
Diluted earnings per share	15	16.4 cents	18.6 cents

Certain transactions can make the comparisons of profits between years difficult. The Group monitors adjusted net profit as a key indicator of performance and uses it as the basis for determining dividends and believe it helps improve the understanding of underlying business performance.

Adjusted net profit makes allowance for discontinued operations and the after tax effect of unusual items, which include profits from the disposal of properties, goodwill impairment, direct costs and contingent consideration adjustments relating to the acquisition of subsidiaries. The Group also uses Adjusted net profit as a basis for determining dividend payments (refer note 33).

Notes to and forming part of the Financial Statements - Continued

For the 53 week period ended 2 August 2015

13. KEY MANAGEMENT PERSONNEL

Compensation made to directors and other members of key management of the Group is set out in the two tables below:

Group	Note	Directors Fees	
		2015	2014
Non-executive directors		\$ 000	\$ 000
E K van Arkel (Chairman)		166	141
K R Smith (Deputy Chairman)		119	115
A J Balfour		85	81
G F Evans (retired November 2013)		-	53
J W M Journee (appointed August 2014 as Non-executive)		88	-
J H Ogden		100	93
J L Smith (retired November 2013)		-	28
V C M Stoddart (appointed November 2013)		91	75
Sir Stephen Tindall		85	83
	7	734	669

J W M Journee was appointed as an executive director in November 2013. During the previous year he received an annual remuneration of \$768,000 in his capacity as team member of the Group which also included a retention payment related to the acquisition of the Noel Leeming Group. J W M Journee's salary ceased in July 2014 when he became a non executive director and was compensated from August 2014 in his new role by directors fees.

	Chief Executive Officer		Other Key Executives	
	2015	2014	2015	2014
	\$ 000	\$ 000	\$ 000	\$ 000
Base Salary	1,263	1,227	5,025	4,855
Annual performance based compensation	-	-	303	540
Equity settled share-based compensation	293	283	758	787
Termination benefits	-	-	-	480
	1,556	1,510	6,086	6,662

The remuneration of the Chief Executive Officer is not included in the remuneration disclosed for other key executives. Equity settled share-based compensation represents the annual expense recognised in the Income Statement for share rights granted to executives based on the fair value of the share rights measured at grant date, which is likely to be different from the market value of the share rights at the date when and if the share rights vest to the executives.

Key management held the following share rights at balance date (refer note 14 for plan details).

Expected vesting dates	Performance Shares		Award Shares		Total Share Rights	
	2015	2014	2015	2014	2015	2014
	000	000	000	000	000	000
Chief Executive Officer						
October 2014	-	91	-	108	-	199
October 2015	102	102	118	87	220	189
October 2016	113	113	84	53	197	166
October 2017	145	-	68	-	213	-
Outstanding at the end of the year	360	306	270	248	630	554
Other Key Executives						
October 2014	-	213	-	231	-	444
October 2015	218	210	298	178	516	388
October 2016	249	244	241	114	490	358
October 2017	394	-	188	-	582	-
Outstanding at the end of the year	861	667	727	523	1,588	1,190

During the year the Group's Chief Executive Officer, M D Powell was granted 349,000 (2014: 272,000) share rights, 163,000 (2014: 81,000) share rights were forfeited and 110,000 (2014: 66,000) share rights vested.

Other key executives were granted 959,000 (2014: 765,000) share rights, 190,000 (2014: 557,000) share rights were forfeited and 380,000 (2014: 190,000) share rights vested. Other key executives comprise the members of The Group Executive team. At balance date this represented 11 (2014: 10) executives.

Notes to and forming part of the Financial Statements - Continued

For the 53 week period ended 2 August 2015

14. EXECUTIVE LONG TERM INCENTIVE PLAN (LTIP)

Share rights are granted to senior executives, who are selected by the Group's Remuneration Committee and elect to participate in the Group's LTIP. The plan is designed to align participants interests with those of shareholders by providing participants with an incentive for delivering results and growing the value of the Group, as measured by the Group's annual performance and share price performance. At balance date the plan had 67 (2014: 63) participants.

The plan is divided into medium term (Award shares) and long term (Performance shares) share plans.

(a) Award Shares

Award shares provide participants with a conditional right to be allocated and transferred ordinary shares upon the satisfaction of certain company performance targets and individual performance targets, measured during the initial vesting period. The number of ordinary shares which are allocated is determined by reference to the percentage achievement of these targets, with one third of the allocated shares being transferred to the executive member at the end of the initial vesting period if minimum threshold performance targets have been achieved. The executive member is transferred a further third of the allocated shares at the end of each of the next two vesting dates, providing the executive member has maintained continuous employment with the Group.

(b) Performance Shares

Performance shares provide participants with a conditional right to be transferred ordinary shares at the end of the vesting period if the Group's has achieved a specified total shareholder return on the vesting date.

Total Shareholder Return

The target total shareholder return represents the increase in Group's share price over the period between the grant date and the vesting date, inflated from the grant date using the Group's cost of equity. The target shareholder return for the performance shares vesting in October 2015, October 2016 and October 2017 is \$0.96, \$1.26 and \$1.00 respectively. The measurement of the actual total shareholder return will be calculated as the increase in the Group's share price over the vesting period plus the aggregate value of dividends paid during the period reinvested at the Group's cost of equity.

The estimated cost of equity is independently determined by external advisors and the target share price and target total shareholder return approved by the Remuneration Committee prior to granting the share rights.

(c) Summary of share rights granted under LTIP arrangements

	Note	Performance Shares		Award Shares		Total Share Rights	
		2015	2014	2015	2014	2015	2014
		000	000	000	000	000	000
Outstanding at the beginning of the year		1,940	1,910	1,806	1,651	3,746	3,561
Granted during the year		791	559	1,757	1,312	2,548	1,871
Vested during the year	30	(681)	-	(574)	(535)	(1,255)	(535)
Forfeited during the year		(45)	(529)	(755)	(622)	(800)	(1,151)
Outstanding at the end of the year		2,005	1,940	2,234	1,806	4,239	3,746
Expected vesting dates							
October 2014		-	696	-	786	-	1,482
October 2015		729	760	934	620	1,663	1,380
October 2016		484	484	731	400	1,215	884
October 2017		792	-	569	-	1,361	-
Outstanding at the end of the year		2,005	1,940	2,234	1,806	4,239	3,746

Award shares granted during the year represent the maximum potential number of conditional rights which can be allotted to each participant. The final allocation of these share rights is determined after balance date once the achievement of individual and company performance targets have been evaluated and the final allotment approved by the Group's Remuneration Committee. Any adjustment to the number of share rights granted is included as a forfeiture in the table above.

When a participant ceases employment prior to the vesting of their share rights, the share rights are forfeited unless there are extenuating circumstances and the Remuneration Committee approves the early vesting of the share rights. In the event of a change in control the Remuneration Committee has the discretion to bring forward the vesting dates of the share rights.

(d) Fair values

The fair value of performance shares at grant date have been independently estimated using a variant of the Binomial Options Pricing Model. The fair value of award shares has been calculated as the present value of the rights at grant date discounted using the Group's estimated cost of equity and allowing for expected future dividends. The following table lists the key inputs used in the various pricing models:

Performance shares

Date granted	October 2014	October 2013	October 2012
Vesting date	October 2017	October 2016	October 2015
Risk free interest rate (%)	3.73	3.40	2.66
Average expected volatility (%)	21.60	22.50	20.00
Average share price at measurement date (\$)	3.09	3.77	2.95
Estimated fair value at grant date (\$)	0.97	1.15	0.71

Award shares

Date granted	October 2014	October 2013	October 2012
First vesting date (then annually on the next two anniversaries)	October 2015	October 2014	October 2013
Weighted average cost of equity capital (%)	9.83	10.10	9.90
Average share price at measurement date (\$)	3.09	3.77	2.95
Average estimated fair values at grant date (\$)	2.77	3.38	2.56

Notes to and forming part of the Financial Statements - Continued

For the 53 week period ended 2 August 2015

15. EARNINGS PER SHARE**(a) Basic earnings per share**

Basic earnings per share is calculated by dividing Group net profit attributable to shareholders by the weighted average number of ordinary shares outstanding during the year.

	Note	2015	2014
Profit from continuing operations attributable to shareholders of the parent (\$000s)		52,433	78,392
Profit from discontinued operations attributable to shareholders of the parent (\$000s)		-	(642)
Net profit attributable to shareholders of the parent (\$000s)		52,433	77,750
Adjusted net profit attributable to shareholders of the parent (\$000s)	12	57,134	60,691
Basic			
Weighted average number of ordinary shares on issue (000s)		346,843	324,200
Adjustment for treasury stock (000s)		(1,714)	(1,887)
Weighted average number of ordinary shares outstanding (000s)		345,129	322,313
Basic earnings per share from continuing operations (cents)		15.2	24.3
Basic earnings per share from discontinued operations (cents)		-	(0.2)
Basic earnings per share (cents)		15.2	24.1
Adjusted basic earnings per share (cents)	12	16.6	18.8

(b) Diluted earnings per share

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. The Group has two types of dilutive potential ordinary share (performance share rights and award share rights - refer note 14).

Share rights

To calculate the weighted average effect of *performance* share right dilution it is assumed that the share rights have vested if the average market price of ordinary shares exceeds the target price vesting criteria.

To calculate the weighted average effect of *award* share right dilution it is again assumed that the share rights have vested but an adjustment is made for the number of rights which are expected to be forfeited based on the percentage achievement of individual and company vesting performance hurdles.

	Note	2015	2014
Diluted			
Weighted average number of ordinary shares outstanding (000s)		345,129	322,313
Shares deemed to be issued for no consideration in respect of share rights (000s)		2,404	3,208
Weighted average number of ordinary shares for diluted earnings per share (000s)		347,533	325,521
Diluted earnings per share from continuing operations (cents)		15.1	24.1
Diluted earnings per share from discontinued operations (cents)		-	(0.2)
Diluted earnings per share (cents)		15.1	23.9
Adjusted diluted earnings per share (cents)	12	16.4	18.6

16. NET ASSETS PER SHARE

Net asset backing per share is calculated by dividing Group net assets by the number of ordinary shares outstanding at balance date.

