

The Warehouse Group Limited
Interim Financial Statements

For the 26 weeks ended 28 January 2018

Consolidated Income Statement

	Note	Unaudited 26 Weeks Ended 28 January 2018 \$ 000	Unaudited 26 Weeks Ended 29 January 2017 \$ 000	Audited 52 Weeks Ended 30 July 2017 \$ 000
Continuing operations				
Retail sales	3	1,598,076	1,611,862	2,980,771
Cost of retail goods sold		(1,075,587)	(1,092,854)	(2,008,859)
Gross profit		522,489	519,008	971,912
Other income		5,214	4,372	8,144
Lease and occupancy expenses		(80,564)	(76,168)	(156,659)
Employee expenses		(264,397)	(253,645)	(486,196)
Depreciation and amortisation expenses	3	(28,838)	(29,054)	(58,376)
Other operating expenses		(95,485)	(94,589)	(170,988)
Operating profit from continuing operations	3	58,419	69,924	107,837
Unusual items	4	(3,223)	(4,773)	(605)
Earnings before interest and tax from continuing operations		55,196	65,151	107,232
Net interest expense		(5,516)	(6,586)	(12,527)
Profit before tax from continuing operations		49,680	58,565	94,705
Income tax expense		(14,204)	(16,854)	(23,691)
Net profit for the period from continuing operations		35,476	41,711	71,014
Discontinued operations				
Loss from discontinued operations (net of tax)	15	(3,547)	(28,073)	(50,283)
Net profit for the period		31,929	13,638	20,731
Attributable to:				
Shareholders of the parent		31,798	13,555	20,429
Minority interests		131	83	302
		31,929	13,638	20,731
Profit attributable to shareholders of the parent relates to:				
Profit from continuing operations		35,345	41,628	70,712
Loss from discontinued operations		(3,547)	(28,073)	(50,283)
		31,798	13,555	20,429
Earnings per share attributable to shareholders of the parent:				
Basic earnings per share		9.2 cents	3.9 cents	5.9 cents
Diluted earnings per share		9.2 cents	3.9 cents	5.9 cents
Earnings per share attributable to shareholders of the parent from continuing operations:				
Basic earnings per share		10.3 cents	12.1 cents	20.5 cents
Diluted earnings per share		10.2 cents	12.0 cents	20.4 cents

Consolidated Statement of Comprehensive Income

	Note	Unaudited 26 Weeks Ended 28 January 2018 \$ 000	Unaudited 26 Weeks Ended 29 January 2017 \$ 000	Audited 52 Weeks Ended 30 July 2017 \$ 000
Net profit for the period		31,929	13,638	20,731
Items that may be reclassified subsequently to the Income Statement				
Movement in foreign currency translation reserve		(6)	-	-
Movement in hedge reserves (net of tax)		4,867	13,423	7,265
Total comprehensive income for the period		36,790	27,061	27,996
Attributable to:				
Shareholders of the parent		36,659	26,978	27,694
Minority interest		131	83	302
Total comprehensive income		36,790	27,061	27,996
Attributable to:				
Total comprehensive income from continuing operations		40,337	55,134	78,279
Total comprehensive income from discontinued operations		(3,547)	(28,073)	(50,283)
Total comprehensive income		36,790	27,061	27,996
Total comprehensive income from continuing operations attributable to:				
Shareholders of the parent		40,206	55,051	77,977
Minority interest		131	83	302
Total comprehensive income		40,337	55,134	78,279

