

The Warehouse Group Limited Financial Statements

For the 52 week period ended 28 July 2013

Financial Statements

For the 52 week period ended 28 July 2013

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 12 September 2013.

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Income Statements

For the 52 week period ended 28 July 2013

		(52 weeks)	(52 weeks)	(52 weeks)	(52 weeks)
	Note	Group 2013	Group 2012	Parent 2013	Parent 2012
		\$ 000	\$ 000	\$ 000	\$ 000
Continuing operations					
Revenue		2,239,532	1,732,168	-	-
Cost of sales		(1,473,253)	(1,110,112)	-	-
Gross Profit		766,279	622,056	-	-
Other income	6	10,301	6,618	68,463	62,239
Employee expense	7	(355,625)	(288,331)	-	-
Lease and occupancy expense	8	(113,503)	(86,823)	-	-
Depreciation and amortisation expense	9	(44,017)	(41,630)	-	-
Other operating expenses	10	(152,197)	(115,428)	(3)	(7)
Operating profit		111,238	96,462	68,460	62,232
Gain on disposal of property	25	77,368	18,230	-	-
Direct costs relating to acquisitions	38	(2,356)	-	-	-
Release of warranty provisions	40	-	7,355	-	-
Equity earnings of associate	27	3,464	3,197	-	-
Earnings before interest and tax		189,714	125,244	68,460	62,232
Net interest expense	11	(11,675)	(10,308)	-	-
Profit before tax		178,039	114,936	68,460	62,232
Income tax expense	12	(28,423)	(24,776)	1	2
Net profit for the period from continuing operations		149,616	90,160	68,461	62,234
Discontinued operations					
Loss from discontinued operations (net of tax)	37	(4,288)	-	-	-
Net profit for the period		145,328	90,160	68,461	62,234
Attributable to:					
Shareholders of the parent		144,748	89,848	68,461	62,234
Minority interests	32	580	312	-	-
		145,328	90,160	68,461	62,234
Basic earnings per share					
From continuing operations	16	48.1 cents	29.0 cents		
From discontinued operations	16	(1.4)cents	-		
From net profit for the period	16	46.7 cents	29.0 cents		
Diluted earnings per share					
From continuing operations	16	47.9 cents	28.9 cents		
From discontinued operations	16	(1.4)cents	-		
From net profit for the period	16	46.5 cents	28.9 cents		
Net assets per share	17	133.1 cents	102.4 cents		

Statements of Comprehensive Income

For the 52 week period ended 28 July 2013

		(52 weeks)	(52 weeks)	(52 weeks)	(52 weeks)
	Note	Group 2013	Group 2012	Parent 2013	Parent 2012
		\$ 000	\$ 000	\$ 000	\$ 000
Net profit for the period		145,328	90,160	68,461	62,234
Items that may be reclassified subsequently to the Income Statement					
Movement in cash flow hedges	22	9,237	23,456	-	-
Income tax relating to movement in cash flow hedges	24	(2,586)	(6,567)	-	-
Other comprehensive income		6,651	16,889	-	-
Total comprehensive income		151,979	107,049	68,461	62,234
Attributable to:					
Shareholders of the parent		151,399	106,737	68,461	62,234
Minority interest		580	312	-	-
Total comprehensive income		151,979	107,049	68,461	62,234
Total comprehensive income attributable to shareholders of the parent arise from:					
Continuing operations		155,687	106,737	68,461	62,234
Discontinued operations		(4,288)	-	-	-
		151,399	106,737	68,461	62,234

Balance Sheets

As at 28 July 2013

	Note	Group 2013 \$ 000	Group 2012 \$ 000	Parent 2013 \$ 000	Parent 2012 \$ 000
ASSETS					
Current assets					
Cash and cash equivalents	18	22,763	16,286	2,517	2,520
Trade and other receivables	21	66,513	27,567	-	-
Inventories	19	458,109	309,421	-	-
Derivative financial instruments	22	2,487	-	-	-
Taxation receivable	23	-	-	596	603
Total current assets		549,872	353,274	3,113	3,123
Non-current assets					
Trade and other receivables	21	3,374	888	-	-
Property, plant and equipment	25	305,602	355,227	-	-
Intangible assets	26	108,479	13,379	-	-
Investments	27	5,671	6,372	42,000	42,000
Derivative financial instruments	22	1,315	2,489	-	-
Intercompany advances	41	-	-	317,509	317,211
Deferred taxation	24	21,425	2,425	-	-
Total non-current assets		445,866	380,780	359,509	359,211
Total assets	5	995,738	734,054	362,622	362,334
LIABILITIES					
Current liabilities					
Borrowings	29	85,336	78,203	-	-
Trade and other payables	20	257,917	126,857	888	909
Derivative financial instruments	22	1,566	6,158	-	-
Taxation payable	23	3,466	5,248	-	-
Provisions	28	45,449	32,502	-	-
Total current liabilities		393,734	248,968	888	909
Non-current liabilities					
Borrowings	29	154,301	150,776	99,414	99,103
Derivative financial instruments	22	1,866	4,796	-	-
Trade and other payables	20	15,809	-	-	-
Provisions	28	18,263	12,147	-	-
Total non-current liabilities		190,239	167,719	99,414	99,103
Total liabilities	5	583,973	416,687	100,302	100,012
Net assets		411,765	317,367	262,320	262,322
EQUITY					
Contributed equity	30	244,084	245,706	251,445	251,445
Reserves	31	2,717	(5,006)	-	-
Retained earnings	33	153,228	76,434	10,875	10,877
Total equity attributable to shareholders		400,029	317,134	262,320	262,322
Minority interest	32	11,736	233	-	-
Total equity		411,765	317,367	262,320	262,322

Statements of Cash Flows

For the 52 week period ended 28 July 2013

		(52 weeks)	(52 weeks)	(52 weeks)	(52 weeks)
	Note	Group 2013	Group 2012	Parent 2013	Parent 2012
		\$ 000	\$ 000	\$ 000	\$ 000
Cash flows from operating activities					
Cash received from customers		2,264,573	1,738,102	-	-
Dividends received from subsidiary companies		-	-	68,463	62,239
Interest income		136	155	7,370	7,370
Payments to suppliers and employees		(2,117,935)	(1,650,613)	(3)	(6)
Income tax paid		(40,803)	(31,291)	-	-
Interest paid		(12,270)	(11,869)	(7,370)	(7,370)
Net cash flows from operating activities		93,701	44,484	68,460	62,233
Cash flows from investing activities					
Proceeds from sale of property, plant & equipment and computer software		195,572	30,318	-	-
Staff share purchase and other advances repaid		545	629	-	-
Advances from subsidiary companies		-	-	595	601
Dividend received from associate	27	4,165	4,410	-	-
Purchase of property, plant & equipment and computer software		(93,315)	(101,392)	-	-
Related party advances		(3,000)	-	-	-
Landlord advances		(9,071)	-	-	-
Refund of staff share purchase advances		(78)	(132)	-	-
Acquisition of subsidiaries, net of cash acquired	38	(108,715)	-	-	-
Net cash flows from investing activities		(13,897)	(66,167)	595	601
Cash flows from financing activities					
Proceeds from / (Repayment of) short term borrowings		(573)	78,203	-	-
Repayment of finance leases		(902)	-	-	-
Purchase of treasury stock	30	(2,777)	(261)	-	-
Treasury stock dividends received	33	353	255	-	-
Dividends paid to parent shareholders		(69,058)	(62,840)	(69,058)	(62,840)
Dividends paid to minority shareholders	32	(370)	(404)	-	-
Net cash flows from financing activities		(73,327)	14,953	(69,058)	(62,840)
Net cash flow		6,477	(6,730)	(3)	(6)
Opening cash position		16,286	23,016	2,520	2,526
Closing cash position	18	22,763	16,286	2,517	2,520

Reconciliation of Operating Cash Flows

For the 52 week period ended 28 July 2013

		(52 weeks)	(52 weeks)	(52 weeks)	(52 weeks)
	Note	Group 2013	Group 2012	Parent 2013	Parent 2012
		\$ 000	\$ 000	\$ 000	\$ 000
Net profit		145,328	90,160	68,461	62,234
Non-cash items					
Depreciation and amortisation expense	5	44,225	41,630	-	-
Share based payment expense	31	2,545	1,616	-	-
Interest capitalisation		(322)	(1,375)	311	311
Unrecovered lease incentives on property sales		(1,237)	-	-	-
Movement in deferred tax	24	(13,640)	(5,160)	-	-
Share of profit from associate	27	(3,464)	(3,197)	-	-
Total non-cash items		28,107	33,514	311	311
Items classified as investing or financing activities					
Gain on sale of property, plant and equipment		(73,403)	(16,692)	-	-
Direct costs relating to acquisitions	38	2,356	-	-	-
Supplementary dividend tax credit	23	595	601	595	601
Total investing and financing adjustments		(70,452)	(16,091)	595	601
Changes in assets and liabilities					
Trade and other receivables		(14,134)	(3,253)	-	-
Inventories		(25,303)	(46,758)	-	-
Intercompany advances		-	-	(894)	(1,304)
Trade and other payables		28,946	(6,916)	(20)	(40)
Provisions		2,212	(4,218)	-	-
Income tax		(1,003)	(1,954)	7	431
Total changes in assets and liabilities		(9,282)	(63,099)	(907)	(913)
Net cash flows from operating activities		93,701	44,484	68,460	62,233