	Note	2015	2014
Net assets (\$000s)		544,282	523,917
Basic			
Number of ordinary shares on issue (000s)	30	346,843	346,843
Adjustment for treasury stock (000s)	30	(2,134)	(2,379)
Number of ordinary shares outstanding (000s)		344,709	344,464
Net assets per share (cents)		157.9	152.1

Notes to and forming part of the Financial Statements - Continued

For the 53 week period ended 2 August 2015

17. CASH AND CASH EQUIVALENTS

	2015	2014
	\$ 000	\$ 000
Cash on hand and at bank	32,195	26,758

Cash on hand and at bank includes EFTPOS (electronic funds transfer point of sale) transactions which have not been cleared by the bank. The Group's balance date is always a Sunday which means the three previous day's store sales, which have been paid by EFTPOS, remain uncleared at balance date.

18. INVENTORIES

Group	2015	2014
	\$ 000	\$ 000
Finished goods	478,150	464,926
Inventory adjustments	(17,500)	(16,718)
Retail stock	460,650	448,208
Goods in transit from overseas	49,811	43,901
	510,461	492,109

Inventory adjustments for stock obsolescence are provided at balance date and the movement in the adjustments recognised within cost of sales in the Income Statement.

Goods in transit from overseas

Goods in transit from overseas are recognised when title to the goods is passed to the Group. Title to the goods is passed when valid documents (which usually include a 'bill of lading') are received, and terms, as set out in a supplier's letter of credit or in the supplier's terms of trade, are met.

19. FINANCE BUSINESS RECEIVABLES

	2015	2014
	\$ 000	\$ 000
Finance business receivables	14,964	21,381
Allowance for impairment	(736)	(2,345)
	14,228	19,036

Finance receivables arise from charge card, credit card and personal loans transactions provided by Diners Club (NZ) Limited. Finance receivables specify minimum instalments which are due for repayment within 30 days. Collectability of finance receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when they are identified. A provision for impairment is recognised when there is objective evidence that the Group will not be able to collect the receivables in accordance with the terms of the credit arrangement.

An ageing analysis of finance business receivables at balance date is set out below:

	Total	0 to 30 days	31 to 60 days	61 to 90 days	> 90 days
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
At 2 August 2015					
Finance business receivables	14,964	13,916	468	61	519
Allowance for impairment	(736)	(133)	(102)	(21)	(480)
	14,228	13,783	366	40	39
At 27 July 2014					
	21,381	18,567	754	346	1,714
Allowance for impairment	(2,345)	(539)	(144)	(114)	(1,548)
	19,036	18,028	610	232	166

20. TRADE AND OTHER RECEIVABLES

	Note	2015	2014
		\$ 000	\$ 000
Trade receivables		44,139	44,408
Allowance for impairment		(1,488)	(1,812)
		42,651	42,596
Other debtors and prepayments		29,472	19,237
Property advances		-	10,000
Employee share purchase plan loans		10	384
		72,133	72,217

(a) Trade receivables

Trade receivables arise from sales made to customers on credit or through the collection of rebates from suppliers not otherwise deducted from suppliers' payable accounts. Trade receivables are non-interest bearing and are generally on 30 to 60 day terms. Due to the short term nature of trade and other receivables, their carrying value is assumed to approximate their fair value. Collateral is not held as security, nor is it the Group's practice to transfer (on-sell) trade receivables.

Notes to and forming part of the Financial Statements - Continued

For the 53 week period ended 2 August 2015

20. TRADE AND OTHER RECEIVABLES (continued)

Trade receivables greater than 60 days are considered to be past their due date. Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when they are identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable.

An ageing analysis of trade receivables at balance date is set out below:

	Total	0 to 30 days	31 to 60 days	61 to 90 days	> 90 days
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
At 2 August 2015					
Trade receivables	44,139	36,847	3,598	1,599	2,095
Allowance for impairment	(1,488)	(340)	(56)	(157)	(935)
	42,651	36,507	3,542	1,442	1,160
At 27 July 2014					
Trade receivables	44,408	31,175	8,221	2,795	2,217
Allowance for impairment	(1,812)	(42)	(200)	(124)	(1,446)
	42,596	31,133	8,021	2,671	771

(b) Property advances

Property advances include deposits on property purchases and landlord advances. Short-term advances have been provided to certain landlords to enable them to complete the renovation of stores or distribution centres leased by the Group. These advances are typically repayable either on demand or when the works are completed.

(c) Employee share purchase plan

The Group provided five year loans to employees in May 2010 to enable team members to purchase discounted ordinary shares in the Group. The share scheme has now been concluded with participants receiving their shares in May 2015 when the loans were fully repaid. A small number of loans remain outstanding representing 62,000 ordinary shares. These shares will be vested to employees once the loans are fully repaid.

21. DERIVATIVE FINANCIAL INSTRUMENTS

Asset / (Liability)	Currency contracts	Interest rate swaps	Total derivatives
	\$ 000	\$ 000	\$ 000
At 2 August 2015			
Current assets	39,127	-	39,127
Non-current assets	-	164	164
Current liabilities	(51)	-	(51)
Non-current liabilities	-	(3,882)	(3,882)
	39,076	(3,718)	35,358
At 27 July 2014			
Current assets	599	455	1,054
Non-current assets	242	156	398
Current liabilities	(7,587)	-	(7,587)
Non-current liabilities	(22)	(1,496)	(1,518)
	(6,768)	(885)	(7,653)

Derivative financial instruments are used by the Group to hedge financial risks (refer note 40). The fair value of a derivative financial instrument is classified as a non-current asset or liability if the maturity of the derivative is more than 12 months and, as a current asset or liability, if the maturity is less than 12 months.

(a) Forward currency contracts – cash flow hedges

The Group purchases inventory directly from overseas suppliers, primarily priced in US dollars. In order to protect against exchange rate movements and to manage the inventory costing process, the Group has entered into forward currency contracts to purchase foreign currencies. These contracts are hedging highly probable forecasted purchases timed to mature when the payments are scheduled to be made. The cash flows are expected to occur during the next 12 months and the gain/loss within cost of sales will be affected over the following year as the inventory is sold.

At balance date the details of the outstanding contracts are:

Forward currency contracts - cash flow hedges	Notional Amount		Average Exchange Rate	
	2015	2014	2015	2014
	NZ\$ 000	NZ\$ 000	\$	\$
Buy US dollars / Sell New Zealand dollars				
Maturity 0 to 6 months	201,233	178,932	0.7684	0.8168
Maturity 7 to 12 months	74,071	96,791	0.6858	0.8290
Maturity 13 to 18 months	-	51,013	-	0.8233

The forward currency contracts are considered to be highly effective as they are matched against forecast inventory purchases with any gain/loss on the contracts attributable to the hedged risk taken directly to equity. When inventory is purchased the amount recognised in equity is adjusted to the inventory account in the balance sheet.

Notes to and forming part of the Financial Statements - Continued

For the 53 week period ended 2 August 2015

21. DERIVATIVE FINANCIAL INSTRUMENTS (continued)**(b) Interest rate swaps**

	2015	2014
	\$ 000	\$ 000
Cash flow hedges	(3,882)	(1,340)
Fair value hedges	164	455
	(3,718)	(885)

(i) Interest rate swaps – cash flow hedges

The Group's core bank borrowings bear an interest rate priced 0.94% (2014: 1.00%) above the bank bill mid rate (BKBM). In order to protect against rising interest rates the Group has entered interest rate swap contracts which it has a right to receive interest at variable rates and to pay interest at fixed rates.

At balance date the notional principal amounts and expiry of the interest rate swap contracts are as follows:

Interest rate swaps - cash flow hedges	Notional Amount		Average Fixed Rate	
	2015	2014	2015	2014
	\$ 000	\$ 000	%	%
Maturity				
1-2 Years	30,000	-	4.61	-
2-3 Years	20,000	30,000	5.90	4.99
3-4 Years	-	20,000	-	5.87
8-9 Years	15,000	-	4.74	-
	65,000	50,000	5.06	5.35

In addition to the above interest rate swaps, the Group has a deferred start, 2 year interest rate swap (4.45%) with a notional principal of \$40.000 million commencing June 2020.

In the table above, where the Group has entered into a second interest rate swap commencing from the end of an earlier maturing contract, the notional principal has been disclosed as if they were a single contract and the interest rate represents an average of the two contracts.

These interest rate swaps are settled on a net basis every ninety days matched to the same dates which interest is payable on bank borrowings. The interest rate swaps and bank borrowings re-price based on BKBM. All swaps are matched directly against an appropriate proportion of bank borrowings and interest expense, and as such, are considered highly effective. The interest rate swaps are measured at fair value and all gains and losses attributable to the hedged risk are taken directly to equity and reclassified to the income statement when the interest expense is recognised.

(ii) Interest rate swaps - fair value hedges

At balance date the Group held interest rate swaps where it receives a fixed rate of interest and pays a variable rate on a notional amount of \$40.000 million (2014: \$40.000 million). These interest rate swaps are designated as fair value hedges and transform a series of known future fixed interest cash flows on the fixed rate senior bond to variable interest cash flows, so as to mitigate exposure to fair value changes in the fixed rate senior bond resulting from movements in interest rates. These interest rate swaps also spread the exposure to fixed rate repricing risk at the maturity of the Groups fixed rate senior bond.