Consolidated Statement of Changes in Equity

(Unaudited)	Share Capital	Treasury Stock	Hedge Reserves	Foreign Currency Translation Reserve	Employee Share Benefits Reserve	Retained Earnings	Minority Interest	Total Equity
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
For the 26 weeks ended 28 January 2018								
Balance at the beginning of the period	365,517	(7,471)	(15,174)	-	2,138	140,512	867	486,389
Profit for the half year	-	-	-	-	-	31,798	131	31,929
Movement in foreign currency translation reserve	-	-	-	(6)	-	-	-	(6)
Movement in derivative cash flow hedges	-	-	6,457	-	-	-	-	6,457
Movement in de-designated hedges	-	-	303	-	-	-	-	303
Tax related to movement in hedge reserve	-	-	(1,893)	-	-	-	-	(1,893)
Total comprehensive income	-	-	4,867	(6)	-	31,798	131	36,790
Share rights charged to the income statement	-	-	-	-	288	-	-	288
Share rights exercised	-	1,411	-	-	(1,725)	314	-	-
Dividends paid	-	-	-	-	-	(20,811)	(4)	(20,815)
Treasury stock dividends received	-	-	-	-	-	101	-	101
Balance at the end of the period	365,517	(6,060)	(10,307)	(6)	701	151,914	994	502,753
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(Unaudited)	Share Capital	Treasury Stock	Hedge Reserves	Foreign Currency Translation Reserve	Employee Share Benefits Reserve	Retained Earnings	Minority Interest	Total Equity
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
For the 26 weeks ended 29 January 2017								
Balance at the beginning of the period	365,517	(7,832)	(22,439)	-	3,623	171,560	167	510,596
Profit for the half year	-	-	-	-	-	13,555	83	13,638
Movement in foreign currency translation reserve	-	-	-	-	-	-	-	-
Movement in derivative cash flow hedges	-	-	18,340	-	-	-	-	18,340
Movement in de-designated hedges	-	-	303	-	-	-	-	303
Tax related to movement in hedge reserve	-	-	(5,220)	-	-	-	-	(5,220)
Total comprehensive income	-	-	13,423	-	-	13,555	83	27,061
Share rights charged to the income statement	-	-	-	-	1,048	-	-	1,048
Share rights exercised	-	2,224	-	-	(2,505)	281	-	-
Dividends paid	-	-	-	-	-	(17,342)	(67)	(17,409)
Treasury stock dividends received	-	-	-	-	-	73	-	73
Balance at the end of the period	365,517	(5,608)	(9,016)	-	2,166	168,127	183	521,369
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(Audited)	Share Capital	Treasury Stock	Hedge Reserves	Foreign Currency Translation Reserve	Employee Share Benefits Reserve	Retained Earnings	Minority Interest	Total Equity
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
For the 52 weeks ended 30 July 2017								
Balance at the beginning of the period	365,517	(7,832)	(22,439)	-	3,623	171,560	167	510,596
Profit for the year	-	-	-	-	-	20,429	302	20,731
Movement in derivative cash flow hedges	-	-	9,484	-	-	-	-	9,484
Movement in de-designated hedges	-	-	606	-	-	-	-	606
Tax related to movement in hedge reserve	-	-	(2,825)	-	-	-	-	(2,825)
Total comprehensive income	-	-	7,265	-	-	20,429	302	27,996
Contributions by and distributions to owners:								-
Share rights charged to the income statement	-	-	-	-	1,283	-	-	1,283
Minority interest capital contribution	-	-	-	-	-	-	750	750
Share rights exercised	-	2,509	-	-	(2,768)	259	-	-
Dividends paid	-	-	-	-	-	(52,026)	(352)	(52,378)
Treasury stock dividends received	-	-	-	-	-	290	-	290
Purchase of treasury stock	-	(2,148)	-	-	-	-	-	(2,148)
Balance at the end of the period	365,517	(7,471)	(15,174)	-	2,138	140,512	867	486,389

Balance Sheet

	Note	Unaudited As at 28 January 2018 \$ 000	Unaudited As at 29 January 2017 \$ 000	Audited As at 30 July 2017 \$ 000
ASSETS				
Current assets				
Cash and cash equivalents	11	44,778	44,535	47,492
Finance business receivables		-	74,675	-
Trade and other receivables	6	75,367	80,427	71,088
Inventories		540,339	540,513	491,818
Derivative financial instruments	12	426	500	-
Taxation receivable		-	-	4,959
		660,910	740,650	615,357
Assets held for sale	17	20,368	52,281	77,142
Total current assets		681,278	792,931	692,499
Non-current assets				
Property, plant and equipment	9	244,091	252,929	252,175
Intangible assets	10	133,922	150,778	127,726
Derivative financial instruments	12	647	291	541
Deferred taxation		45,723	41,853	40,911
Total non-current assets		424,383	445,851	421,353
Total assets		1,105,661	1,238,782	1,113,852
LIABILITIES				
Current liabilities				
Borrowings	11	74,237	81,162	49,593
Trade and other payables	7	291,308	329,092	267,304
Derivative financial instruments	12	10,980	9,634	17,299
Taxation payable		1,262	667	-
Provisions	8	58,962	49,525	49,769
		436,749	470,080	383,965
Securitised borrowings associated with assets held for sale		-	-	56,717
Other liabilities directly associated with assets held for sale	17	4,194	-	5,443
Total current liabilities		440,943	470,080	446,125
Non-current liabilities				
Borrowings	11	139,712	164,121	159,453
Securitised borrowings	11	-	62,597	-
Derivative financial instruments	12	2,701	1,855	2,507
Provisions	8	19,552	18,760	19,378
Total non-current liabilities		161,965	247,333	181,338
Total liabilities		602,908	717,413	627,463
Net assets		502,753	521,369	486,389
EQUITY				
Contributed equity		359,457	359,909	358,046
Reserves		(9,612)	(6,850)	(13,036)
Retained earnings		151,914	168,127	140,512
Total equity attributable to shareholders		501,759	521,186	485,522
Minority interest		994	183	867
Total equity		502,753	521,369	486,389
Net assets per share		145.7 cents	151.0 cents	141.2 cents