Statements of Changes in Equity

For the 52 week period ended 28 July 2013

Group	Share	Treasury	Cash Flow	Employee	Retained	Minority	Total
	Capital	Stock	Hedge	Share			
	\$ 000	\$ 000	\$ 000	Benefits	Earnings	Interest	Equity
			Reserve	Reserve	\$ 000	\$ 000	\$ 000
For the 52 week period ended 28 July 2013							
Balance at the beginning of the period	251,445	(5,739)	(7,215)	2,209	76,434	233	317,367
Net profit for the period	-	-	-	-	144,748	580	145,328
Net change in fair value of cash flow hedges	-	-	6,651	-	-	-	6,651
Total comprehensive income	-	-	6,651	-	144,748	580	151,979
Contributions by and distributions to owners:							
Share based payments charged to the income statement	-	-	-	2,545	-	-	2,545
Share rights exercised	-	1,317	-	(1,473)	156	-	-
Dividends paid	-	-	-	-	(68,463)	(370)	(68,833)
Treasury stock dividends received	-	-	-	-	353	-	353
Purchase of treasury stock	-	(2,939)	-	-	-	-	(2,939)
Minority interest arising on acquisition of subsidiaries	-	-	-	-	-	11,293	11,293
Balance at the end of the period	251,445	(7,361)	(564)	3,281	153,228	11,736	411,765
	(note: 30)	(note: 30)	(note: 31)	(note: 31)	(note: 33)	(note: 32)	
For the 52 week period ended 29 July 2012							
Balance at the beginning of the period	251,445	(7,385)	(24,104)	2,812	48,447	325	271,540
Profit for the period	-	-	-	-	89,848	312	90,160
Net change in fair value of cash flow hedges	-	-	16,889	-	-	-	16,889
Total comprehensive income	-	-	16,889	-	89,848	312	107,049
Contributions by and distributions to owners:							
Share based payments charged to the income statement	-	-	-	1,616	-	-	1,616
Share rights exercised	-	2,096	-	(2,219)	123	-	-
Dividends paid	-	-	-	-	(62,239)	(404)	(62,643)
Treasury stock dividends received	-	-	-	-	255	-	255
Purchase of treasury stock	-	(450)	-	-	-	-	(450)
Balance at the end of the period	251,445	(5,739)	(7,215)	2,209	76,434	233	317,367
	(note: 30)	(note: 30)	(note: 31)	(note: 31)	(note: 33)	(note: 32)	
Parent							
					Share	Retained	Total
					Capital	Earnings	Equity
					\$ 000	\$ 000	\$ 000
For the 52 week period ended 28 July 2013							
Balance at the beginning of the period					251,445	10,877	262,322
Total comprehensive income					-	68,461	68,461
Dividends paid					-	(68,463)	(68,463)
Balance at the end of the period					251,445	10,875	262,320
					(note: 30)	(note: 33)	
For the 52 week period ended 29 July 2012							
Balance at the beginning of the period					251,445	10,882	262,327
Total comprehensive income					-	62,234	62,234
Dividends paid					-	(62,239)	(62,239)
Balance at the end of the period					251,445	10,877	262,322
					(note: 30)	(note: 33)	

Notes to and forming part of the Financial Statements

For the 52 week period ended 28 July 2013

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. The financial report includes separate financial statements for The Warehouse Group Limited (the "Parent") as an individual entity and the consolidated entity consisting of The Warehouse Group Limited and its subsidiaries (together the "Group").

Reporting entity

The Warehouse Group Limited is a company registered under the New Zealand Companies Act 1993 and is listed on the New Zealand stock exchange. The Warehouse Group Limited is an issuer for the purposes of the New Zealand Financial Reporting Act 1993. The Group is designated as a profit oriented entity for financial reporting purposes. The consolidated financial statements of The Warehouse Group Limited have been prepared in accordance with the New Zealand Companies Act 1993 and New Zealand Financial Reporting Act 1993.

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 Parent's functional and 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 52 week basis. The current year represents the 52 week period commencing 30 July 2012 to 28 July 2013. The prior full year comparative represents the 52 week period commencing 1 August 2011 to 29 July 2012.

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 those entities (including special purpose entities) over which the company has the power to govern the financial and operating policies to obtain benefits generally accompanying a shareholding of more than one half of the voting rights. 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) Statement of cash flows

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

- Operating activities are principal revenue producing activities of the Group that are not investing or financing activities.
- Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment and of investments.
- Financing activities are those activities that result in changes in the size and composition of the capital structure. This includes both equity and borrowings not falling within the definition of cash. Dividends paid in relation to the capital structure are included in financing activities.
- Cash comprises cash on hand and in transit, bank in funds and short term deposits offset by bank overdrafts.
- Cash flows relating to current and non-current borrowings are presented as net cash flows as gross cash inflows and outflows include day-to-day cash management.

(d) 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.
- 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.

(e) 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.

Notes to and forming part of the Financial Statements

For the 52 week period ended 28 July 2013

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(e) Property, plant and equipment (continued)

Depreciation

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.

(f) 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.

(g) 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.

(h) 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.

(i) 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.

(j) Investments in subsidiaries

Subsidiaries are accounted for at cost less any impairment within the parent entity financial statements.

(k) Trade receivables

Trade receivables are recognised initially at fair value. 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 usually due for settlement no more than 120 days from the date of recognition for intercompany debtors, and no more than 60 days for other debtors.

Collectibility of trade 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.

(l) 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.

(m) 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.

Notes to and forming part of the Financial Statements

For the 52 week period ended 28 July 2013

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(n) 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).

(o) 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.

(v) Employee share purchase plan

The employee share purchase plan provides employees with the opportunity to acquire shares in the Group. The fair value of shares granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the vesting period. The fair value of the shares granted has been assessed as being equal to the discount provided to participants when the shares are granted.

Interest free loans are provided to plan participants to finance the share purchases. The fair value of the interest free component of the loan is included in determining the discount of shares provided to participants and forms part of the employee benefit expense. The fair value interest free component of the loan is measured at grant date, using a bank five year swap rate. When the discount on the loan unwinds an amount is recognised as finance income.

(p) 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.

Notes to and forming part of the Financial Statements

For the 52 week period ended 28 July 2013

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(q) 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.

(r) 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.

(s) 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.

(t) 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.

(u) 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.

(v) 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.

(w) 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.

(x) 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.

(y) 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, release of warranty provisions and direct costs relating to the acquisition of subsidiaries.

(z) Adjusted net profit

Adjusted net profit (refer note 13) 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 52 week period ended 28 July 2013

1. SUMMARY OF ACCOUNTING POLICIES (continued)

(aa) 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 policies during the year, however certain comparatives have been restated to conform with the current years presentation.

(ab) 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 13, '*Fair Value Measurement*', effective for the Group from 29 July 2013, establishes a single source of guidance for measuring fair value and expands the current disclosure requirements. NZ IFRS 13 does not change when an entity is required to use fair value, but provides guidance on how to determine fair value when another NZ IFRS requires or permits an item to be measured at fair value. This standard is not expected to significantly impact the Group.

NZ IFRS 9, '*Financial instruments*', effective for the Group from 3 August 2015, 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 as being either measured at fair value or amortised cost. The determination is based on the entity's business model for managing the financial assets. For financial liabilities, the standard retains most of the current IAS 39 requirements. This standard is not expected to significantly impact the Group.

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 12, 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 19)

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 22)

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 (p).

(d) Intangible assets (note 26)

The Group has assessed if Goodwill and indefinite life Brand Names have suffered any impairment 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. There is significant headroom between the value in use calculations and the carrying value of these intangible assets such that a reasonably possible change in the assumptions and estimates should not result in an impairment.

(e) Business combinations (note 38)

The Group acquired five subsidiaries during the year. As part of the acquisition accounting for the new subsidiaries the Group was required to determine the fair value of the assets and liabilities acquired. Judgements and estimates were required to determine the fair value of the assets and liabilities acquired. Where it was considered appropriate external advisors were used to assist in determining the fair values.

Notes to and forming part of the Financial Statements - Continued

For the 52 week period ended 28 July 2013

3. 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.

Last year the Group reviewed its property holdings to determine whether it should continue to own or lease a number of these properties. The outcome of the review resulted in the Group deciding to sell five properties which generated sales proceeds of \$194.182 million. The sale proceeds were reinvested as part of the Group's growth strategy and funded the acquisition of five new subsidiaries (refer note: 38) and the continued reinvestment into the Group's store modernisation programme.