Gains or losses on the derivatives and the change in fair value of the hedged risk on the fixed rate senior bond recognised in the income statement during the period were:

	2015	2014
	\$ 000	\$ 000
Gains / (losses) on fixed rate senior bond	228	815
Gains / (losses) on interest rate swaps	(228)	(815)

(c) Cash flow hedge reserve

Movements in the cash flow hedge reserve are set out below:

	Note	Currency Contracts	Interest Rate Swaps	Deferred Taxation	Hedge Reserve
		\$ 000	\$ 000	\$ 000	\$ 000
For the 53 week period ended 2 August 2015					
Opening balance		(6,768)	(1,259)	2,247	(5,780)
Transferred to inventory		(20,260)	-	5,673	(14,587)
Transferred to interest expense	10	-	862	(241)	621
De-designated interest rate swaps	31	-	(2,705)	757	(1,948)
Transferred to equity		66,104	(641)	(18,329)	47,134
Closing balance		39,076	(3,743)	(9,893)	25,440
				(note: 24)	(note: 31)
For the 52 week period ended 27 July 2014					
Opening balance		1,500	(2,283)	219	(564)
Transferred to inventory		9,170	-	(2,568)	6,602
Transferred to interest expense	10	-	1,150	(322)	828
Transferred to equity		(17,438)	(126)	4,918	(12,646)
Closing balance		(6,768)	(1,259)	2,247	(5,780)
				(note: 24)	(note: 31)

The difference between the fair value of interest rate swaps at balance date and the gross amount recognised in the cash flow hedge reserve represents the amount of unsettled interest payable/receivable (which has been transferred to the interest expense).

Notes to and forming part of the Financial Statements - Continued

For the 53 week period ended 2 August 2015

22. TRADE AND OTHER PAYABLES

	Note	2015	2014
		\$ '000	\$ '000
Trade creditors		189,512	191,118
Goods in transit creditors		16,522	14,909
Capital expenditure creditors		11,165	12,607
Goods and services tax		11,208	15,512
Unearned income and Reward Schemes (includes laybys, gift vouchers, BizReward points and Christmas club deposits)		16,508	15,478
Contingent and deferred acquisition consideration	42	3,250	22,316
Interest accruals		1,426	1,273
Payroll accruals		7,908	13,092
		257,499	286,305
Less: Non-current contingent and deferred acquisition consideration		(1,000)	(1,986)
Current trade and other payables		256,499	284,319

Trade payables are normally unsecured and non-interest bearing and are usually settled within 60 days of recognition. Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

23. CURRENT TAXATION

The movement in income tax receivable is set out below:

Asset / (Liability)	Note	2015	2014
		\$ '000	\$ '000
Opening balance		3,226	(3,466)
Current year income tax payable	11	(23,842)	(31,288)
Net taxation paid		22,398	37,492
Supplementary dividend tax credit		468	488
Closing balance		2,250	3,226

24. DEFERRED TAXATION

Movement in deferred income tax relates to the following temporary differences:

Asset / (Liability)	Note	Opening Balance	Charged to Profit	Charged to Equity	Acquisition of Subsidiary	Closing Balance
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
For the 53 week period ended 2 August 2015						
Gross deferred tax assets						
Inventory		10,286	832	-	-	11,118
Deferred income		2,118	(415)	-	-	1,703
Employee benefit provisions		11,792	503	-	-	12,295
Impaired receivables		2,365	(377)	-	-	1,988
Other provisions		4,118	(707)	-	-	3,411
Plant and equipment depreciation and software amortisation		7,830	1,694	-	-	9,524
Derivatives - cash flow hedges	21	2,247	-	(2,247)	-	-
Other		23	(23)	-	-	-
		40,779	1,507	(2,247)	-	40,039
Gross deferred tax liabilities						
Derivatives - cash flow hedges	21	-	-	(9,893)	-	(9,893)
Building depreciation		(9,583)	2,868	-	-	(6,715)
Other		(351)	(145)	-	-	(496)
		(9,934)	2,723	(9,893)	-	(17,104)
Net deferred tax assets / (liabilities)		30,845	4,230	(12,140)	-	22,935

(note: 11)

For the 52 week period ended 27 July 2014

Gross deferred tax assets						
Inventory		9,076	1,026	-	184	10,286
Deferred income		1,093	377	-	648	2,118
Employee benefit provisions		10,683	1,030	-	79	11,792
Impaired receivables		302	127	-	1,936	2,365
Other provisions		4,593	(509)	-	34	4,118
Plant and equipment depreciation and software amortisation		7,289	702	-	(161)	7,830
Derivatives - cash flow hedges	21	219	-	2,028	-	2,247
Other		286	(263)	-	-	23
		33,541	2,490	2,028	2,720	40,779
Gross deferred tax liabilities						
Building depreciation		(11,965)	2,382	-	-	(9,583)
Other		(151)	(200)	-	-	(351)
		(12,116)	2,182	-	-	(9,934)
Net deferred tax assets		21,425	4,672	2,028	2,720	30,845

(note: 11)

(note: 41)

Notes to and forming part of the Financial Statements - Continued

For the 53 week period ended 2 August 2015

25. PROPERTY, PLANT AND EQUIPMENT

Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the year are set out below:

Note	Freehold Land \$ 000	Freehold Buildings \$ 000	Store Fittings and Equipment \$ 000		Computer Hardware \$ 000	Vehicles \$ 000	Work in Progress \$ 000	Total \$ 000
For the 53 week period ended 2 August 2015								
Opening carrying amount	81,310	60,182	147,892		22,546	1,705	23,170	336,805
Additions	3 32,194	13,450	49,926		8,402	145	(7,906)	96,211
Disposals	(6,117)	(18,504)	(1,038)		(46)	(69)	-	(25,774)
Depreciation	3, 8 -	(1,562)	(41,769)		(8,327)	(489)	-	(52,147)
Closing carrying amount	107,387	53,566	155,011		22,575	1,292	15,264	355,095
At 2 August 2015								
Cost	107,387	65,441	440,227		107,350	3,162	15,264	738,831
Accumulated depreciation	-	(11,875)	(285,216)		(84,775)	(1,870)	-	(383,736)
Net carrying amount	107,387	53,566	155,011		22,575	1,292	15,264	355,095
For the 52 week period ended 27 July 2014								
Opening carrying amount	78,556	69,207	123,131		19,818	2,038	12,852	305,602
Acquisition of subsidiaries	41 -	-	1,558		328	132	-	2,018
Additions	3 4,726	449	61,292		9,726	111	10,318	86,622
Disposals	(1,972)	(8,074)	(2,430)		(57)	(46)	-	(12,579)
Depreciation	3, 8 -	(1,400)	(35,659)		(7,269)	(530)	-	(44,858)
Closing carrying amount	81,310	60,182	147,892		22,546	1,705	23,170	336,805
At 27 July 2014								
Cost	81,310	73,105	416,678		102,538	3,188	23,170	699,989
Accumulated depreciation	-	(12,923)	(268,786)		(79,992)	(1,483)	-	(363,184)
Net carrying amount	81,310	60,182	147,892		22,546	1,705	23,170	336,805
At 28 July 2013								
Cost	78,556	82,224	385,760		93,707	3,072	12,852	656,171
Accumulated depreciation	-	(13,017)	(262,629)		(73,889)	(1,034)	-	(350,569)
Net carrying amount	78,556	69,207	123,131		19,818	2,038	12,852	305,602

(a) Property valuations

The directors, having taken into consideration purchase offers, independent and government valuations and other known factors, have assessed the fair value of freehold land and buildings to be \$198.229 million (2014: \$177.086 million). The directors' valuation was approved by the Board on 17 September 2015. Independent property valuations are sought at least every three years, unless other factors indicate there may have been a significant change in fair value which would necessitate a revaluation being undertaken earlier.

	Carrying Amount		Directors Valuation	
	2015 \$ 000	2014 \$ 000	2015 \$ 000	2014 \$ 000
Freehold land and buildings				
Support office	22,361	9,585	40,000	23,000
Stores	106,944	106,874	114,010	119,934
Development assets	31,648	25,033	44,219	34,152
Total freehold land and buildings	160,953	141,492	198,229	177,086

Stores comprise six (2014: seven) store sites located throughout New Zealand. Development assets include three (2014: three) Auckland properties and properties in Timaru, Hamilton, Kaitaia and Rolleston.

(b) Property disposals

During the year the Group sold a store property in Whangarei and a store in Gisborne for a combined consideration of \$30.350 million which realised a pre-tax profit of \$5.533 million.

In the comparative year the Group sold a store in Christchurch, surplus land in Wiri (Auckland) and a storage facility in Manukau (Auckland), together the sale of these three properties realised a pre-tax profit of \$16.810 million.

Notes to and forming part of the Financial Statements - Continued

For the 53 week period ended 2 August 2015

26. INTANGIBLE ASSETS

Reconciliations of the carrying amounts of intangible assets at the beginning and end of the year are set out below:

	Note	Goodwill \$ 000	Brand Names \$ 000	Computer Software \$ 000	Total \$ 000
For the 53 week period ended 2 August 2015					
Opening carrying amount		103,597	23,523	16,571	143,691
Additions	3	-	-	22,033	22,033
Disposals		-	-	(503)	(503)
Impairment		(11,302)	-	-	(11,302)
Amortisation	3, 8	-	-	(6,487)	(6,487)
Closing carrying amount		92,295	23,523	31,614	147,432

At 2 August 2015

Cost		103,597	23,523	110,088	237,208
Accumulated amortisation and impairment		(11,302)	-	(78,474)	(89,776)
Net carrying amount		92,295	23,523	31,614	147,432

For the 52 week period ended 27 July 2014

Opening carrying amount		71,905	23,523	13,051	108,479
Acquisition of subsidiaries	41	31,692	-	3,014	34,706
Additions	3	-	-	7,645	7,645
Disposals		-	-	(628)	(628)
Amortisation	3, 8	-	-	(6,511)	(6,511)
Closing carrying amount		103,597	23,523	16,571	143,691

At 27 July 2014

Cost		103,597	23,523	89,566	216,686
Accumulated amortisation		-	-	(72,995)	(72,995)
Net carrying amount		103,597	23,523	16,571	143,691

At 28 July 2013

Cost		71,905	23,523	79,665	175,093
Accumulated amortisation		-	-	(66,614)	(66,614)
Net carrying amount		71,905	23,523	13,051	108,479

(a) Impairment tests for intangible assets with indefinite lives

Goodwill and brand names are allocated to the Group's cash generating units identified below:

	Goodwill		Brand Names	
	2015 \$ 000	2014 \$ 000	2015 \$ 000	2014 \$ 000
Noel Leeming	27,436	27,436	15,500	15,500
Torpedo7 Group	25,689	36,991	8,023	8,023
Financial Services Group	11,014	11,014	-	-
Other acquisitions	28,156	28,156	-	-
Net carrying amount	92,295	103,597	23,523	23,523

Impairment of indefinite life intangible assets is assessed by comparing the recoverable amount of a cash generating unit (CGU) with the carrying value. The recoverable amount of a cash generating unit is calculated as the higher of 'value in use' and the 'fair value less costs to sell'. These calculations rely on cashflow projections based on financial budgets and strategic plans approved by management and Directors covering the next five or ten years. Cashflows beyond the projection period are extrapolated using the estimated growth rates stated below. The growth rates do not exceed the long term average growth rate for the business in which the CGU operates.