Consolidated Statement of Cash Flows

	Unaudited 26 Weeks Ended 28 January 2018	Unaudited 26 Weeks Ended 29 January 2017	Audited 52 Weeks Ended 30 July 2017
Note	\$ '000	\$ '000	\$ '000
Cash flows from operating activities			
Cash received from customers	1,603,868	1,613,069	2,996,090
Payments to suppliers and employees	(1,541,019)	(1,509,992)	(2,841,679)
Income tax paid	(12,174)	(20,091)	(27,454)
Interest paid	(5,868)	(8,344)	(16,008)
	44,807	74,642	110,949
Loans repaid by finance business customers	25,775	86,898	171,188
New loans to finance business customers	(23,938)	(82,998)	(154,049)
Net cash flows from operating activities	46,644	78,542	128,088
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	107	14,827	79,714
Proceeds from business disposal	16 17,291	-	-
Minority interest capital contribution	-	-	750
Purchase of property, plant, equipment and software	(38,925)	(38,434)	(70,575)
Contingent consideration	-	(1,000)	(1,000)
Other items	-	-	(327)
Net cash flows from investing activities	(21,527)	(24,607)	8,562
Cash flows from financing activities			
Proceeds from / (Repayment) bank borrowings	4,822	(43,651)	(79,821)
Proceeds from / (Repayment) securitised borrowings	(11,555)	2,472	(3,408)
Repayment of finance leases	(262)	(629)	(1,196)
Purchase of treasury stock	-	-	(2,148)
Treasury stock dividends received	101	73	290
Dividends paid to parent shareholders	(20,933)	(17,479)	(52,404)
Dividends paid to minority shareholders	(4)	(67)	(352)
Net cash flows from financing activities	(27,831)	(59,281)	(139,039)
Net cash flow	(2,714)	(5,346)	(2,389)
Opening cash position	47,492	49,881	49,881
Closing cash position	44,778	44,535	47,492
Reconciliation of Operating Cash Flows			
Profit after tax	31,929	13,638	20,731
Non-cash items			
Depreciation and amortisation expenses	3 28,838	29,912	60,191
Intangible asset impairment	10,9 -	22,714	40,061
Share based payment expense	288	1,048	1,283
Interest capitalisation	238	272	524
Supplier contributions	(2,699)	-	-
Movement in deferred tax	(5,042)	(3,977)	(555)
Movement in de-designated derivative hedges	218	218	436
Total non-cash items	21,841	50,187	101,940
Items classified as investing or financing activities			
Net loss/ (gain) on sale of property, plant and equipment	399	1,289	(9,979)
Loss on business disposal	1,458	-	-
Direct costs relating to business disposal	-	-	946
Supplementary dividend tax credit	122	137	378
Total investing and financing adjustments	1,979	1,426	(8,655)
Changes in assets and liabilities			
Trade and other receivables	(3,775)	(3,368)	4,248
Finance business receivables	2,229	(1,110)	6,210
Inventories	(48,521)	(38,800)	9,895
Trade and other payables	25,435	66,450	7,557
Provisions	9,306	(8,480)	(6,811)
Income tax	6,221	(1,401)	(7,027)
Total changes in assets and liabilities	(9,105)	13,291	14,072
Net cash flows from operating activities	46,644	78,542	128,088

Notes to the Financial Statements

1. GENERAL INFORMATION

The Warehouse Group Limited (the Company) and its subsidiaries (together the Group) trade in the New Zealand retail and financial services sectors. The Company is a limited liability company incorporated and domiciled in New Zealand. The Group is registered under the Companies Act 1993 and is an FMC Reporting Entity under Part 7 of the Financial Markets Conduct Act (FMCA) 2013. The address of its registered office is Level 4, 4 Graham Street, PO Box 2219, Auckland. The Company is listed on the New Zealand Stock Exchange (NZX).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The interim financial statements of the Group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with NZ IAS 34 Interim Financial Reporting and IAS 34 Interim Financial Reporting and consequently, do not include all the information required for full financial statements. These Group interim financial statements should be read in conjunction with the annual report for the year ended 30 July 2017.