The Group will continue to review its capital management strategy as a means to fund further growth initiatives.

(a) Externally imposed capital requirements

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 39) will comply with certain quarterly debt ratios and restrictive covenants. The principal covenants, which are the same for both trust deeds are:

- the Group book gearing ratio will not exceed 60.0% 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 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 Group

Group	2013	2012
Book gearing ratio		
Total borrowings (\$000)	239,637	228,979
Total equity (\$000)	411,765	317,367
Gearing ratio (%)	36.8	41.9
Interest cover		
Net interest expense (\$000)	11,675	10,308
Operating profit (\$000)	111,238	96,462
Interest cover (times)	9.5	9.4

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

4. 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. The Group's policy also requires that at least 30% of the Group's debt facilities have a maturity of greater than 3 years.

The Group's liquidity position fluctuates throughout the year. The months leading up to the Christmas trading period typically put the greatest strain on cash flows 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 3). 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 (2012: \$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	2013	2012
	\$ 000	\$ 000
ANZ National Bank	113,000	53,000
Bank of New Zealand	40,000	40,000
Bank of Tokyo-Mitsubishi	20,000	20,000
Hong Kong and Shanghai Bank	30,000	30,000
Westpac	85,000	85,000
	288,000	228,000

Notes to and forming part of the Financial Statements - Continued

For the 52 week period ended 28 July 2013

4. FINANCIAL RISK MANAGEMENT (continued)

(a) Liquidity risk (continued)

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

Group	Note	Debt Facilities		Letters of Credit		Total Facilities	
		2013	2012	2013	2012	2013	2012
		\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
6 months or less		20,000	20,000	10,000	10,000	30,000	30,000
6 to 12 months		90,000	90,000	18,000	18,000	108,000	108,000
1 to 3 years		40,000	-	-	-	40,000	-
Over 3 years		110,000	90,000	-	-	110,000	90,000
		260,000	200,000	28,000	28,000	288,000	228,000
Facilities utilised	29, 40	135,336	128,203	14,853	12,622	150,189	140,825
Unused facilities available		124,664	71,797	13,147	15,378	137,811	87,175
Percentage utilisation		52.1 %	64.1 %	53.0 %	45.1 %	52.1 %	61.8 %

(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.

Group	Note	0 to 6	7 to 12	1 to 2	2 to 3	> 3	Total
		Months	Months	Years	Years	Years	
		\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
At 28 July 2013							
Financial liabilities							
Trade and other payables (excluding contingent consideration)	20	251,967	-	-	-	-	251,967
Contingent consideration	20	4,000	1,950	6,559	6,250	3,000	21,759
Bank borrowings (excluding finance lease liabilities)	29	133,830	-	-	-	-	133,830
Finance lease liabilities	29	953	869	1,470	1,359	1,280	5,931
Fixed rate senior bond	29	2,797	3,685	107,370	-	-	113,852
		393,547	6,504	115,399	7,609	4,280	527,339
Net derivatives							
Forward currency contracts							
- outflow		139,783	60,905	-	-	-	200,688
- inflow		(139,739)	(60,595)	-	-	-	(200,334)
Interest rate swaps		232	106	143	338	395	1,214
		276	416	143	338	395	1,568
At 29 July 2012							
Financial liabilities							
Trade and other payables	20	126,857	-	-	-	-	126,857
Bank borrowings (excluding finance lease liabilities)	29	128,203	-	-	-	-	128,203
Fixed rate senior bond	29	2,776	3,685	7,370	107,370	-	121,201
		257,836	3,685	7,370	107,370	-	376,261
Net derivatives							
Forward currency contracts							
- outflow		133,100	48,978	-	-	-	182,078
- inflow		(128,260)	(46,908)	-	-	-	(175,168)
Interest rate swaps		517	517	335	199	1,612	3,180
		5,357	2,587	335	199	1,612	10,090

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 \$0.888 million (2012: \$0.909 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.

Bank borrowings at balance date are drawn down by way of ninety day short term bills. The bank borrowings include \$50.000 million which is fully drawn against a term debt facility which expires in March 2017. These borrowings and the Group's fixed rate senior bond are designated as the Group's "core" borrowings for treasury management purposes. It is the Group's expectation that the bank borrowings which form part of the Group's core borrowings will not be repaid until the expiry of the facility under which they have been drawn.

The Group's fixed rate senior bond is held by the Parent company and represents the Parent's only financial liability held at balance date.

Notes to and forming part of the Financial Statements - Continued

For the 52 week period ended 28 July 2013

4. 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 (repricing after twelve months) at fixed rates. At balance date 73% (2012: 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.

Group 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 28 July 2013						
Cash and cash equivalents	18	22,763	164	164	(164)	(164)
Bank borrowings (excluding finance lease liabilities)	29	(133,830)	(964)	(964)	964	964
Fixed rate senior bond	29	(100,620)	488	488	(500)	(500)
Derivative financial instruments						
Interest rate swaps - cash flow hedges	22	(2,445)	360	1,608	(360)	(1,664)
Interest rate swaps - fair value hedges	22	1,315	(288)	(776)	288	788
		(212,817)	(240)	520	228	(576)
At 29 July 2012						
Cash and cash equivalents	18	16,286	117	117	(117)	(117)
Bank borrowings	29	(128,203)	(923)	(923)	923	923
Fixed rate senior bond	29	(100,776)	500	500	(522)	(522)
Derivative financial instruments						
Interest rate swaps - cash flow hedges	22	(4,796)	216	1,675	(216)	(1,760)
Interest rate swaps - fair value hedges	22	1,689	(500)	(500)	522	522
		(215,800)	(590)	869	590	(954)

The parent has no exposure to interest rate risk, with the exception of its cash on hand at balance date.

(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 for The Warehouse and Warehouse Stationery segments 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

The Group's acquisition of Torpedo7 and Insight (refer note 38) increased the Group's exposure to foreign exchange risk which arise primarily from the purchase of inventory from overseas. The Group is currently reviewing the treasury policy to determine an appropriate hedge strategy to hedge these new exposures.

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

Group Asset / (Liability)	Note	Carrying Amount		Notional Amount	
		2013 \$ 000	2012 \$ 000	2013 NZ\$ 000	2012 NZ\$ 000
Forward currency contracts - cash flow hedges					
Buy US dollars / Sell New Zealand dollars	22	1,500	(5,358)	200,688	182,078

The average exchange rate of US dollar forward contracts at balance date were \$0.8072 (2012: \$0.7794). The spot rate used to determine the mark-to-market carrying value of the US dollar forward contracts at balance date was \$0.8087 (2012: \$0.8101).

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 for The Warehouse and Warehouse Stationery segments. At balance date the Group has US dollar hedges in place to cover 64.8% (2012: 62.0%) of the forecast annual direct US dollar exposure for these segments.

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.

Group Forward currency contracts - cash flow hedges	After Tax Profit		Equity	
	Higher/(Lower)		Higher/(Lower)	
	2013 \$ 000	2012 \$ 000	2013 \$ 000	2012 \$ 000
10% appreciation in the New Zealand dollar	-	-	(13,098)	(11,448)
10% depreciation in the New Zealand dollar	-	-	16,009	13,992

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. The parent company has no currency risk exposures.

Notes to and forming part of the Financial Statements - Continued

For the 52 week period ended 28 July 2013

4. 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 trade and other receivables, derivatives and transactions with financial institutions.

	Note	Group 2013 \$ 000	Group 2012 \$ 000	Parent 2013 \$ 000	Parent 2012 \$ 000
Maximum exposures to credit risk at balance date are:					
Cash and cash equivalents	18	22,763	16,286	2,517	2,520
Trade and other receivables	21	69,887	28,455	-	-
Derivative financial instruments	22	3,802	2,489	-	-
Intercompany advances		-	-	317,509	317,211
Investment in associate company	27	5,671	6,372	-	-
		102,123	53,602	320,026	319,731

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 (2012: A).

The Group performs credit evaluations on customers requiring credit, but generally does not require collateral. In addition, receivable balances are monitored on an ongoing basis to ensure the Group's bad debt exposure is not significant. Loans to team members to purchase shares in accordance with the Group's share purchase plan are effectively secured as team members are not given the shares until the advances are fully repaid. Concentrations of credit risk, with respect to trade and other receivables, are limited due to the minor nature and spread of such accounts.