(b) Key assumptions

	Financial Services	Noel Leeming	Torpedo7	Remaining CGU's
At 2 August 2015				
EBIT Margin	N/A	2.2%	8.5%	5 to 9%
Growth rate	2.0%	2.0%	2.0%	2.0%
Post-tax discount rate	13.4%	11.7%	12.5%	13.4%
At 27 July 2014				
EBIT Margin		3.1%	10.5%	5 to 11%
Growth rate		2.5%	3.0%	2.5%
Post-tax discount rate		12.0%	12.8%	13.7%

During the Groups annual impairment review it was identified that it was taking longer than originally anticipated to get the required returns from the Groups Torpedo7 business. Difficult trading conditions over the previous few years has resulted in below expectation performance, consequently the Group has reduced the carrying value of its investment Torpedo7 to the Groups revised assessment of recoverable value. A loss of \$11.302 million has been recognised as Goodwill Impairment in the Income Statement.

For all other CGU's the impairment calculations supported the carrying amounts of Goodwill and the Brand Names. The weighted average growth rates used are consistent with the forecasts in market and industry reports. The discount rates used are post-tax and reflect specific risks relating to the relevant operating segments. The Group does not expect a reasonably possible change in the key assumptions would reduce the recoverable amount below the carrying amount.

Notes to and forming part of the Financial Statements - Continued

For the 53 week period ended 2 August 2015

27. INVESTMENTS

Movements in the carrying amount of the Group's investment in associates are as follows:

	2015	2014
	\$ 000	\$ 000
Opening balance	5,541	5,671
Share of associates profit before taxation	3,892	4,177
Less taxation	(1,090)	(1,171)
Equity earnings of associate	2,802	3,006
Distributions received	(5,565)	(3,136)
Closing balance	2,778	5,541

(a) Investment details

The Group has a 49% interest, and Westpac a 51% interest in The Warehouse Financial Services Limited. The Warehouse Financial Services Limited offers consumer credit and risk related products that include credit cards and insurance cover. The products and services are sold through The Warehouse stores as well as online, by direct mail and over the telephone.

The balance date of The Warehouse Financial Services Limited is 30 September. The share of associate earnings is based on both audited financial statements for the year ended 30 September 2014 and unaudited management accounts for the ten month period ended 31 July 2015.

(b) Summarised financial information

Details of the summarised financial information relating to the Group's associate is set out below:

	2015	2014
	\$ 000	\$ 000
Extract from the associates balance sheet		
Loans	57,675	62,649
Other assets	10,155	15,622
	67,830	78,271
Liabilities	(62,161)	(66,963)
Net assets	5,669	11,308
Share of associates net assets	2,778	5,541
Extract from associates income statement		
Operating income	12,799	14,543
Net profit after tax	5,719	6,134

28. PROVISIONS

	Current		Non-current		Total	
	2015	2014	2015	2014	2015	2014
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
Performance based compensation	5,221	7,895	-	-	5,221	7,895
Annual leave	29,136	28,338	-	-	29,136	28,338
Long service leave	-	-	7,394	7,365	7,394	7,365
Other employee benefits	4,752	4,323	2,632	2,088	7,384	6,411
Employee benefits	39,109	40,556	10,026	9,453	49,135	50,009
Make good provision	705	1,536	6,040	4,671	6,745	6,207
Sales returns provision	3,580	3,581	-	-	3,580	3,581
Onerous lease	1,029	2,364	827	2,556	1,856	4,920
	44,423	48,037	16,893	16,680	61,316	64,717

(a) Movements in provisions

Movements in each class of provision during the year, other than provisions relating to employee benefits are set out below:

	Make Good		Sales Return		Onerous Lease	
	2015	2014	2015	2014	2015	2014
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
Opening balance	6,207	6,152	3,581	3,229	4,920	7,150
Acquisition of subsidiaries	-	83	-	186	-	-
Arising during the year	1,786	1,384	3,580	3,581	(679)	1,339
Net settlements	(1,248)	(1,412)	(3,581)	(3,415)	(2,385)	(3,569)
Closing balance	6,745	6,207	3,580	3,581	1,856	4,920

Notes to and forming part of the Financial Statements - Continued

For the 53 week period ended 2 August 2015

28. PROVISIONS (continued)

Nature and timing of provisions

(b) Employee benefit provisions

Refer to note 1(m) for the relevant accounting policy and discussion of the significant estimations and assumptions applied in the measurement of these provisions.

(i) Annual performance based compensation

The annual performance based compensation is payable within two months of balance date when individual and company performance against specified targets have been evaluated and the financial statements have been finalised and audited.

(ii) Annual leave

This provision represents employee entitlements to untaken annual and long service leave vested at balance date.

(iii) Long service leave

The Warehouse and Warehouse Stationery employees are entitled to four weeks additional paid leave after ten years of continuous employment with the Group. This provision represents the present value of expected future payments to be made in respect of services provided by employees at balance date.

(iv) Other employee benefits

The Group's employees are in general entitled to a minimum of eight days annual sick leave with any unused days up to a maximum of fifteen days carried over to the next year and added to the annual entitlement. A provision for sick leave has been recognised for employees with entitlements in excess of one year, where it is likely that the entitlement will be taken. This provision also includes an estimate of the Group's outstanding ACC (Accident Compensation Corporation) liabilities.

(c) Make good provision

The Group has an obligation to restore certain leasehold sites to their original condition when the lease expires. This provision represents the present value of the expected future make good commitment. Amounts charged to the provision represent both the cost of make good costs incurred and costs incurred which mitigate the final liability prior to the lease expiry.

(d) Sales return

The Group provides various guarantees and warranties to replace, repair or refund customers for faulty or defective products sold. This provision represents the estimated sales return obligation at balance date based on historical sale return rates.

(e) Onerous lease

A provision for an onerous lease is recognised when the Group retains a lease obligation after vacating a property before the expiry of the lease term. The Group also recognised a provision where the lease obligations associated with the acquisition of Noel Leeming were significantly higher than the market rates at the time of acquisition.

29. BORROWINGS

	Note	2015 \$ 000	2014 \$ 000
Bank borrowings at call - interest rate: 3.89% (2014: 4.25%)		115,805	3,410
Finance leases	37	1,359	1,370
Fixed rate senior bond (coupon: 7.37%)		-	100,000
Fair value adjustment relating to senior bond effective interest		-	391
Unamortised capitalised costs on senior bond		-	(275)
Current borrowings		117,164	104,896
Bank borrowings - interest rate: 4.01% (2014: 4.56%)		90,000	140,000
Finance leases	37	1,571	2,740
Fixed rate senior bond (coupon: 5.30%)		125,000	-
Fair value adjustment relating to senior bond effective interest		163	-
Unamortised capitalised costs on senior bond		(2,130)	-
Non-current borrowings		214,604	142,740
	40	331,768	247,636

Cash balances have been netted off against bank overdrafts where the Group has a 'set off' arrangement with a bank counter party. The average bank overdraft interest rate incurred for the year was 9.64% (2014: 9.00%).

(a) Borrowing covenants

Bank borrowings and the fixed rate senior bond are subject to a negative pledge. Details regarding the negative pledge and restrictive covenants is disclosed in note 39.

(b) Interest rate and liquidity risk

Details regarding interest rate and liquidity risk is disclosed in note 40.

(c) Fixed rate senior bond

The Group replaced its \$100.000 million fixed rate senior bond (issued in April 2010) when it matured in June 2015 with a new fixed rate senior bond of \$125.000 million. Interest on the new bond is payable every six months on the same dates as the previous bond (15 June and 15 December) and has a final maturity in June 2020. The Group incurred costs of \$2.189 million (2010: \$1.600 million) in connection with the issuance of the bond which were capitalised. These costs are amortised equally over the term of the bond and an amortisation expense of \$0.334 million (2014: \$0.311 million) has been recognised as part of the interest expense during the year.

(d) Fair values

The fair value of fixed rate senior bond's at balance date based on the last price traded on the New Zealand stock exchange were as follows:

	2015	2014
Face Value (\$000)	125,000	100,000
Coupon (%)	5.30	7.37
Market yield (%)	4.45	5.30
Maturity	June 2020	June 2015
NZX Quoted closing price (per \$1.00)	1.04411	1.02649
Fair Value (\$000)	130,514	102,649

Notes to and forming part of the Financial Statements - Continued

For the 53 week period ended 2 August 2015

30. CONTRIBUTED EQUITY

	2015	2014
	\$ 000	\$ 000
Share capital	365,517	365,517
Treasury stock	(7,302)	(8,707)
	358,215	356,810

(a) Share capital

	Note	Share Capital		Ordinary Shares	
		2015	2014	2015	2014
		\$ 000	\$ 000	000	000
Opening balance		365,517	251,445	346,843	311,196
Share placement shares issued (issue price \$3.23)	39	-	100,000	-	30,960
Share purchase plan shares issued (issue price \$3.20)	39	-	14,998	-	4,687
Cost of issuing new shares	39	-	(926)	-	-
Closing balance		365,517	365,517	346,843	346,843

Fully paid ordinary shares carry one vote per share and participate equally in dividends, other distributions from equity and any surplus on a winding up of the Group.