These financial statements have been prepared under the historical cost convention except for the revaluation of certain financial instruments (including derivative instruments). The reporting currency used in the preparation of the financial statements is New Zealand dollars, rounded to the nearest thousands unless otherwise stated.

The accounting policies that materially affect the measurement of the interim financial statements have been applied on a consistent basis with those used in the audited financial statements for the 52 weeks ended 30 July 2017 and the unaudited interim financial statements for the 26 weeks ended 29 January 2017.

There have been no significant changes in accounting policies applied by the Group during the current half year period.

Seasonality

The Group's revenue and profitability follow a seasonal pattern with higher sales and operating profits typically achieved in the first half of the financial year as a result of additional sales generated during the Christmas trading period.

Approval of Financial Statements

These consolidated interim financial statements were approved for issue by the Board of Directors on 7 March 2018. Unless as otherwise stated, the financial statements have been reviewed by our Auditors, but are not audited.

3. SEGMENT INFORMATION

Operating segments

The Group has four operating segments trading in the New Zealand retail sector. 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.

Each of the four retail segments represent a distinct retail chain, synonymous with its segment name. Customers can purchase product from the retail chains either on-line or through the Group's physical retail store network. The Group's store network currently has 93 The Warehouse stores, 70 Warehouse Stationery stores, 79 Noel Leeming stores and 11 Torpedo7 stores. The Warehouse predominantly sells general merchandise and apparel, Noel Leeming sell technology and appliance products, Torpedo7 sells sporting equipment and as the name indicates Warehouse Stationery sells stationery.

Group support office functions, such as Information Systems, Finance, Brand Executives and People Support are operated using a shared services model which allocates the costs of these support office functions to individual brands calculated on an arm's length basis. The remaining support office functions which relate to corporate and governance functions, a property company and the Group's interest in a chocolate factory are not allocated and form the main components of the "Other Group operations" segment.

Notes to the Financial Statements - continued

3. SEGMENT INFORMATION - (Continued)

Operating performance	REVENUE			OPERATING PROFIT		
	(Unaudited)	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)	(Audited)
	26 Weeks	26 Weeks	52 Weeks	26 Weeks	26 Weeks	52 Weeks
	Ended	Ended	Ended	Ended	Ended	Ended
28 January	29 January	30 July	28 January	29 January	30 July	
2018	2017	2017	2018	2017	2017	
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
The Warehouse	940,055	975,097	1,761,399	49,031	59,508	84,531
Warehouse Stationery	128,987	138,775	278,181	3,656	6,455	15,743
Noel Leeming	453,853	422,149	810,705	15,253	9,207	19,264
Torpedo7	88,591	86,402	157,726	776	2,424	2,675
Other Group operations	5,501	5,436	8,603	(10,297)	(7,670)	(14,376)
Inter-segment eliminations	(18,911)	(15,997)	(35,843)			
Retail Group	1,598,076	1,611,862	2,980,771	58,419	69,924	107,837
Unusual items				(3,223)	(4,773)	(605)
Earnings before interest and tax from continuing operations				55,196	65,151	107,232
Net interest expense				(5,516)	(6,586)	(12,527)
Profit before tax from continuing operations				49,680	58,565	94,705
Operating margin						
The Warehouse (%)				5.2	6.1	4.8
Warehouse Stationery (%)				2.8	4.7	5.7
Noel Leeming (%)				3.4	2.2	2.4
Torpedo7 (%)				0.9	2.8	1.7
Total Retail Group (%)				3.7	4.3	3.6
Capital expenditure and depreciation						
	CAPITAL EXPENDITURE			DEPRECIATION & AMORTISATION		
	(Unaudited)	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)	(Audited)
	26 Weeks	26 Weeks	52 Weeks	26 Weeks	26 Weeks	52 Weeks
	Ended	Ended	Ended	Ended	Ended	Ended
	28 January	29 January	30 July	28 January	29 January	30 July
	Note	2018	2017	2018	2017	2017
		\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
The Warehouse	19,322	18,330	36,374	20,132	20,332	40,819
Warehouse Stationery	409	1,386	3,861	2,829	3,403	6,722
Noel Leeming	8,411	6,996	10,382	4,675	4,044	8,421
Torpedo7	474	185	581	520	571	1,059
Other Group operations	10,421	2,541	10,253	682	704	1,355
Retail Group	39,037	29,438	61,451	28,838	29,054	58,376
Discontinued Finance business	335	1,303	2,513	-	858	1,815
Total Group	9	39,372	30,741	63,964	29,912	60,191
Balance sheet information						
	TOTAL ASSETS			TOTAL LIABILITIES		
	(Unaudited)	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)	(Audited)
	359,457	359,909	358,046	359,457	359,909	358,046
	(9,612)	(6,850)	(13,036)	(9,612)	(6,850)	(13,036)
	151,914	168,127	140,512	151,914	168,127	140,512
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
The Warehouse	499,216	492,567	461,772	224,399	210,479	182,389
Warehouse Stationery	84,358	85,345	72,176	12,863	38,569	32,746
Noel Leeming	171,883	176,379	160,287	117,684	126,137	108,008
Torpedo7	50,770	50,131	51,742	11,586	11,956	11,269
Other Group operations	92,709	138,198	90,229	3,290	2,575	2,039
Retail Group	898,936	942,620	836,206	369,822	389,716	336,451
Discontinued Finance business	8,550	102,382	77,142	4,194	7,661	5,443
Operating assets / liabilities	907,486	1,045,002	913,348	374,016	397,377	341,894
Unallocated assets / liabilities						
Cash and borrowings	44,778	44,535	47,492	213,949	307,880	265,763
Derivative financial instruments	1,073	791	541	13,681	11,489	19,806
Intangible Goodwill and Brands	106,601	106,601	106,601	-	-	-
Taxation	45,723	41,853	45,870	1,262	667	-
Total	1,105,661	1,238,782	1,113,852	602,908	717,413	627,463