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 and electricity providers 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 table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 - quoted prices in active markets for identical assets or liabilities

Level 2 - inputs other than quoted within level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 - inputs for the asset or liability that are not based on observable market data

Group					
Asset / (Liability)	Note	Level 1 \$ 000	Level 2 \$ 000	Level 3 \$ 000	Total \$ 000
At 28 July 2013					
Derivatives at fair value through profit or loss		-	1,315	-	1,315
Derivatives used for hedging		-	(945)	-	(945)
	22	-	370	-	370
At 29 July 2012					
Derivatives at fair value through profit or loss		-	1,689	-	1,689
Derivatives used for hedging		-	(10,154)	-	(10,154)
	22	-	(8,465)	-	(8,465)

The fair value of financial instruments that are not traded in an active market (such as over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Specific valuation techniques used to value financial instruments include:

- 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.

Notes to and forming part of the Financial Statements - Continued

For the 52 week period ended 28 July 2013

5. SEGMENT INFORMATION

Group	Revenue		Operating Profit	
	2013	2012	2013	2012
	\$ 000	\$ 000	\$ 000	\$ 000
The Warehouse	1,591,088	1,524,102	85,186	80,874
Warehouse Stationery	231,838	206,639	10,321	9,844
Noel Leeming	390,667	-	11,011	-
Torpedo7	24,193	-	656	-
Other Group operations	9,688	8,664	4,064	5,744
Inter-segment eliminations	(7,942)	(7,237)	-	-
	2,239,532	1,732,168	111,238	96,462
Unallocated (expenses) / revenue				
Gain on disposal of property			77,368	18,230
Direct costs relating to acquisitions			(2,356)	-
Release of warranty provisions			-	7,355
Equity earnings of associate			3,464	3,197
Earnings before interest and tax			189,714	125,244
Net interest expense			(11,675)	(10,308)
Income tax expense			(28,423)	(24,776)
Net profit for the period from continuing operations			149,616	90,160
Loss from discontinued operations (net of tax)			(4,288)	-
Net profit for the period			145,328	90,160
Operating margin				
The Warehouse			5.4 %	5.3 %
Warehouse Stationery			4.5 %	4.8 %
Noel Leeming			2.8 %	-
Torpedo7			2.7 %	-
Total Group			5.0 %	5.6 %

(a) Operating segments

The Group has four primary operating segments operating in the New Zealand retail sector. 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 (2012: 89) stores located throughout New Zealand.

Warehouse Stationery

Warehouse Stationery is a stationery retailer, with 61 (2012: 56) stores located throughout New Zealand.

Noel Leeming

Noel Leeming is a consumer electronics and home appliances retailer, with 75 stores located throughout New Zealand. The trading results above represent the 8 month trading period following the Group's acquisition of Noel Leeming in December 2012.

Torpedo7

Torpedo7 is an online retailer operating through the Torpedo7, 1-Day and Urbandaddy websites in New Zealand and Australia. The trading results above represent the 4 month trading period since the Group acquired a controlling 51% interest in Torpedo7 in April 2013.

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 a chocolate factory, 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.

(b) Other segment information

Group	Note	Depreciation & Amortisation		Capital Expenditure	
		2013	2012	2013	2012
		\$ 000	\$ 000	\$ 000	\$ 000
The Warehouse		33,207	33,726	59,090	46,291
Warehouse Stationery		5,455	5,435	12,628	5,262
Noel Leeming		3,040	-	4,341	-
Torpedo7		321	-	2,751	-
Other group operations		1,994	2,469	17,996	56,211
Continuing operations		44,017	41,630	96,806	107,764
Discontinued operations	37	208	-	-	-
		44,225	41,630	96,806	107,764
Comprising					
Property, plant and equipment	25	38,154	34,293	92,703	104,412
Intangible assets	26	6,071	7,337	4,103	3,352
		44,225	41,630	96,806	107,764

Notes to and forming part of the Financial Statements - Continued

For the 52 week period ended 28 July 2013

5. SEGMENT INFORMATION (continued)**(c) Balance sheet segment information**

Group	Total Assets		Total Liabilities	
	2013	2012	2013	2012
	\$ 000	\$ 000	\$ 000	\$ 000
The Warehouse	485,569	393,898	171,023	135,013
Warehouse Stationery	76,695	64,747	26,588	23,867
Noel Leeming	107,326	-	109,292	-
Torpedo7	21,957	-	18,182	-
Other Group operations	154,409	247,837	5,297	12,626
Operating assets / liabilities	845,956	706,482	330,382	171,506
Unallocated assets / liabilities				
Discontinued operations	693	-	7,056	-
Cash and borrowings	22,763	16,286	239,637	228,979
Derivative financial instruments	3,802	2,489	3,432	10,954
Investments	5,671	6,372	-	-
Intangible goodwill and brands	95,428	-	-	-
Taxation assets/liabilities	21,425	2,425	3,466	5,248
Total	995,738	734,054	583,973	416,687

Segment assets and liabilities are disclosed net of inter-company balances.

6. OTHER INCOME

	Group	Group
	2013	2012
	\$ 000	\$ 000
Tenancy rents received	5,777	2,564
Insurance recoveries	1,415	630
Other	3,109	3,424
	10,301	6,618

During the year the parent received dividends from subsidiaries of \$68.463 million (2012: \$62.239 million).

7. EMPLOYEE EXPENSE

	Note	Group	Group
		2013	2012
		\$ 000	\$ 000
Wages and salaries		341,097	281,407
Director's fees	14	682	617
Performance based compensation		11,301	4,691
Equity settled share based payments expense	31	2,545	1,616
		355,625	288,331

The parent has no direct employees.

8. LEASE AND OCCUPANCY EXPENSE

	Group	Group
	2013	2012
	\$ 000	\$ 000
Operating lease costs	84,961	62,864
Other occupancy costs	28,542	23,959
	113,503	86,823

The parent has no lease or occupancy expenses.

Notes to and forming part of the Financial Statements - Continued

For the 52 week period ended 28 July 2013

9. DEPRECIATION AND AMORTISATION EXPENSE

	Note	Group 2013 \$ 000	Group 2012 \$ 000
Freehold buildings		1,792	2,284
Store fittings and equipment		29,982	25,903
Computer hardware		5,919	5,725
Vehicles		461	381
Property, plant and equipment	25	38,154	34,293
Intangible assets	26	6,071	7,337
Depreciation and amortisation expense		44,225	41,630
From continuing operations		44,017	41,630
From discontinued operations	37	208	-
Depreciation and amortisation expense		44,225	41,630

The parent has no depreciable assets.

10. OTHER OPERATING EXPENSES

	Group 2013 \$ 000	Group 2012 \$ 000
Other operating expenses include		
Provision for bad and doubtful debts	908	156
Loss on sale of plant and equipment	3,965	1,538
Donations	366	240
Net foreign currency exchange (gain) / loss	132	(128)
Auditors' fees		
Auditing the Group financial statements	476	323
Reviewing the half year financial statements	84	75
Other audit services	34	16
Total fees paid to PricewaterhouseCoopers	594	414
Total internal audit fees paid to Ernst & Young	424	539

Fees paid to PricewaterhouseCoopers for other audit services related to limited assurance services provided on aspects of the Group's annual Sustainability Report and treasury policy advice. For information on the Group's policies regarding audit governance and independence refer to page 83 (Corporate Governance).

11. NET INTEREST EXPENSE

	Note	Group 2013 \$ 000	Group 2012 \$ 000
Interest on bank overdrafts		92	38
Interest on bank borrowings		3,253	1,702
Interest on finance leases		135	-
Interest on fixed rate senior bond		7,661	7,640
Fair value interest rate swaps		(220)	(127)
Interest rate swap cash flow hedges transfer from equity	22	1,189	1,460
Interest expense		12,110	10,713
Interest received on bank deposits		135	155
Use of money interest		190	152
Employee share plan and related party advances		110	98
Interest income		435	405
Net interest expense		11,675	10,308

The parent received intercompany interest of \$7.661 million (2012: \$7.640) fully offsetting interest of the same amount payable in respect of the fixed rate senior bond.