(b) Equity Raise - 2014

In the prior year the Group raised \$114.072 million (net of issuing costs) by issuing 35.647 million new ordinary shares as part of an equity raise which was undertaken in two parts. The first part was an institutional placement which raised \$100.000 million (at \$3.23 per share) in March 2014, the second part was a share purchase plan which raised \$14.998 million (at \$3.20 per share) in April 2014.

(c) Treasury stock

	Note	Treasury Stock		Ordinary Shares	
		2015	2014	2015	2014
		\$ 000	\$ 000	000	000
Opening balance		8,707	7,361	2,379	1,878
Ordinary shares issued to settle share plan obligations	31, 14	(4,250)	(1,993)	(1,255)	(535)
Ordinary shares purchased (average purchase price \$2.81 - 2014: \$3.23)		2,754	3,230	979	1,000
Ordinary shares forfeited under the staff share purchase plan	20	91	109	31	36
Closing balance		7,302	8,707	2,134	2,379
Percentage of share capital				0.62 %	0.69 %

The Group retains its own ordinary shares which are used for employee share based payment arrangements and are deducted from equity. These shares carry the same voting rights as other issued ordinary shares. Voting rights attached to the shares are held by the trustees of the employee share schemes, and dividends paid on the shares are retained by the trustee for the benefit of the Group. The Directors may appoint or remove any trustee by Directors' resolution. The current trustees of the share plans are:

The Warehouse Management Trustee Company Limited
The Warehouse Management Trustee Company No.2 Limited

K R Smith (Director) and M D Powell (Chief Executive Officer)
E K van Arkel (Director) and K R Smith (Director)

31. RESERVES

	Note	2015	2014
		\$ 000	\$ 000
Cash flow hedge reserve	21	25,440	(5,780)
De-designated derivative reserve		(1,889)	-
		23,551	(5,780)
Share based payments reserve		2,937	3,709
		26,488	(2,071)

(a) Cash flow hedge reserve

This reserve records the portion of the gain or loss on a hedging derivative in a cash flow hedge that is determined to be an effective hedge. The cumulative deferred gain or loss on the hedge is recognised in the income statement when the hedged transaction impacts the income statement, or depending on the nature of the hedge, is included in a non-financial hedged item when the hedged event occurs.

(b) De-designated derivative reserve

The de-designated derivative reserve is used to record the after tax mark to market losses realised from realigning the Group's interest rate hedge portfolio in June 2015 which resulted in number of interest rate swaps being monetised. The cost to close out the interest rate swaps is recognised in the Income Statement over the effective period of the original interest rate swaps. The average duration of the interest rate swaps were 4.5 years.

	Note	2015	2014
		\$ 000	\$ 000
De-designated interest rate swaps	21	2,705	-
Transferred to interest expense		(82)	-
Taxation		(734)	-
Closing balance		1,889	-

Notes to and forming part of the Financial Statements - Continued

For the 53 week period ended 2 August 2015

31. RESERVES (continued)**(c) Share based payments reserve**

The Group currently has an employee share right plan (refer note 14) and an employee share purchase plan (refer note 20). This reserve is used to record the accumulated value of unvested shares rights and employee share purchase plan discount (net of the fair value adjustment on the employee loans), which have been recognised in the income statement.

Upon the vesting of share rights, the balance of the reserve relating to the share rights is offset against the cost of treasury stock allotted to settle the obligation, with any difference in the cost of settling the commitment transferred to retained earnings.

When an employee share loan is fully repaid and the associated shares vest to the employee the balance of the reserve relating to the employee share purchase plan is transferred to retained earnings.

	Note	2015	2014
		\$ 000	\$ 000
Opening balance		3,709	3,281
Share based payments expense	7	2,114	2,266
Transfer from treasury stock	30	(4,250)	(1,993)
Transferred to retained earnings	32	1,364	155
Closing balance		2,937	3,709

32. RETAINED EARNINGS

	Note	2015	2014
		\$ 000	\$ 000
Opening balance		164,861	153,228
Net profit attributable to shareholders		52,433	77,750
Dividends paid to shareholders	33	(58,964)	(57,571)
Treasury stock dividends received		188	237
Purchase of minority interest	36	-	(8,628)
Transferred from share based payments reserve	31	(1,364)	(155)
Closing balance		157,154	164,861

33. DIVIDENDS

	Note	Dividends Paid		Cents Per Share	
		2015	2014	2015	2014
		\$ 000	\$ 000		
Prior year final dividend		20,811	17,116	6.0	5.5
Interim dividend		38,153	40,455	11.0	13.0
Total dividends paid	32	58,964	57,571	17.0	18.5

All dividends paid were fully imputed. Supplementary dividends of \$0.468 million (2014: \$0.488 million) were paid.

The Board declares two dividends annually in respect of the half year (interim dividend) and full year results (final dividend). At the time of the Group's Equity raise in April 2014 (refer note: 38) the Group provided guidance to shareholders around the level of dividends which were expected to be paid in the current and previous financial years. The Group indicated it would target paying an annual dividend of 19.0 cents per share. In March 2015, following the Group's interim result the Board lowered the dividend guidance for the current year to 16.0 cents per share. The final dividend is accounted for in the year it is paid.

Dividend policy

On 17 September 2015 the board approved a change to the Group's dividend policy commencing from the 2016 financial year. The Group's new dividend policy is the same as the policy change first advised to shareholders in March 2014 except that the adjusted profit base will be limited to only those profits generated from the Retail Group. The Group's new dividend policy is to pay a dividend to shareholders of between 75% and 85% of the Retail Group's adjusted net profit. The Group's previous dividend policy was to pay a dividend based on the adjusted net profit for the whole Group which included losses associated with the Financial Services Group.

Details of the final dividend declared by the board after balance date and the dividend pay-out ratio based on the new dividend policy formula which will be effective from next year are set out below:

	Note	Dividends Paid and Declared		Cents Per Share	
		2015	2014	2015	2014
		\$ 000	\$ 000		
Interim dividend		38,153	40,455	11.0	13.0
Final dividend (declared after balance date)		17,342	20,811	5.0	6.0
Total dividends paid and declared		55,495	61,266	16.0	19.0
Group adjusted net profit	12	57,134	60,691		
Less Financial Services Group net loss		(2,075)	(1,311)		
Retail Group adjusted net profit		59,209	62,002		
Payout ratio (%)		93.7 %	98.8 %		

On 17 September 2015 the board declared a final fully imputed ordinary dividend of 5.0 cents per share to be paid on 10 December 2015 to all shareholders on the Group's share register at the close of business on 27 November 2015.

34. IMPUTATION CREDIT ACCOUNT

The amount of imputation credits at balance date available for future distributions are set out below:

Imputation credit account	2015	2014
	\$ 000	\$ 000
Closing balance	103,228	94,168

Certain Group subsidiary companies form a consolidated group for income tax purposes. The Group imputation credit account reported above, are for the tax group and parent, and are available to shareholders either directly or indirectly through their shareholding in the parent company.

Notes to and forming part of the Financial Statements - Continued

For the 53 week period ended 2 August 2015

35. MINORITY INTEREST

	Note	2015	2014
		\$ 000	\$ 000
Opening balance		4,317	11,736
Purchase of minority interest	36	-	(6,552)
Net profit / (loss) attributable to minority interest		(1,496)	(496)
Dividends paid to minority shareholders		(396)	(371)
Closing balance		2,425	4,317

Minority interests relate to minority shareholdings held in Waikato Valley Chocolates (50%), Torpedo7 (20%) and ShopHQ (50%). Net losses for the current year includes a loss of \$1.104 million related to the minority's share of the goodwill impairment in Torpedo7 (refer note 26) and reassessment of contingent consideration (refer note 42).

36. MINORITY INTEREST ACQUISITION**Torpedo7 minority interest**

In March 2014 the Group acquired a further 29% of the share capital of Torpedo7 Limited for a consideration of \$15.180 million, increasing the Group's interest in the Torpedo7 group of companies from 51% to 80%. The consideration was payable in three instalments, with the first instalment (\$2.000 million) paid in March 2014, a second deferred instalment (\$3.000 million) paid in September 2014 and the final deferred instalment (\$10.180 million) paid in March 2015.

37. COMMITMENTS**(a) Finance leases**

Finance lease liabilities are effectively secured as the rights to the leased asset and revert to the lessor in the event of default. Commitments for minimum lease payments in relation to finance leases at balance date are as follows:

Group	2015	2014
	\$ 000	\$ 000
Future minimum rentals payable		
0-1 Years	1,535	1,623
1-2 Years	1,251	1,480
2-5 Years	411	1,497
	3,197	4,600
Less future finance charges	(267)	(490)
Present value of finance leases	2,930	4,110
Current	1,359	1,370
Non-current	1,571	2,740
	2,930	4,110

(b) Operating leases

The Groups non-cancellable operating leases mainly relate to building occupancy leases and typically expire within ten years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. Commitments for minimum lease payments in relation to non-cancellable operating leases at balance date are as follows:

	2015	2014
	\$ 000	\$ 000
Future minimum rentals payable		
0-1 Years	111,406	103,584
1-2 Years	103,687	85,914
2-5 Years	239,656	207,305
5+ Years	298,809	268,668
	753,558	665,471

(c) Capital commitments

Capital expenditure contracted for at balance date, but not recognised as liabilities, is set out below:

	2015	2014
	\$ 000	\$ 000
Within one year	9,957	11,714

Capital commitments at balance date includes expenditure of \$2.871 million to complete store building works in Kaitaia.

38. DISCONTINUED OPERATIONS - 2014

In March 2013 the Group merged and rebranded the Bond & Bond retail chain acquired as part of the Noel Leeming acquisition in December 2012 into the larger Noel Leeming network. This process also involved the closure of 15 stores. The operating activities associated with these stores were classified as discontinued operations. The costs associated with the store closures were largely incurred during the 2013 financial year with a few residual costs carrying over into the 2014 financial year.