Notes to the Financial Statements - continued

4. ADJUSTED NET PROFIT

Adjusted net profit reconciliation	Note	Unaudited	Unaudited	Audited
		26 Weeks Ended 28 January 2018	26 Weeks Ended 29 January 2017	52 Weeks Ended 30 July 2017
		\$ 000	\$ 000	\$ 000
Adjusted net profit		37,666	45,036	68,185
Add back: Unusual items				
Gain/(loss) on property disposal		-	(812)	11,455
Restructuring costs	14	(3,223)	(3,961)	(12,060)
Unusual items before taxation		(3,223)	(4,773)	(605)
Income tax relating to unusual items		902	1,336	169
Income tax expense related to depreciation recovered on building disposals		-	29	2,963
Unusual items after taxation		(2,321)	(3,408)	2,527
Net profit attributable to shareholders of the parent		35,345	41,628	70,712

Certain transactions can make the comparison of profits between years difficult. The Group uses adjusted net profit as a key indicator of performance and consider it provides a better understanding of underlying business performance and the Group also uses it as the basis for determining dividend payments (after adjusting for losses from the Financial Services Group). Adjusted net profit makes allowance for the after tax effect of unusual items which are not directly connected with the Group's normal trading activities. The Group defines unusual items as any profits or losses from the disposal of properties or investments, goodwill impairment, direct costs and adjustments relating to business acquisitions or disposals and costs connected with restructuring the Group.

5. DIVIDENDS

Dividends paid	CENTS PER SHARE			DIVIDENDS PAID		
	Unaudited 26 Weeks Ended 28 January 2018	Unaudited 26 Weeks Ended 29 January 2017	Audited 52 Weeks Ended 30 July 2017	Unaudited 26 Weeks Ended 28 January 2018	Unaudited 26 Weeks Ended 29 January 2017	Audited 52 Weeks Ended 30 July 2017
				\$ 000	\$ 000	\$ 000
Prior year final dividend	6.0	5.0	5.0	20,811	17,342	17,342
Interim dividend	-	-	10.0	-	-	34,684
Total dividends paid	6.0	5.0	15.0	20,811	17,342	52,026

On 7 March 2018 the Board declared a fully imputed interim dividend of 10.0 cents per ordinary share to be paid on 12 April 2018 to all shareholders on the Group's share register at the close of business on 3 April 2018.

Notes to the Financial Statements - continued

6. TRADE AND OTHER RECEIVABLES

	Unaudited As at 28 January 2018 \$ 000	Unaudited As at 29 January 2017 \$ 000	Audited As at 30 July 2017 \$ 000
Trade receivables	41,789	44,576	45,207
Prepayments	11,719	10,538	9,453
Business disposal proceeds receivable	-	1,000	-
Rebate accruals and other debtors	21,859	24,313	16,428
	75,367	80,427	71,088