Notes to and forming part of the Financial Statements - Continued

For the 52 week period ended 28 July 2013

12. INCOME TAX

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

	Note	Group 2013 \$ 000	Group 2012 \$ 000	Parent 2013 \$ 000	Parent 2012 \$ 000
Profit before tax from continuing operations		178,039	114,936	68,460	62,232
Loss before tax from discontinued operations	37	(5,956)	-	-	-
Profit before tax		172,083	114,936	68,460	62,232
Taxation calculated at 28%		48,183	32,182	19,169	17,425
Adjusted for the tax effect of:					
Non taxable dividends		-	-	(19,170)	(17,427)
Direct costs relating to acquisitions		660	-	-	-
Entertainment		324	301	-	-
Equity earnings of associate		(970)	(895)	-	-
Share based payments		344	(134)	-	-
Release of non taxable liabilities and provisions		-	(2,551)	-	-
Capital gain on property disposal		(12,413)	(3,370)	-	-
Other non deductible expenditure		1,022	325	-	-
Depreciation adjustment on building disposals	13	(10,127)	(846)	-	-
Income tax over provided in prior year		(268)	(236)	-	-
Income tax expense		26,755	24,776	(1)	(2)
From continuing operations		28,423	24,776	(1)	(2)
From discontinued operations	37	(1,668)	-	-	-
Income tax expense		26,755	24,776	(1)	(2)
Effective tax rate		15.5%	21.6%		
Income tax expense comprises:					
Current year income tax payable	23	40,395	29,936	(1)	(2)
Deferred taxation	24	(13,640)	(5,160)	-	-
		26,755	24,776	(1)	(2)

13. ADJUSTED NET PROFIT RECONCILIATION

Group	Note	2013 \$ 000	2012 \$ 000
Net profit attributable to shareholders of the parent		144,748	89,848
Less: Unusual items			
Gain on disposal of property	25	77,368	18,230
Release of warranty provisions	28	-	7,355
Direct costs relating to acquisitions	38	(2,356)	-
		75,012	25,585
Income tax relating to unusual items		(9,800)	(1,734)
Income tax expense related to depreciation adjustment on building disposals	12	10,127	846
		75,339	24,697
Add back: Loss from discontinued operations (net of tax)	32	(4,288)	-
Adjusted net profit	34	73,697	65,151
Earnings per share based on adjusted net profit			
Basic earnings per share	16	23.8 cents	21.0 cents
Diluted earnings per share	16	23.7 cents	21.0 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. The Group's dividend policy is to pay a dividend equal to 90% of adjusted net profit (refer note 34).

Adjusted net profit makes allowance for discontinued operations and the after tax effect of unusual items, which include profits from the disposal of properties, release of warranty provisions and the direct costs relating to the acquisition of subsidiaries.

Notes to and forming part of the Financial Statements - Continued

For the 52 week period ended 28 July 2013

14. 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	
		2013	2012
Non-executive directors		\$ 000	\$ 000
G F Evans (Chairman)		160	155
K R Smith (Deputy Chairman)		115	115
A J Balfour (appointed October 2012)		75	-
R L Challinor (retired November 2011)		-	24
J H Ogden		86	84
J L Smith		83	81
Sir Stephen Tindall		79	77
E K van Arkel		84	81
	7	682	617

Group	Chief Executive Officer		Other Key Executives	
	2013	2012	2013	2012
	\$ 000	\$ 000	\$ 000	\$ 000
Base Salary	1,200	1,016	4,755	4,468
Annual performance based compensation	474	-	859	69
Equity settled share-based compensation	295	153	809	527
Termination benefits	-	-	-	1,188
	1,969	1,169	6,423	6,252

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 15 for plan details).

Group	Performance Shares		Award Shares		Total Share Rights	
	2013	2012	2013	2012	2013	2012
Expected vesting dates	000	000	000	000	000	000
Chief Executive Officer						
October 2012	-	35	-	68	-	103
October 2013	40	40	80	53	120	93
October 2014	91	91	69	43	160	134
October 2015	102	-	47	-	149	-
Outstanding at the end of the year	233	166	196	164	429	330
Other Key Executives						
October 2012	-	75	-	210	-	285
October 2013	80	119	242	187	322	306
October 2014	288	324	221	151	509	475
October 2015	335	-	156	-	491	-
Outstanding at the end of the year	703	518	619	548	1,322	1,066

During the year the Group's Chief Executive Officer, M D Powell was granted 244,000 (2012: 219,000) share rights, 98,000 (2012: 39,000) share rights were forfeited and 47,000 (2012: 31,000) share rights vested.

Other key executives were granted 804,000 (2012: 777,000) share rights, 280,000 (2012: 509,000) share rights were forfeited and 113,000 (2012: 273,000) share rights vested. Other key executives comprise the members of The Warehouse Leadership team and the Chief Executive Officers of both Warehouse Stationery and Noel Leeming. At balance date this represented 12 (2012: 12) executives.

Notes to and forming part of the Financial Statements - Continued

For the 52 week period ended 28 July 2013

15. 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 50 (2012: 45) 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 share price exceeds a specified target share price or a specified total shareholder return on the vesting date.

Target Share Price

The target share price for the plan is calculated by inflating the Group's share price at grant date using the Groups cost of equity over the period between the grant date and the vesting date and adjusting for dividend payments. The Groups share price at grant date is calculated using the weighted average market price of the Group's share price over the ten share trading days prior to grant date. The target share prices for the performance shares vesting in October 2013 is \$4.13.

Total Shareholder Return

The target total shareholder return is calculated in a similar manner to the target share price but represents only 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 Groups cost of equity. The target shareholder return for the performance shares vesting in October 2014 and October 2015 is \$0.75 and \$0.96 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

Group	Note	Performance Shares		Award Shares		Total Share Rights	
		2013	2012	2013	2012	2013	2012
		000	000	000	000	000	000
Outstanding at the beginning of the year		1,404	1,282	1,376	1,067	2,780	2,349
Granted during the year		871	806	1,219	1,129	2,090	1,935
Vested during the year	30	-	-	(355)	(482)	(355)	(482)
Forfeited during the year		(365)	(684)	(589)	(338)	(954)	(1,022)
Outstanding at the end of the year		1,910	1,404	1,651	1,376	3,561	2,780
Expected vesting dates							
October 2012		-	264	-	531	-	795
October 2013		310	334	662	469	972	803
October 2014		739	806	583	376	1,322	1,182
October 2015		861	-	406	-	1,267	-
Outstanding at the end of the year		1,910	1,404	1,651	1,376	3,561	2,780

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 2012	April 2012	October 2010
Vesting date	October 2015	October 2014	October 2013
Risk free interest rate (%)	2.66	3.28	4.18
Average expected volatility (%)	20.00	22.50	25.00
Average share price at measurement date (\$)	2.95	2.74	3.81
Estimated fair value at grant date (\$)	0.71	0.76	1.30

Award shares

Date granted	October 2012	April 2012	October 2010
First vesting date (then annually on the next two anniversaries)	October 2013	October 2012	October 2011
Weighted average cost of equity capital (%)	9.90	10.10	9.60
Average share price at measurement date (\$)	2.95	2.74	3.81
Average estimated fair values at grant date (\$)	2.56	2.44	3.34

Notes to and forming part of the Financial Statements - Continued

For the 52 week period ended 28 July 2013

16. 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.

Group	Note	2013	2012
Profit from continuing operations attributable to shareholders of the parent (\$000s)		149,036	89,848
Profit from discontinued operations attributable to shareholders of the parent (\$000s)		(4,288)	-
Net profit attributable to shareholders of the parent (\$000s)		144,748	89,848
Adjusted net profit attributable to shareholders of the parent (\$000s)	13	73,697	65,151
Basic			
Weighted average number of ordinary shares on issue (000s)		311,196	311,196
Adjustment for treasury stock (000s)		(1,517)	(1,496)
Weighted average number of ordinary shares outstanding (000s)		309,679	309,700
Basic earnings per share from continuing operations (cents)		48.1	29.0
Basic earnings per share from discontinued operations (cents)		(1.4)	-
Basic earnings per share (cents)		46.7	29.0
Adjusted basic earnings per share (cents)	13	23.8	21.0

(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 15).

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.

Group	Note	2013	2012
Diluted			
Weighted average number of ordinary shares outstanding (000s)		309,679	309,700
Shares deemed to be issued for no consideration in respect of share rights (000s)		1,742	774
Weighted average number of ordinary shares for diluted earnings per share (000s)		311,421	310,474
Diluted earnings per share from continuing operations (cents)		47.9	28.9
Diluted earnings per share from discontinued operations (cents)		(1.4)	-
Diluted earnings per share (cents)		46.5	28.9
Adjusted diluted earnings per share (cents)	13	23.7	21.0

17. 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.

Group	Note	2013	2012
Net assets (\$000s)		411,765	317,367
Basic			
Number of ordinary shares on issue (000s)	30	311,196	311,196
Adjustment for treasury stock (000s)	30	(1,878)	(1,400)
Number of ordinary shares outstanding (000s)		309,318	309,796
Net assets per share (cents)		133.1	102.4

Notes to and forming part of the Financial Statements - Continued

For the 52 week period ended 28 July 2013

18. CASH AND CASH EQUIVALENTS

	Group 2013 \$ 000	Group 2012 \$ 000	Parent 2013 \$ 000	Parent 2012 \$ 000
Cash on hand and at bank	22,763	16,286	2,517	2,520

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.

19. INVENTORIES

Group	2013 \$ 000	2012 \$ 000
Finished goods	423,995	286,691
Inventory adjustments	(15,710)	(11,097)
Retail stock	408,285	275,594
Goods in transit from overseas	49,824	33,827
	458,109	309,421

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.

The parent has no inventories.