Notes to and forming part of the Financial Statements - Continued

For the 53 week period ended 2 August 2015

39. CAPITAL MANAGEMENT

The Group's capital management objectives are to safeguard the Group's ability to continue as a going concern, to provide an appropriate rate of return to shareholders and to optimise the Group's cost of capital. The Group regularly reviews its capital structure and may make adjustments by means including changes to the Group's dividend payout ratio, return of surplus capital, issue of new shares, debt issuance, sale of assets or a combination of these.

The Group has looked to strengthen its capital base to support its growth strategy following a period of continued reinvestment into the Group's store network and a series of acquisitions during the 2014 and 2013 financial years. The Group has funded this strategy through the sale and lease back of properties (refer note 25) and an equity raise (refer note 30). Proceeds from the equity raise have been set aside to grow the Group's Finance business. To date proceeds from the equity raise have been used to fund the acquisition of the Diners Club business (refer note 41) and to build internal capability, develop systems and infrastructure to deliver new products to the market.

The Group has also changed its dividend policy to further strengthen the Group's balance sheet and will lower the pay-out ratio used to determine dividend payments to between 75% to 85% of adjusted net profit of the Retail Group (refer note 33).

As part of the Group's strategy to grow the Financial Services business, the Group will fund the Financial Services Group separately from the Retail Group to permit the Financial Services Group to have higher gearing levels than that of the Retail Group. It is anticipated that funding for the Financial Services Group will be provided in part by a debt securitisation program. When the Group's fixed rate senior bond matured in June 2015 (refer note 31) and a new Bond reissued the Group changed its debt covenants to carve out the Financial Services Group to accommodate the separate funding structures. The debt covenants remain essentially unchanged, except that they now only relate to the Retail Group.

Externally imposed capital requirements

Retail Group borrowings are subject to a negative pledge contained in two separate trust deeds held for the benefit of the Group's banking institutions and bondholders. The trust deeds provide a guarantee that the parent and its guaranteeing Group companies (refer note 44) will comply with certain quarterly debt ratios and restrictive covenants. The principal covenants, which are the same for both trust deeds are:

- the Retail Group book gearing ratio will not exceed 60% in the first quarter ending October and will not exceed 50% in each of the remaining three quarters of the year;
- the interest cover ratio for the Retail Group will not be less than 2 times operating profit;
- the total tangible assets of the guaranteeing Group will constitute at least 90% of the total tangible assets of the Retail Group.

	Total Group		Financial Services Group		Retail Group	
	2015	2014	2015	2014	2015	2014
Book gearing ratio						
Total net borrowings (\$000)	299,573	220,878	(3,868)	(256)	303,441	221,134
Total equity (\$000)	544,282	523,917	45,527	31,648	498,755	492,269
Gearing ratio (%)					37.8	31.0
Interest cover						
Net interest expense (excluding finance business interest received) (\$000)					16,207	13,863
Less: Financial Services external interest					3	-
					16,204	13,863
Retail Group operating profit (\$000)					93,226	96,716
Interest cover (times)					5.8	7.0

The Group was in compliance with the negative pledge covenants throughout the current and previous financial year.

40. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to various financial risks including, liquidity risk, credit risk and market risk (including currency risk and interest rate risk). The Group's overall risk management programme focuses on the uncertainty of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Group enters into derivative transactions, principally interest rate swaps and forward currency contracts. The purpose is to manage the interest rate and currency fluctuation risks arising from the Group's operations and sources of finance.

Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as mitigating foreign exchange, interest rate and credit risks, use of derivative financial instruments and investing excess cash.

(a) Liquidity risk

Liquidity risk arises from financial liabilities of the Group and the Group's subsequent ability to meet the obligation to repay these financial liabilities as and when they arise.

The Group's policy requires funding to be sourced from a minimum of four counterparties and committed credit facilities to be maintained at an amount that averages at least 115% of peak funding requirements projected for the next two years. It is the Group's intention to divide the Groups funding requirements between funding for its retail operations and funding for the financial services business. A new policy regarding funding of the Group's financial services business will be developed over the next year as this business segment gains scale.

The Group's liquidity position fluctuates throughout the year. Peak funding requirements typically occur during the three months leading up to the Christmas trading period due to the build up of inventory and payment of the final dividend, conversely the Group's liquidity position is at its strongest immediately after the Christmas trading period. The Group's gearing covenants increase from 50% to 60% for the first quarter of each financial year to allow for the effect of seasonal funding. (The Group's borrowing covenants are detailed in note 39). To accommodate the increased funding requirements during the peak funding period the Group has committed three month seasonal credit facilities commencing in mid September of \$50.000 million (2014: \$50.000 million) which are in addition to the committed credit facilities detailed below.

The Group had the following committed bank credit facilities at balance date:

Group	2015	2014
	\$ 000	\$ 000
ANZ National Bank	118,000	113,000
Bank of New Zealand	40,000	40,000
Bank of Tokyo-Mitsubishi	40,000	40,000
Hong Kong and Shanghai Bank	50,000	50,000
Westpac	110,000	85,000
	358,000	328,000

Notes to and forming part of the Financial Statements - Continued

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40. FINANCIAL RISK MANAGEMENT (continued)**(a) Liquidity risk (continued)**

The maturities of the committed bank credit facilities available at balance date are:

	Note	Debt Facilities		Letters of Credit		Total Facilities	
		2015	2014	2015	2014	2015	2014
		\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
6 months or less		40,000	40,000	10,000	10,000	50,000	50,000
6 to 12 months		140,000	110,000	18,000	18,000	158,000	128,000
1 to 3 years		110,000	50,000	-	-	110,000	50,000
Over 3 years		40,000	100,000	-	-	40,000	100,000
		330,000	300,000	28,000	28,000	358,000	328,000
Facilities utilised	29, 43	205,805	143,410	21,145	14,276	226,950	157,686
Unused facilities available		124,195	156,590	6,855	13,724	131,050	170,314
Percentage utilisation		62.4 %	47.8 %	75.5 %	51.0 %	63.4 %	48.1 %

(i) Contractual maturities

The table below analyses the Group's financial liabilities and derivatives into relevant maturity bands, based on the remaining period from balance date to the contractual maturity date. The cash flow amounts disclosed in the table represent undiscounted cash flows liable for payment by the Group.

Liability / (Asset)	Note	0 to 6 Months	7 to 12 Months	1 to 2 Years	2 to 3 Years	> 3 Years	Total
		\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
At 2 August 2015							
Financial liabilities							
Trade and other payables (excluding contingent consideration)	22	254,249	-	-	-	-	254,249
Contingent and deferred acquisition consideration	22	2,250	-	1,000	-	-	3,250
Bank borrowings (excluding finance lease liabilities)	29	205,805	-	-	-	-	205,805
Finance lease liabilities	37	796	739	1,251	360	51	3,197
Fixed rate senior bond	29	2,423	3,313	6,625	6,625	138,250	157,236
		465,523	4,052	8,876	6,985	138,301	623,737
Net derivatives							
Forward currency contracts							
- outflow		201,233	74,071	-	-	-	275,304
- inflow		(234,806)	(77,139)	-	-	-	(311,945)
Interest rate swaps		451	702	1,292	1,285	137	3,867
		(33,122)	(2,366)	1,292	1,285	137	(32,774)
At 27 July 2014							
Financial liabilities							
Trade and other payables (excluding contingent consideration)	22	263,989	-	-	-	-	263,989
Contingent acquisition consideration	22	6,436	13,894	1,986	-	-	22,316
Bank borrowings (excluding finance lease liabilities)	29	143,410	-	-	-	-	143,410
Finance lease liabilities	37	831	792	1,480	1,180	317	4,600
Fixed rate senior bond	29	2,817	103,685	-	-	-	106,502
		417,483	118,371	3,466	1,180	317	540,817
Net derivatives							
Forward currency contracts							
- outflow		178,932	96,791	51,013	-	-	326,736
- inflow		(170,944)	(93,852)	(49,126)	-	-	(313,922)
Interest rate swaps		72	105	349	316	99	941
		8,060	3,044	2,236	316	99	13,755

The forward currency contracts "outflow" amounts disclosed in the table represent the gross amount payable by the Group for the purchase of foreign currency, whereas the "inflow" amounts represent the corresponding receipt of foreign currency arising from settlement of the contracts, converted using the spot rate at balance date.

The interest rate swaps are net-settled derivatives and the amounts disclosed in the table represent the net amount receivable or payable calculated using the New Zealand interest yield curve effective at balance date. As the derivative and lease cash flows included in the above table represent undiscounted cash flows, these amounts will not reconcile to the carrying values for these items disclosed in the balance sheet.

To avoid duplication in the table above the amounts disclosed as due during the next six month period for the fixed rate senior bond is net of a \$0.889 million (2014: \$0.868 million) interest accrual which is included as part of trade and other payables.

(ii) Maturity analysis based on management's expectation

The Group's expectation of the future cash flows relating to the Group's financial liabilities and derivatives at balance date are broadly in line with the contractual maturities set out in the table above, with the exception of bank borrowings.

The fixed rate senior bond and a portion of bank borrowings are designated as the Group's "core" borrowings for treasury management purposes. It is the Group's expectation that core borrowings of \$250.000 million (2014: \$150.000 million) will be maintained during the next 2 to 3 years.

Notes to and forming part of the Financial Statements - Continued

For the 53 week period ended 2 August 2015

40. FINANCIAL RISK MANAGEMENT (continued)**(b) Market risk****(i) Interest rate risk**

The Group's exposure to market interest rates primarily relates to the Group's core borrowings. The Group's treasury policy is to manage its finance costs using a mix of fixed and floating rate debt. The Group's policy is to maintain between 50% to 90% of core borrowings at fixed rates. At balance date 76% (2014: 73%) of the Group's core borrowings were at fixed interest rates. The Group uses fixed rate debt and interest rate swaps to manage the fixed interest rate pricing and profile.