7. TRADE AND OTHER PAYABLES

	Unaudited As at 28 January 2018 \$ 000	Unaudited As at 29 January 2017 \$ 000	Audited As at 30 July 2017 \$ 000
Trade creditors and accruals	231,004	242,727	204,784
Goods in transit creditors	21,940	18,681	21,187
Capital expenditure creditors	549	1,716	2,802
Goods and services tax	12,725	37,913	10,768
Reward schemes, lay-bys, Christmas club deposits and gift vouchers	14,934	16,147	15,820
Interest accruals	928	1,505	1,089
Payroll accruals	9,228	10,403	10,854
Total trade and other payables	291,308	329,092	267,304

8. PROVISIONS

	Unaudited As at 28 January 2018 \$ 000	Unaudited As at 29 January 2017 \$ 000	Audited As at 30 July 2017 \$ 000
Current liabilities	58,962	49,525	49,769
Non-current liabilities	19,552	18,760	19,378
Total provisions	78,514	68,285	69,147
Provisions consist of:			
Employee entitlements	65,011	55,416	55,693
Make good provision	7,909	7,868	8,012
Sales returns provision	4,104	4,119	3,708
Onerous lease	1,490	882	1,734
Total provisions	78,514	68,285	69,147

Notes to the Financial Statements - continued

9. PROPERTY, PLANT, EQUIPMENT AND COMPUTER SOFTWARE

	Note	Unaudited As at 28 January 2018 \$ 000	Unaudited As at 29 January 2017 \$ 000	Audited As at 30 July 2017 \$ 000
Assets held for sale	17	11,874	52,281	8,064
Property, plant and equipment		244,091	252,929	252,175
Computer software	10	27,321	44,177	21,125
Net book value		283,286	349,387	281,364
Movement in property, plant, equipment and software				
Balance at the beginning of the period		281,364	364,673	364,673
Capital expenditure	3	39,372	30,741	63,964
Depreciation and amortisation	3	(28,838)	(29,912)	(60,191)
Impairment (Financial Services computer software)		-	-	(17,347)
Disposals		(8,612)	(16,115)	(69,735)
Balance at the end of the period		283,286	349,387	281,364

10. INTANGIBLE ASSETS

	Note	Unaudited As at 28 January 2018 \$ 000	Unaudited As at 29 January 2017 \$ 000	Audited As at 30 July 2017 \$ 000
Computer software	9	27,321	44,177	21,125
Brands		23,523	23,523	23,523
Goodwill		83,078	83,078	83,078
Net book value		133,922	150,778	127,726
Movement in Goodwill				
Balance at the beginning of the period		83,078	105,792	105,792
Impairment		-	(22,714)	(22,714)
Balance at the end of the period		83,078	83,078	83,078

The Group performs a detailed impairment assessment annually of the Group's intangible assets and considers if there are any indicators of impairment at each interim reporting date. The Group's interim review did not identify any significant indicators of impairment in any of the Group's cash generating units (CGU) except for the Torpedo7 Group.

The Torpedo7 trading performance during the current half year was below expectation and caused the Group to reassess the carrying value of the Torpedo7 Goodwill asset (\$25.622 million). The assessment is predicated on an improvement in trading and margin uplift, but is principally based on store expansion which will provide Torpedo7 with greater scale. The board continue to support the concept of the store expansion but recognise there is uncertainty and any adverse changes in key assumptions around the store rollout program and margin uplift could give rise to an impairment of goodwill. The Board's assessment is that the recoverable amount continues to support the existing carrying value of goodwill, however the Board will reassess the carrying value of goodwill at year end when the current Torpedo7 strategy review has been completed and there is more evidence of the impact of recently commenced business improvement initiatives.

Notes to the Financial Statements - continued

11. BORROWINGS

Net debt	Unaudited	Unaudited	Audited
	As at 28 January 2018	As at 29 January 2017	As at 30 July 2017
	\$ 000	\$ 000	\$ 000
Cash on hand and at bank	44,778	44,535	47,492
Bank borrowings	73,981	80,329	49,159
Lease liabilities	256	833	434
Current borrowings	74,237	81,162	49,593
Bank borrowings	15,000	40,000	35,000
Lease liabilities	104	305	169
Fixed rate senior bond (coupon: 5.30%)	125,000	125,000	125,000
Fair value adjustment relating to effective interest	647	291	541
Unamortised capitalised costs on senior bond	(1,039)	(1,475)	(1,257)
Non-current borrowings	139,712	164,121	159,453
Securitised borrowings	-	62,597	56,717
Total borrowings	213,949	307,880	265,763
Net debt	169,171	263,345	218,271
Committed bank credit facilities at balance date are:			
Bank debt facilities	260,000	340,000	280,000
Bank facilities used	(88,981)	(120,329)	(84,159)
Unused bank debt facilities	171,019	219,671	195,841
Securitised debt facility	-	150,000	150,000
Securitised facility used	-	(62,597)	(56,717)
Unused securitised debt facility	-	87,403	93,283
Letter of credit facilities	28,000	32,526	32,389
Letters of credit	(5,670)	(11,933)	(13,153)
Unused letter of credit facilities	22,330	20,593	19,236
Total unused bank facilities	193,349	327,667	308,360