20. TRADE AND OTHER PAYABLES

Group	Note	2013 \$ 000	2012 \$ 000
Trade creditors		192,047	84,406
Goods in transit creditors		18,423	13,441
Capital expenditure creditors		4,841	6,230
Goods and services tax		12,471	3,080
Unearned income (includes laybys, gift vouchers, BizReward points and Christmas club deposits)		11,262	9,125
Contingent consideration	38	21,759	-
Interest accruals		1,180	1,317
Payroll accruals		11,743	9,258
		273,726	126,857
Less: Non-current contingent consideration		(15,809)	-
Current trade and other payables		257,917	126,857

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. Contingent consideration for the acquisition of subsidiaries is payable over the next four years (the timing of these payments is disclosed in notes 4(a) and 38). With the exception of an interest accrual for \$0.888 million (2012: \$0.909 million) relating to interest payable on the fixed rate senior bond the parent has no other payables.

21. TRADE AND OTHER RECEIVABLES

Group	Note	Current		Non-current		Total	
		2013 \$ 000	2012 \$ 000	2013 \$ 000	2012 \$ 000	2013 \$ 000	2012 \$ 000
Trade receivables		42,865	17,781	-	-	42,865	17,781
Allowance for impairment		(1,078)	(709)	-	-	(1,078)	(709)
		41,787	17,072	-	-	41,787	17,072
Other debtors and prepayments		15,159	9,996	-	-	15,159	9,996
Landlord advances		9,071	-	-	-	9,071	-
Advances to related parties		10	-	3,000	-	3,010	-
Employee share purchase plan loans		486	499	374	888	860	1,387
		66,513	27,567	3,374	888	69,887	28,455

(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) receivables to special purpose entities.

Notes to and forming part of the Financial Statements - Continued

For the 52 week period ended 28 July 2013

21. 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:

Group	Total	0 to 30	31 to 60	61 to 90	> 90
		days	days	days	days
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
At 28 July 2013					
Trade receivables	42,865	33,823	4,753	1,451	2,838
Allowance for impairment	(1,078)	(110)	(20)	(135)	(813)
	41,787	33,713	4,733	1,316	2,025
At 29 July 2012					
Trade receivables	17,781	13,745	2,586	793	657
Allowance for impairment	(709)	(15)	(8)	(147)	(539)
	17,072	13,730	2,578	646	118

(b) Landlord advances

Short-term advances have been provided to certain landlords to enable them to complete the renovation and extension of stores and distribution centres leased by the Group. These loans are repayable either on demand or when the works are completed.

(c) Advances to related parties

An advance was provided to certain minority shareholders of the Torpedo7 group as a prepayment of contingent consideration related to the sale and purchase of the group (refer note 38). The advance has a principal of \$3.000 million with a 4.0% interest rate which is payable quarterly and is secured over the vendors minority shares held in the Torpedo7 group. When the vendors become entitled to contingent consideration these funds will be firstly applied to repayment of the advance.

(d) Employee share purchase plan

Group	Note	Ordinary Shares	
		2013	2012
		000	000
Opening balance		859	929
Shares redeemed		(11)	(7)
Shares forfeited	30	(54)	(63)
Closing balance		794	859

The Group allotted shares to team members in May 2010 as part of an employee share purchase plan. Shares were offered to all team members of The Warehouse Limited and Warehouse Stationery Limited who had been employed for more than 3 months prior to the offer and worked more than 15 hours per week. The offer (\$3.06) was priced at a 20% discount to the market share price with a maximum consideration set at \$2,340 per team member. The share purchase plan has been approved by the Inland Revenue in accordance with section DC12 of the Income Tax Act 2007.

Team members accepting the share offer are provided financial assistance on an interest free basis, payable over five years in regular instalments. The qualifying period between grant date and vesting date is a minimum of three years to a maximum of five years. The vesting period for the current plan commenced from May 2013 and continues through to May 2015.

Shares were allotted to team members from treasury stock, on condition that should the participant leave the Group before the vesting date, their shares will be repurchased by the Trustee at the lesser of the market price and the price at which the shares were originally allocated to the employee, subject to repayment of the original loan.

The Warehouse Management Trustee Company acts as trustee for the share purchase plan. Any repurchased shares are held by the Trustee for any future allocations under the employee share purchase plan. Dividends paid on the allocated shares during the qualifying period are paid to team members. Voting rights on the shares are exercisable by the trustee. Trustees for the plan are appointed by the Group. (The current trustees are detailed in note 30).

At balance date the Trustees of the share purchase plan and LTIP (refer note 15) held the following shares:

Group	Note	Ordinary Shares	
		2013	2012
		000	000
Allocated to employee share purchase plan		794	859
Unallocated treasury stock	30	1,878	1,400
Total ordinary shares held by the Group's Trustees		2,672	2,259
Percentage of share capital		0.86 %	0.73 %

The parent has no trade or other receivables.

Notes to and forming part of the Financial Statements - Continued

For the 52 week period ended 28 July 2013

22. DERIVATIVE FINANCIAL INSTRUMENTS

Group	Currency contracts	Interest rate swaps	Total derivatives
Asset / (Liability)	\$ 000	\$ 000	\$ 000
At 28 July 2013			
Current assets	2,487	-	2,487
Non-current assets	-	1,315	1,315
Current liabilities	(987)	(579)	(1,566)
Non-current liabilities	-	(1,866)	(1,866)
	1,500	(1,130)	370
At 29 July 2012			
Non-current assets	-	2,489	2,489
Current liabilities	(5,358)	(800)	(6,158)
Non-current liabilities	-	(4,796)	(4,796)
	(5,358)	(3,107)	(8,465)

Derivative financial instruments are used by the Group to hedge financial risks (refer note 4). 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:

Group	Notional Amount	Average Exchange Rate
Forward currency contracts - cash flow hedges	2013 2012	2013 2012
Buy US dollars / Sell New Zealand dollars	NZ\$ 000	NZ\$ 000
Maturity 0 to 6 months	139,783	133,100
Maturity 7 to 12 months	60,905	48,978
		0.8084 0.8045

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.

(b) Interest rate swaps

Group	2013	2012
	\$ 000	\$ 000
Cash flow hedges	(2,445)	(4,796)
Fair value hedges	1,315	1,689
	(1,130)	(3,107)

(i) Interest rate swaps – cash flow hedges

The Group's core bank borrowings bear an interest rate priced 1.00% (2012: 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:

Group	Notional Amount	Average Fixed Rate
Interest rate swaps - cash flow hedges	2013 2012	2013 2012
Maturity	\$ 000	\$ 000
3-4 Years	30,000	-
4-5 Years	20,000	30,000
5-6 Years	-	20,000
	50,000	50,000
		4.91 5.93 6.04 5.29

Notes to and forming part of the Financial Statements - Continued

For the 52 week period ended 28 July 2013

22. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

In the previous table, 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 (2012: \$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, with effect from June 2013, 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:

Group	2013	2012
	\$ 000	\$ 000
Gains / (losses) on fixed rate senior bond	467	(1,336)
Gains / (losses) on interest rate swaps	(467)	1,336

(c) Cash flow hedge reserve

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

Group	Note	Currency Contracts	Interest Rate Swaps	Deferred Taxation	Hedge Reserve
		\$ 000	\$ 000	\$ 000	\$ 000
For the 52 week period ended 28 July 2013					
Opening balance		(5,358)	(4,662)	2,805	(7,215)
Transferred to inventory		10,373	-	(2,904)	7,469
Transferred to interest expense	11	-	1,189	(333)	856
Transferred to equity		(3,515)	1,190	651	(1,674)
Closing balance		1,500	(2,283)	219	(564)
				(note: 24)	(note: 31)
For the 52 week period ended 29 July 2012					
Opening balance		(30,867)	(2,609)	9,372	(24,104)
Transferred to inventory		13,161	-	(3,685)	9,476
Transferred to interest expense	11	-	1,460	(596)	864
Transferred to equity		12,348	(3,513)	(2,286)	6,549
Closing balance		(5,358)	(4,662)	2,805	(7,215)
				(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).

The parent does not have any derivative financial instruments.