The following sensitivity table, based on interest rate risk exposures in existence at balance date shows the effect of reasonably possible interest rate movements on after tax profit and equity, with all other variables held constant.

Asset / (Liability)	Note	Carrying Amount \$ 000	+ 100 basis points		- 100 basis points	
			Higher/(Lower) Profit \$ 000	Equity \$ 000	Higher/(Lower) Profit \$ 000	Equity \$ 000
At 2 August 2015						
Cash and cash equivalents	17	32,195	232	232	(232)	(232)
Finance business receivables	19	14,228	102	102	(102)	(102)
Bank borrowings (excluding finance lease liabilities)	29	(205,805)	(1,482)	(1,482)	1,482	1,482
Fixed rate senior bond	29	(124,604)	282	282	(260)	(260)
Derivative financial instruments						
Interest rate swaps - cash flow hedges	21	(3,882)	468	2,327	(468)	(2,463)
Interest rate swaps - fair value hedges	21	164	(282)	(282)	260	260
		(287,704)	(680)	1,179	680	(1,315)
At 27 July 2014						
Cash and cash equivalents	17	26,758	193	193	(193)	(193)
Finance business receivables	19	19,036	137	137	(137)	(137)
Bank borrowings	29	(143,410)	(1,033)	(1,033)	1,033	1,033
Fixed rate senior bond	29	(100,116)	214	214	(217)	(217)
Derivative financial instruments						
Interest rate swaps - cash flow hedges	21	(1,340)	360	1,293	(360)	(1,322)
Interest rate swaps - fair value hedges	21	455	(288)	(502)	288	505
		(198,617)	(417)	302	414	(331)

(ii) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the US dollar, through the purchases of inventory directly from overseas suppliers. The Group uses forward foreign exchange contracts to reduce the currency risks associated with these purchases.

Management work to a board approved Treasury Policy to manage foreign exchange risk. The policy parameters for hedging forecasted currency exposures are:

- to hedge 40% to 100% of forecast US dollar commitments expected in the next 0 to 6 months
- to hedge 0% to 85% of forecast US dollar commitments expected in the next 7 to 12 months
- where exposures to other currencies arise, the Group hedges these risks once a firm commitment is in place
- where foreign currency hedging extends beyond a 12 month time horizon, this requires the approval of the Group's CEO

At balance date the Group had the following foreign currency risk exposures:

Asset / (Liability)	Note	Carrying Amount		Notional Amount	
		2015 \$ 000	2014 \$ 000	2015 NZ\$ 000	2014 NZ\$ 000
Forward currency contracts - cash flow hedges					
Buy US dollars / Sell New Zealand dollars	21	39,076	(6,768)	275,304	326,736

The average exchange rate of US dollar forward contracts at balance date were \$0.7462 (2014: \$0.8214). The spot rate used to determine the mark-to-market carrying value of the US dollar forward contracts at balance date was \$0.6586 (2014: \$0.8550).

Throughout the year the Group's US dollar hedge cover levels typically range between 55% to 70% of the forecast annual direct US dollar exposure. At balance date the Group has US dollar hedges in place to cover 62.8% (2014: 71.8%) of the forecast annual direct US dollar exposure. In the previous year the Group also had additional US dollar hedges in place to cover 22.6% (2015: Nil) of the forecast 13 to 18 month US dollar exposure.

The following sensitivity table, based on foreign currency risk exposures in existence at balance date, shows the effect of reasonably possible exchange rate movements on after tax profit and equity, with all other variables held constant.

Forward currency contracts - cash flow hedges	After Tax Profit		Equity	
	Higher/(Lower) 2015 \$ 000	2014 \$ 000	Higher/(Lower) 2015 \$ 000	2014 \$ 000
10% appreciation in the New Zealand dollar	-	-	(20,381)	(20,505)
10% depreciation in the New Zealand dollar	-	-	24,909	25,068

There is no profit and loss sensitivity, as the forward currency contracts have been designated as cash flow hedges and assumes they will be 100% hedge effective.

Notes to and forming part of the Financial Statements - Continued

For the 53 week period ended 2 August 2015

40. FINANCIAL RISK MANAGEMENT (continued)**(c) Credit risk**

Credit risk arises from the financial assets of the Group which are exposed to potential counter-party default, with a maximum exposure equal to the carrying amount of these assets. In the normal course of business the Group incurs credit risk from finance business receivables, trade and other receivables, derivatives and transactions with financial institutions.

	Note	2015 \$ 000	2014 \$ 000
Maximum exposures to credit risk at balance date are:			
Cash and cash equivalents	17	32,195	26,758
Finance business receivables	19	14,228	19,036
Trade and other receivables	20	72,133	72,217
Derivative financial instruments	21	39,291	1,452
Investment in associate company	27	2,778	5,541
		160,625	125,004

The Group places cash and short-term investments with high credit quality financial institutions. The board reviews bank counter-parties and investment limits on an annual basis. The Group's treasury policy specifies maximum credit limits for each bank counter-party and requires bank counter-parties to have a minimum Standard & Poor's credit rating of at least A (2014: A).

The Group controls its credit risk from finance business receivables, trade and other receivables by the application of credit approval, limits and monitoring procedures. Receivable balances are monitored on an ongoing basis to ensure the Group's bad debt exposure is not significant. Concentrations of credit risk exist when changes in economic, industry or geographical factors similarly affect the group of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. As the Group transacts with a diversity of counterparties it does not have any significant exposure to any individual customers, industry or economic sector.

The Group enters into foreign exchange derivatives and interest-rate derivatives within specified policy limits and only with counter-parties approved by directors. There are no significant concentrations of credit risk within the Group and financial instruments are spread amongst a number of financial institutions to minimise the risk of a counter party default.

The Group's associate company, The Warehouse Financial Services Limited, offers consumer credit to customers, who potentially expose the Group to an indirect credit risk. Customers who request consumer credit finance are subject to credit verification procedures in accordance with Westpac Banking Corporation standards. The amount of capital invested by both the Group and its associate partner, and the level of bad debt provisions maintained, are also determined in accordance with Westpac Banking Corporation standards. The directors are satisfied that these standards are appropriate for the nature and performance of the business.

(d) Fair values

The following table sets out the Group's financial instruments that are measured subsequent to initial recognition at fair values and are grouped into levels based on the degree to which the fair value is observable:

Level 1 - fair value measurements derived from quoted prices in active markets for identical assets.

Level 2 - fair value measurements derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - fair value measurements derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

Asset / (Liability)	Note	2015 \$ 000	2014 \$ 000
Derivatives used for hedging			
Foreign exchange contracts	(Level 2) 21	39,076	(6,768)
Interest rate swaps	(Level 2) 21	(3,718)	(885)
Fixed rate senior bond fair value adjustment relating to effective interest	(Level 2) 29	(163)	(391)

There has been no transfers between levels or changes in the valuation methods used to determine the fair value of the Group's financial instruments during the current and comparative periods. Sensitivities to reasonably possible changes in non-market observable valuation inputs would not have a material impact on the Group's financial results.

Specific valuation techniques used to value financial instruments are:

- Forward exchange contracts determined using forward exchange market rates at the balance date.
- Interest rate swaps calculated as the present value of the estimated future cash flows based on the applicable market interest yield rates at balance date.

Except for the Group's fixed rate senior bond and derivatives the carrying value of the Group's financial assets and liabilities approximate fair value. The fixed rate senior bond is listed on the NZX (face value: \$125.000 million) and measured at amortised cost. At balance date the closing price of the fixed rate senior bond was \$1.04411 per \$1.00 bond (refer note 29), which equates to a total fair value of \$130.514 million (a level 1 valuation).

Notes to and forming part of the Financial Statements - Continued

For the 53 week period ended 2 August 2015

41. BUSINESS COMBINATIONS - 2014

During the previous year the Group acquired six new businesses. Based on the best information available at the time the Group recognised the following identifiable acquisition assets and liabilities for the businesses.

		Torpedo7	Diners	Other	
	Note	Acquisitions	Club (NZ)	Acquisitions	Total
		\$ 000	\$ 000	\$ 000	\$ 000
Cash and cash equivalents		88	18	-	106
Finance business receivables		-	21,357	-	21,357
Trade and other receivables		433	163	21	617
Inventories		13,747	-	4,769	18,516
Property, plant and equipment	25	1,758	260	-	2,018
Computer software (included in intangibles)	26	166	2,848	-	3,014
Deferred taxation	24	342	2,378	-	2,720
		16,534	27,024	4,790	48,348
Trade and other payables		(5,169)	(4,668)	(418)	(10,255)
Provisions		(479)	-	-	(479)
Borrowings (including finance leases)		-	(29,935)	-	(29,935)
Fair value of identifiable net assets		10,886	(7,579)	4,372	7,679
Goodwill arising on acquisition	26	14,900	11,014	5,778	31,692
		25,786	3,435	10,150	39,371
The acquisition consideration is as follows:					
Cash		21,186	3,435	9,713	34,334
Contingent consideration	42	4,600	-	437	5,037
		25,786	3,435	10,150	39,371
The cash outflow on acquisitions is as follows:					
Cash and cash equivalents in subsidiary acquired		(88)	(18)	-	(106)
Direct costs relating to the acquisition		694	666	257	1,617
Purchase consideration settled in cash		21,186	3,435	9,713	34,334
Net consolidated cash outflow		21,792	4,083	9,970	35,845

(a) Torpedo7 acquisitions

As part of the Group's multi-channel strategy to increase its online retail presence and strengthen the Group's multi-channel capability the Group acquired three businesses through its Torpedo7 subsidiary. The goodwill arising from these acquisition's are largely attributable to the specialised knowledge acquired and the economies of scale from combining the operations within Torpedo7 and the wider Group.

The three businesses operate as trading divisions of Torpedo7 and are reported as part of the Torpedo7 segment for both management and external reporting (refer note 3).

(i) Number 1 Fitness

In September 2013 the Group acquired all the operations and business assets of Number 1 Fitness, an unlisted private company engaged in the online retail of fitness equipment with two show rooms located in Auckland and Christchurch.