12. DERIVATIVE FINANCIAL INSTRUMENTS

	Unaudited	Unaudited	Audited
	As at 28 January 2018	As at 29 January 2017	As at 30 July 2017
	\$ 000	\$ 000	\$ 000
Current assets	426	500	-
Non-current assets	647	291	541
Current liabilities	(10,980)	(9,634)	(17,299)
Non-current liabilities	(2,701)	(1,855)	(2,507)
Total derivative financial instruments	(12,608)	(10,698)	(19,265)
Derivative financial instruments consist of:			
Current assets	426	500	-
Current liabilities	(10,980)	(8,684)	(16,899)
Foreign exchange contracts	(10,554)	(8,184)	(16,899)
Current liabilities	-	(950)	(400)
Non-current assets	647	291	541
Non-current liabilities	(2,701)	(1,855)	(2,507)
Interest rate swaps	(2,054)	(2,514)	(2,366)
Total derivative financial instruments	(12,608)	(10,698)	(19,265)

The Group continues to manage its foreign exchange and interest rate risks in accordance with the policies and parameters detailed in the 2017 Annual Report.

The Group's foreign exchange contracts hedge forecast inventory purchases priced in US dollars over the next 12 months. The following table lists the key inputs used to determine the fair value of the Group's foreign exchange contracts at balance date.

US Dollar forward contracts - cash flow hedges

Notional amount (NZ\$000)	353,576	310,758	331,674
Average contract rate (\$)	0.7127	0.7034	0.7115
Spot rate used to determine fair value (\$)	0.7355	0.7261	0.7520

Notes to the Financial Statements - continued

13. FAIR VALUE MEASUREMENT

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	Unaudited	Unaudited	Audited	
		As at 28 January 2018	As at 29 January 2017	As at 30 July 2017	
		\$ '000	\$ '000	\$ '000	
Derivatives used for hedging					
Foreign exchange contracts	(Level 2)	12	(10,554)	(8,184)	(16,899)
Interest rate swaps	(Level 2)	12	(2,054)	(2,514)	(2,366)
Senior bond fair value adjustment relating to effective interest	(Level 2)	11	(647)	(291)	(541)

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 (refer note 12).
- 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 (refer note 11) and derivatives (detailed above) the carrying value of the Group's financial assets and liabilities approximate fair value. The fixed rate senior bond is listed on the NZX and measured at amortised cost. The fair value of fixed rate senior bonds at balance date, based on the last price traded on the New Zealand stock exchange (level 1 valuation), were as follows.

Fixed Rate Senior Bond	Unaudited	Unaudited	Audited
	As at 28 January 2018	As at 29 January 2017	As at 30 July 2017
Face value (\$000)	125,000	125,000	125,000
Coupon (%)	5.30	5.30	5.30
Market yield (%)	3.85	4.15	4.03
Maturity	June 2020	June 2020	June 2020
NZX quoted closing price (\$)	1.03924	1.04262	1.04087
Fair value (\$000)	129,905	130,328	130,109

14. RESTRUCTURING COSTS

In January 2017 the Group commenced a program of changes to its business operating model. The changes were designed to drive an improvement in financial performance, reduce costs and generate greater customer relevance. The changes focused primarily on simplification to reduce complexities, drive efficiencies and increase business agility. This involved strengthening and consolidating the various Group support service functions to drive synergy benefits, deliver efficiencies and reduce complexity. It also involved combining The Warehouse and Warehouse Stationery and similarly combining the Noel Leeming and Torpedo7 Groups by integrating their operating structures and executive leadership teams.

The first stage of this process has now largely been concluded and a second phase has started. The Group has engaged global management consultancy firm, McKinsey & Company to assist with the second phase of the transformation process and strategy implementation.

Notes to the Financial Statements - continued

15. DISCONTINUED OPERATIONS

On 24 July 2017, the Group announced it had approved the conditional sale of the Group's Financial Services business except for Diners Club (NZ), to Finance Now, a subsidiary of SBS Bank. Final agreement was reached on 9 September 2017 and a sale and purchase agreement was executed on that date. The Group also has plans in place to exit the Diners Club (NZ) business. As a result, the Financial Services Group is reported as a discontinued operation.

The full year results and cashflows from the Financial Services Group are as follows.