Notes to and forming part of the Financial Statements - Continued

For the 52 week period ended 28 July 2013

23. CURRENT TAXATION

The movement in income tax receivable is set out below:

Asset / (Liability)	Note	Group	Group	Parent	Parent
		2013	2012	2013	2012
		\$ 000	\$ 000	\$ 000	\$ 000
Opening balance		(5,248)	(7,202)	603	1,034
Acquisition of subsidiaries	38	779	-	-	-
Current year income tax payable	12	(40,395)	(29,936)	1	2
Net taxation paid		40,803	31,291	-	-
Supplementary dividend tax credit		595	601	595	601
Use of money interest and other adjustments		-	(2)	(603)	(1,034)
Closing balance		(3,466)	(5,248)	596	603

24. DEFERRED TAXATION

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

Group	Note	Opening	Charged	Charged	Acquisition	Closing
Asset / (Liability)		Balance	to Profit	to Equity	of Subsidiary	Balance
		\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
For the 52 week period ended 28 July 2013						
Gross deferred tax assets						
Inventory		7,287	671	-	1,118	9,076
Deferred income		603	342	-	148	1,093
Employee benefit provisions		8,996	362	-	1,325	10,683
Impaired receivables		199	26	-	77	302
Other provisions		2,254	(326)	-	2,665	4,593
Plant and equipment depreciation and software amortisation		4,525	192	-	2,572	7,289
Derivatives - cash flow hedges	22	2,805	-	(2,586)	-	219
Other		14	231	-	41	286
		26,683	1,498	(2,586)	7,946	33,541
Gross deferred tax liabilities						
Building depreciation		(24,131)	12,166	-	-	(11,965)
Other		(127)	(24)	-	-	(151)
		(24,258)	12,142	-	-	(12,116)
Net deferred tax assets / (liabilities)		2,425	13,640	(2,586)	7,946	21,425
			(note: 12)		(note: 38)	
For the 52 week period ended 29 July 2012						
Gross deferred tax assets						
Inventory		5,946	1,341	-	-	7,287
Deferred income		341	262	-	-	603
Employee benefit provisions		8,788	208	-	-	8,996
Impaired receivables		191	8	-	-	199
Other provisions		1,540	714	-	-	2,254
Plant and equipment depreciation and software amortisation		3,300	1,225	-	-	4,525
Derivatives - cash flow hedges	22	9,372	-	(6,567)	-	2,805
Other		101	(87)	-	-	14
		29,579	3,671	(6,567)	-	26,683
Gross deferred tax liabilities						
Building depreciation		(25,668)	1,537	-	-	(24,131)
Other		(79)	(48)	-	-	(127)
		(25,747)	1,489	-	-	(24,258)
Net deferred tax assets		3,832	5,160	(6,567)	-	2,425
			(note: 12)			

The parent has no deferred income tax assets/liabilities.

Notes to and forming part of the Financial Statements - Continued

For the 52 week period ended 28 July 2013

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:

Group	Note	Freehold	Freehold	Store Fittings and Equipment	Computer Hardware	Vehicles	Work in Progress	Total
		Land	Buildings					
		\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
For the 52 week period ended 28 July 2013								
Opening carrying amount		83,916	100,384	95,068	11,825	1,379	62,655	355,227
Acquisition of subsidiaries	38	-	-	9,548	4,363	243	748	14,902
Additions	5	6,485	72,619	52,244	10,286	1,620	(50,551)	92,703
Disposals		(11,845)	(102,004)	(3,747)	(737)	(743)	-	(119,076)
Depreciation	5, 9	-	(1,792)	(29,982)	(5,919)	(461)	-	(38,154)
Closing carrying amount		78,556	69,207	123,131	19,818	2,038	12,852	305,602
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
For the 52 week period ended 29 July 2012								
Opening carrying amount		87,034	110,358	76,848	13,247	987	9,192	297,666
Additions	5	-	155	45,301	4,437	1,056	53,463	104,412
Disposals		(3,118)	(7,845)	(1,178)	(134)	(283)	-	(12,558)
Depreciation	5, 9	-	(2,284)	(25,903)	(5,725)	(381)	-	(34,293)
Closing carrying amount		83,916	100,384	95,068	11,825	1,379	62,655	355,227
At 29 July 2012								
Cost		83,916	125,959	354,166	86,358	2,653	62,655	715,707
Accumulated depreciation		-	(25,575)	(259,098)	(74,533)	(1,274)	-	(360,480)
Net carrying amount		83,916	100,384	95,068	11,825	1,379	62,655	355,227
At 31 July 2011								
Cost		87,034	134,930	312,990	82,292	2,511	9,192	628,949
Accumulated depreciation		-	(24,572)	(236,142)	(69,045)	(1,524)	-	(331,283)
Net carrying amount		87,034	110,358	76,848	13,247	987	9,192	297,666

(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 \$183.814 million (2012: \$284.812 million). The directors' valuation was approved by the Board on 12 September 2013. 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.

Group	Carrying Amount		Directors Valuation		
	2013	2012	2013	2012	
		\$ 000	\$ 000	\$ 000	\$ 000
Freehold land and buildings					
Support offices		9,951	10,322	23,000	23,000
Distribution centres		-	34,370	-	89,080
Stores		87,577	103,357	101,703	125,654
Development assets		50,235	36,251	59,111	47,078
Total freehold land and buildings		147,763	184,300	183,814	284,812

Stores comprise seven (2012: ten) store sites located throughout New Zealand. Development assets include five (2012: four) Auckland properties and a property in Timaru.

(b) Property disposals

During the year as part of a capital management programme a number of Group owned properties were sold on sale and lease back terms to fund the Group's growth strategy. The property disposals included three stores (located in Queenstown, Snells Beach and Palmerston North), the Group's distribution centre located in Wiri (Auckland) and a Retail Centre in Silverdale. The disposals generated net sale proceeds of \$194.182 million and realised pre-tax profits of \$77.368 million (including disposal related costs).

In the comparative the year the Group sold a Distribution Centre at Puhinui Road, Auckland and a Warehouse store located in Invercargill, together these two properties realised a pre-tax profit of \$18.230 million.

(c) Impairment review

The Group annually reviews the carrying amounts of property, plant and equipment for impairment. For the purposes of this review assets are grouped at the lowest level for which there are separately identifiable cash flows (cash generating units), which in most instances is a store. In assessing whether an asset is impaired, reference is made to individual store profitability and any other known events or circumstances that may indicate that the carrying amount of the asset may not be recoverable. The Group's impairment review did not identify any asset impairment (2012: nil). The reviews identified some assets where the expected future useful life was shorter than originally assessed, which caused the depreciation of these assets to be accelerated.

The parent has no property, plant and equipment.

Notes to and forming part of the Financial Statements - Continued

For the 52 week period ended 28 July 2013

26. INTANGIBLE ASSETS

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

Group	Note	Goodwill	Brand	Computer	Total
		\$ 000	Names	Software	
For the 52 week period ended 28 July 2013					
Opening carrying amount		-	-	13,379	13,379
Acquisition of subsidiaries	38	71,905	23,523	1,769	97,197
Additions	5	-	-	4,103	4,103
Disposals		-	-	(129)	(129)
Amortisation	5, 9	-	-	(6,071)	(6,071)
Closing carrying amount		71,905	23,523	13,051	108,479
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
For the 52 week period ended 29 July 2012					
Opening carrying amount		-	-	18,432	18,432
Additions	5	-	-	3,352	3,352
Disposals		-	-	(1,068)	(1,068)
Amortisation	5, 9	-	-	(7,337)	(7,337)
Closing carrying amount		-	-	13,379	13,379
At 29 July 2012					
Cost		-	-	74,194	74,194
Accumulated amortisation		-	-	(60,815)	(60,815)
Net carrying amount		-	-	13,379	13,379
At 31 July 2011					
Cost		-	-	72,882	72,882
Accumulated amortisation		-	-	(54,450)	(54,450)
Net carrying amount		-	-	18,432	18,432

The parent has no Intangible assets.

(a) Impairment tests for intangible assets with indefinite lives

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

Group	Noel	Torpedo7	Insight	Shop HQ	Complete	Total
	Leeming		Traders		Entertainment	
At 28 July 2013						
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
Goodwill	25,888	22,091	11,750	2,476	9,700	71,905
Brand Names	15,500	8,023	-	-	-	23,523
Net carrying amount	41,388	30,114	11,750	2,476	9,700	95,428

The recoverable amount of a cash generating unit (CGU) is determined based on value in use calculations. These calculations use cashflow projections based on financial budgets and strategic plans approved by management and Directors covering a five year period. Cashflows beyond the five year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long term average growth rate for the business in which the CGU operates. There is a surplus between the carrying value of indefinite life intangible assets and the value in use calculations.

(b) Key assumptions

The key assumptions used for value in use calculations are as follows:

Group	Noel	Torpedo7	Remaining
	Leeming		CGU's
At 28 July 2013			
EBIT Margin	3.0%	8.0%	7 to 12%
Growth rate	2.5%	3.0%	2.5%
Post-tax discount rate	11.8%	12.7%	13.5%

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 52 week period ended 28 July 2013

27. INVESTMENTS

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

Group	2013	2012
	\$ 000	\$ 000
Opening balance	6,372	7,585
Share of associates profit before taxation	4,812	4,471
Less taxation	(1,348)	(1,274)
Equity earnings of associate	3,464	3,197
Distributions received	(4,165)	(4,410)
Closing balance	5,671	6,372

(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 2012 and unaudited management accounts for the ten month period ended 31 July 2013.

(b) Summarised financial information

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

	2013	2012
	\$ 000	\$ 000
Extract from the associates balance sheet		
Loans	66,303	69,042
Other assets	15,499	17,544
	81,802	86,586
Liabilities	(70,229)	(73,582)
Net assets	11,573	13,004
Share of associates net assets	5,671	6,372
Extract from associates income statement		
Operating income	15,501	15,880
Net profit after tax	7,070	6,527

The parent has an investment in subsidiaries at cost of \$42.000 million (2012: \$42.000 million). The value of the parent's investment represents a 100% (2012: 100%) shareholding in The Warehouse Limited.