(ii) Shotgun

In December 2013 the Group acquired all the operations and business assets of Shotgun Supplements, an unlisted private company engaged in the online retail of sports nutrition products.

(iii) R&R Sport

In December 2013 the Group also acquired the operations and business assets of R&R Sport, an unlisted private company. R&R Sport was a Sporting, Outdoor and Adventure retail chain with 7 New Zealand stores as well as an online store.

In addition to the initial consideration of \$21.186 million paid for the three acquisitions, a further maximum performance based contingent consideration of \$5.600 million is payable over the next two years. The contingent consideration is subject to the achievement of specified earnings targets and completion of other specified deliverables. To the extent that the earnings targets are not achieved or the deliverables are not fully satisfied the contingent consideration is reduced based on an agreed sliding scale.

(b) Diners Club (NZ)

In March 2014 the Group acquired 100% of the share capital of Diners Club (NZ) Limited (DCNZ) from Diners Club (Singapore) Pte Limited. DCNZ is a credit card company offering credit to its customers through a branded credit card under a franchise agreement with Diners Club International. The consideration for the share purchase was \$3.435 million.

Following the Group's previous acquisitions the Group considered it had gained sufficient scale originating financial services products to operate its own Financial Services business. The acquisition of DCNZ represents the first step in the Group's strategy in the development of its Financial Services business. In addition to the DCNZ receivables the acquisition provides the Group with the infrastructure, core systems and people capability to operate and grow this business segment.

For the purposes of segment reporting DCNZ forms the core business of the Group's Financial Services Group.

(c) Other acquisitions

Other acquisitions represent the combined result of the two acquisitions detailed below.

Maclean Technology

In December 2013 the Group acquired the operations and business assets of Maclean Technology, an Information Technology company located in Auckland, servicing business customers across Auckland and the upper North Island. The business forms the basis of a new Commercial Services division within Noel Leeming and broadens its customers services proposition. The consideration for the purchase was \$1.519 million, which included estimated contingent consideration of \$0.437 million payable within 12 months subject to the achievement of specified earnings targets. The contingent consideration has now been settled.

Schooltex

In February 2014 the Group acquired the operations and business assets of Schooltex from Postie Plus Group Limited. The consideration for the purchase was \$8.631 million. Schooltex is a school uniform business which supplies over 1,100 schools with their uniform and sportswear needs. This business was integrated into The Warehouse to extend its existing school apparel and 'back to school' product range.

Notes to and forming part of the Financial Statements - Continued

For the 53 week period ended 2 August 2015

42. CONTINGENT AND DEFERRED ACQUISITION CONSIDERATION

	Note	2015 \$ 000	2014 \$ 000
Balance at the beginning of the period		22,316	21,759
Acquisition of businesses	41	-	5,037
Acquisition of minority interest	36	-	13,180
Reassessment of consideration payable		977	(5,259)
Cash settlements		(20,043)	(12,401)
Balance at the end of the period		3,250	22,316

Contingent consideration represents the portion of the purchase price for an acquisition with-held from a vendor to help ensure future operating performance or completion of other post acquisition deliverables. The contingent consideration is payable once specified performance targets have been achieved or other deliverables satisfied. To the extent that the targets are not met in full the contingent consideration is reduced based on various specified sliding scales.

The Group reassesses the amount of contingent consideration payable at each reporting date based on its current assessment of the likelihood that the performance target outcomes will be achieved. At balance date the contingent consideration payable related to the acquisition of Insight Traders (\$1.250 million) and R&R Sport (\$2.000 million). Except for the contingent consideration associated with the acquisitions of R&R Sport and the initial 51% share purchase of Torpedo7 and some minor residual settlement wash-ups contingent considerations has been settled in line with the Group's original assessments. In the current year the Group reassessed its estimate of contingent consideration payable in respect of R&R Sport acquisition, increasing the liability by \$1.000 million.

In the comparative year an early settlement of contingent consideration in respect of the initial 51% share purchase of Torpedo7 (acquired in April 2013) was negotiated as part of the 29% minority interest acquisition (refer note 38). The settlement was \$5.359 million less than the obligation originally estimated at the time of the acquisition. Adjustments to the amount of contingent consideration payable or paid are treated as a gains and losses in the income statement.

43. CONTINGENT LIABILITIES

	2015 \$ 000	2014 \$ 000
Bank letters of credit issued to secure future purchasing requirements	21,145	14,276
Less included as a goods in transit creditor	(1,152)	(1,159)
	19,993	13,117
Bank guarantees provided to landlords and the New Zealand Stock Exchange Limited	643	1,021
Total contingent liabilities	20,636	14,138

Letter of credit

Bank letters of credit issued to secure future purchasing requirements are matched to a contingent asset of the same value representing the inventories purchased.

Bank guarantees

No settlement relating to bank guarantees has occurred since their inception and any future outflow appears unlikely.

44. RELATED PARTIES

During the period the Group has not entered into any material contracts involving related parties or Directors' interests which are not disclosed. No amounts owed by related parties have been written off or forgiven during the period.

(a) Shareholdings

At balance date directors and other key executives held ordinary shares in the Group and received fully imputed dividends during the year as set out below.

(i) Sir Stephen Tindall (Director) has a beneficial shareholding of 93,687,096 shares (2014: 93,687,096 shares) which carry the normal entitlement to dividends. Dividends of \$15.927 million (2014: \$15.551 million) were received on these shares during the year.

(ii) The Groups other Directors collective had beneficial shareholdings of 221,066 shares (2014: 221,066 shares) at balance date which carry the normal entitlement to dividends.

(iii) Share transactions undertaken by the Directors during the year and Directors non-beneficial shareholdings are required to be disclosed in respect of section 148(2) of the Companies Act 1993. Details of these transactions can be found as part of the statutory disclosures in the annual report.

(iv) Other key executives (as detailed in note 12) collectively held 600,881 shares (2014: 346,956 shares) at balance date which carry the normal entitlement to dividends. The Group's Chief Executive Officer, M D Powell held 349,389 shares (2014: 186,498 shares) at balance date.

(v) The Tindall Foundation - Sir Stephen Tindall (Director) and R J Tindall (alternate Director) are trustees of The Tindall Foundation. The Tindall Foundation is an incorporated charitable trust and as such it is recognised as having a separate legal existence. This differs from unincorporated trusts, which have no separate legal existence apart from their trustees. For the purposes of stock exchange disclosures, the trustees of The Tindall Foundation do not have a disclosable interest in the shares held by The Tindall Foundation. At balance date The Tindall Foundation held and received dividends on 73,920,496 shares (2014: 73,920,496 shares) in the Group. Dividends of \$12.566 million (2014: \$12.270 million) were received on these shares during the year.

(vi) As part of the Groups equity raising in March 2014 and April 2014 (refer note 32) Sir Stephen Tindall and the Tindall Foundation both increased their shareholdings by 9,628,813 shares and 7,597,276 shares respectively to enable them to maintain the same percentage ownership in the Group. These shares were purchased at an average share price of \$3.22 per share.

Notes to and forming part of the Financial Statements - Continued

For the 53 week period ended 2 August 2015

44. RELATED PARTIES (continued)**(b) Subsidiaries**

The following subsidiaries of The Warehouse Group Limited have been included in the consolidated financial statements. The Group's borrowings are subject to a negative pledge contained in two separate trust deeds held for the benefit of the Group's banking institutions and bondholders. The trust deeds provide a guarantee that the parent and its guaranteeing Group companies will comply with certain quarterly debt ratios and restrictive covenants (refer note 39). The subsidiaries have been categorised to detail those subsidiaries which form part of the Groups guaranteeing companies:

	Principal activity	Equity holding	
		2015	2014
		%	%
Guaranteeing Subsidiaries			
<u>New Zealand subsidiaries</u>			
1-Day Limited	Online retail	80	80
Boye Developments Limited	Investment	100	100
Eldamos Investments Limited	Property owner	100	100
Noel Leeming Group Limited	Retail	100	100
RRS 2013 Limited	Retail	80	80
The Warehouse Limited	Retail	100	100
The Warehouse Nominees Limited	Investment	100	100
Torpedo 7 Limited	Online retail	80	80
Torpedo 7 Fitness Limited	Online retail	80	80
Torpedo 7 Supplements Limited	Online retail	80	80
TWP No.2 Limited	Wholesale	100	100
TWP No.3 Limited	Retail	100	100
TWP No.4 Limited	Investment	100	100
TWP No.5 Limited	Investment	100	100
Waikato Valley Chocolates Limited	Chocolate factory	50	50
Warehouse Stationery Limited	Retail	100	100
<u>New Zealand employee share plan trustees</u>			
The Warehouse Management Trustee Company Limited	Share plan trustee	100	100
The Warehouse Management Trustee Company No 2. Limited	Share plan trustee	100	100
<u>New Zealand non-trading subsidiaries</u>			
The Warehouse Card Limited		100	100
The Warehouse Cellars Limited		100	100
Eldamos Nominees Limited		100	100
<u>Non-trading Australian subsidiaries</u>			
TWGA Pty Limited		100	100
TWL Australia Pty Limited		100	100
Non-Guaranteeing Subsidiaries			
<u>New Zealand subsidiaries</u>			
Shop HQ Limited	Online retail	50	50
TWNL Projects Limited	Store development	50	50
<u>New Zealand non-trading subsidiaries and joint ventures</u>			
1-Day Liquor Limited		80	80
Bond and Bond Limited		100	100
The Book Depot Limited		100	100
Farran Nine Limited		50	50
Lincoln West Limited		50	50
Noel Leeming Finance Limited		100	100
Noel Leeming Financial Services Limited		100	100
Noel Leeming Furniture Limited		100	100
Noel Leeming Limited		100	100
The Warehouse Investments Limited		100	100
TWP No.1 Limited		100	100
Financial Services Group			
TWP No.6 Limited	Investment	100	100
Diners Club (NZ) Limited	Financial Services	100	100
TW Money Limited	Financial Services	100	100
TW Financial Services Operations Limited	Financial Services	100	100