Financial Services Group results and cash flows	(Unaudited)	(Unaudited)	(Audited)
	26 Weeks Ended 28 January 2018	26 Weeks Ended 29 January 2017	52 Weeks Ended 30 July 2017
	\$ 000	\$ 000	\$ 000
Finance business revenue	3,315	10,321	20,392
Expenses	(5,893)	(15,476)	(28,893)
Business acquisition, disposal and restructuring costs	(1,458)	-	(1,283)
Impairment of assets	-	(22,714)	(40,061)
Loss before interest and tax	(4,036)	(27,869)	(49,845)
Interest expense	(324)	(2,292)	(4,049)
Loss before tax	(4,360)	(30,161)	(53,894)
Income tax expense	813	2,088	3,611
Loss from discontinued operations	(3,547)	(28,073)	(50,283)
Cash flows from discontinued operations			
Net cash flows from operating activities	(683)	(5,905)	(169)
Net cash flows from investing activities	16,956	(1,303)	(3,208)
Net cash flows from financing activities	(23,226)	(470)	(2,660)

16. BUSINESS DISPOSAL - FINANCIAL SERVICES GROUP

For the 26 weeks ended 28 January 2018	Note	Total
		\$ 000
Cash and cash equivalents of the subsidiaries sold		(2,831)
Sale proceeds settled in cash		20,122
Consideration		17,291
Finance business receivables		56,669
Property, plant and equipment		1,011
Computer software		7,090
Securitised borrowings related to the sold subsidiaries		(45,162)
Other working capital		(2,317)
Carrying value of net assets sold		17,291
Claw back provision		1,458
Loss on business disposal	15	(1,458)

Claw back provision

The sale of the Group's Financial Services businesses on 9 September 2017, exposes the Group to a few actual and contingent liabilities connected with a claw back provision and warranties contained in the sale and purchase agreement.

The Group will be required to pay up to an aggregate of \$3.0 million (termed claw back) if the Group's Finance receivable's impairment provisions are less than the actual write-offs experienced during the 9 month period following completion. The Group estimates this liability to be \$1.458 million at balance date.

The Group was also required to make warranties, which are typical for a transaction of this nature. These warranties are largely covered by an insurance contract, however there are some items which are not covered, such as tax claims. These warranty claims are capped at \$18.0 million (representing the purchase consideration) and expire after 18 months and have been treated as contingent liabilities.

Notes to the Financial Statements - continued

17. HELD FOR SALE

The Group committed to a plan in July 2017 to exit its Financial Services credit card businesses and has executed the first part of the disposal plan when it sold the Group's Financial Services business excluding Diners Club (NZ) on 9 September 2017. Accordingly, assets and liabilities relating to the Financial Services Group are classified as held for sale at balance date. In addition to the net assets of the Financial Services Group the Group also held surplus property assets which are intended to be sold. At balance date the Group is currently in the process of selling a property at Lunn Avenue, Auckland.

	Unaudited As at 28 January 2018 \$ 000	Unaudited As at 29 January 2017 \$ 000	Audited As at 30 July 2017 \$ 000
Property	11,818	52,281	-
<i>Financial Services Group assets classified as held for sale</i>			
Finance business receivables	8,457	-	67,355
Plant and equipment	17	-	1,044
Computer software	39	-	7,020
Other assets	37	-	1,723
Total assets classified as held for sale	20,368	52,281	77,142
Other liabilities directly associated with assets held for sale	(4,194)	-	(5,443)

18. COMMITMENTS

	Unaudited As at 28 January 2018 \$ 000	Unaudited As at 29 January 2017 \$ 000	Audited As at 30 July 2017 \$ 000
(a) Capital commitments			
Capital expenditure contracted for at balance date but not recognised as liabilities is set out below:			
Within one year	2,969	5,258	7,339
(b) Operating lease commitments			
Commitments for minimum lease payments in relation to non-cancellable operating leases at balance date are as follows:			
Future minimum rentals payable			
0-1 Years	118,175	121,731	120,363
1-2 Years	102,784	109,032	105,533
2-5 Years	236,442	249,329	242,456
5+ Years	247,459	299,121	270,975
Total operating lease commitments	704,860	779,213	739,327

19. RELATED PARTIES

Except for Directors' fees, key executive remuneration and dividends paid by the Group to its Directors, there have been no other related party transactions during the period.

20. CONTINGENT LIABILITIES

The Group has no material contingent liabilities other than those referred to in note 16 and those arising in the normal course of business, being primarily letters of credit issued to secure future purchasing requirements and store lease commitments.