A list of Group companies are detailed in note 39.

28. PROVISIONS

Group	Current		Non-current		Total	
	2013	2012	2013	2012	2013	2012
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
Annual performance based compensation	9,024	4,366	-	-	9,024	4,366
Annual leave	25,244	19,025	-	-	25,244	19,025
Long service leave	-	-	7,178	6,890	7,178	6,890
Other employee benefits	3,997	4,899	1,738	1,418	5,735	6,317
Employee benefits	38,265	28,290	8,916	8,308	47,181	36,598
Make good provision	1,064	670	5,088	2,320	6,152	2,990
Sales returns provision	3,229	2,554	-	-	3,229	2,554
Onerous lease	2,891	988	4,259	1,519	7,150	2,507
	45,449	32,502	18,263	12,147	63,712	44,649

(a) Movements in provisions

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

Group	Make Good		Sales Return		Onerous Lease	
	2013	2012	2013	2012	2013	2012
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
Opening balance	2,990	2,892	2,554	2,607	2,507	705
Acquisition of subsidiaries	1,435	-	509	-	7,573	-
Arising during the year	2,950	946	3,229	2,554	19	2,163
Net settlements	(1,223)	(848)	(3,063)	(2,607)	(2,949)	(361)
Closing balance	6,152	2,990	3,229	2,554	7,150	2,507

Notes to and forming part of the Financial Statements - Continued

For the 52 week period ended 28 July 2013

28. PROVISIONS (continued)

Nature and timing of provisions

(b) Employee benefit provisions

Refer to note 1(o) 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.

The parent has no provisions.

29. BORROWINGS

	Note	Group 2013 \$ 000	Group 2012 \$ 000	Parent 2013 \$ 000	Parent 2012 \$ 000
Finance leases	36	1,506	-	-	-
Bank borrowings at call - interest rate: 3.58% (2012: 3.45%)		83,830	78,203	-	-
Current borrowings		85,336	78,203	-	-
Bank borrowings - interest rate: 3.62% (2012: 3.65%)		50,000	50,000	-	-
Finance leases	36	3,681	-	-	-
Fixed rate senior bond (coupon: 7.37%)		100,000	100,000	100,000	100,000
Fair value adjustment relating to senior bond effective interest		1,206	1,673	-	-
Unamortised capitalised costs on senior bond		(586)	(897)	(586)	(897)
Non-current borrowings		154,301	150,776	99,414	99,103
	4	239,637	228,979	99,414	99,103

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 8.80% (2012: 8.79%).

(a) Fair values

The fair value of the fixed rate senior bond at balance date was \$105.108 million (2012: \$105.319 million) based on the last price traded on the New Zealand stock exchange and a market yield of 5.00% (2012: 5.70%).

The carrying amount of the Group's bank borrowings approximate their fair values.

(b) 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 3.

(c) Interest rate and liquidity risk

Details regarding interest rate and liquidity risk is disclosed in note 4.

(d) Fixed rate senior bond

The Group issued a \$100.000 million fixed rate senior bond in April 2010 bearing a fixed interest rate of 7.37% per annum. Interest is payable every six months on 15 June and 15 December and the bond has a final maturity in June 2015. The Group incurred costs of \$1.600 million in connection with the issuance of the bond which were capitalised. These costs are being amortised equally over the term of the bond. An amortisation expense of \$0.311 million (2012: \$0.311 million) has been recognised as part of the interest expense during the year.

Notes to and forming part of the Financial Statements - Continued

For the 52 week period ended 28 July 2013

30. CONTRIBUTED EQUITY

	Group 2013 \$ 000	Group 2012 \$ 000	Parent 2013 \$ 000	Parent 2012 \$ 000
Share capital	251,445	251,445	251,445	251,445
Treasury stock	(7,361)	(5,739)	-	-
	244,084	245,706	251,445	251,445

(a) Share capital

Group and Parent	Share Capital		Ordinary Shares	
	2013 \$ 000	2012 \$ 000	2013 000	2012 000
Closing balance	251,445	251,445	311,196	311,196

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. There were no changes to share capital during the current financial year (2012: No changes).

(b) Treasury stock

Group	Note	Treasury Stock		Ordinary Shares	
		2013 \$ 000	2012 \$ 000	2013 000	2012 000
Opening balance		5,739	7,385	1,400	1,719
Ordinary shares issued to settle share plan obligations	31, 15	(1,317)	(2,096)	(355)	(482)
Ordinary shares purchased on market		2,777	261	779	100
Ordinary shares forfeited under the staff share purchase plan	21	162	189	54	63
Closing balance		7,361	5,739	1,878	1,400

Percentage of share capital

0.60 % 0.45 %

The Group retains its own ordinary shares which are used to 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)
G F Evans (Director) and K R Smith (Director)

31. RESERVES

Group	Note	2013 \$ 000	2012 \$ 000
Cash flow hedge reserve	22	(564)	(7,215)
Share based payments reserve		3,281	2,209
		2,717	(5,006)

(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) Share based payments reserve

The Group currently has an employee share right plan (refer note 15) and an employee share purchase plan (refer note 21). 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.

Group	Note	2013 \$ 000	2012 \$ 000
Opening balance		2,209	2,812
Share based payments expense	7	2,545	1,616
Transfer from treasury stock	30	(1,317)	(2,096)
Transferred to retained earnings	33	(156)	(123)
Closing balance		3,281	2,209

The parent has no reserves.

Notes to and forming part of the Financial Statements - Continued

For the 52 week period ended 28 July 2013

32. MINORITY INTEREST

Group	Note	2013	2012
		\$ 000	\$ 000
Opening balance		233	325
Aquisition of subsidiaries	38	11,293	-
Net profit attributable to minority interest		580	312
Dividends paid to minority shareholders		(370)	(404)
Closing balance		11,736	233

Minority interests relate to minority shareholdings held in Waikato Valley Chocolates (50%), Torpedo7 (49%) and ShopHQ (50%). The minority shareholding in the Torpedo7 group and ShopHQ were acquired in April 2013 and July 2013 respectively (refer note 38).

33. RETAINED EARNINGS

	Note	Group	Group	Parent	Parent
		2013	2012	2013	2012
		\$ 000	\$ 000	\$ 000	\$ 000
Opening balance		76,434	48,447	10,877	10,882
Net profit attributable to shareholders		144,748	89,848	68,461	62,234
Dividends paid to shareholders	34	(68,463)	(62,239)	(68,463)	(62,239)
Treasury stock dividends received		353	255	-	-
Transferred from share based payments reserve	31	156	123	-	-
Closing balance		153,228	76,434	10,875	10,877

34. DIVIDENDS

Group and Parent	Note	Dividends Paid		Cents Per Share	
		2013	2012	2013	2012
		\$ 000	\$ 000		
Prior year final dividend		20,228	20,228	6.5	6.5
Interim dividend		48,235	42,011	15.5	13.5
Total dividends paid	33	68,463	62,239	22.0	20.0

All dividends paid were fully imputed. Supplementary dividends of \$0.595 million (2012: \$0.601 million) were paid.

Dividend policy

The Group's dividend policy is to pay a dividend equal to 90% of adjusted net profit (refer note 13). Adjusted net profit makes allowance for discontinued operations and the after tax effect of unusual items, which include profits from the disposal of properties, release of warranty provisions and the direct costs relating to the acquisition of subsidiaries.

The Board declares two dividends annually in respect of the half year (interim dividend) and full year results (final dividend). The final dividend is accounted for in the year it is paid.

Details of the final dividend declared by the board after balance date and the dividend payout ratio are set out below:

Group and Parent	Note	Dividends Paid and Declared		Cents Per Share	
		2013	2012	2013	2012
		\$ 000	\$ 000		
Interim dividend		48,235	42,011	15.5	13.5
Final dividend (declared after balance date)		17,116	20,228	5.5	6.5
Total dividends paid and declared		65,351	62,239	21.0	20.0
Adjusted net profit	13	73,697	65,151		
Payout ratio (%)		88.7 %	95.5 %		

On 12 September 2013 the board declared a final fully imputed ordinary dividend of 5.5 cents per share to be paid on 12 December 2013 to all shareholders on the Group's share register at the close of business on 29 November 2013.

35. IMPUTATION CREDIT ACCOUNT

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

Imputation credit account	Group	Group	Parent	Parent
	2013	2012	2013	2012
	\$ 000	\$ 000	\$ 000	\$ 000
Closing balance	80,438	69,886	19,788	20,639

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 52 week period ended 28 July 2013

36. COMMITMENTS

(a) Finance leases

Finance lease liabilities are affectively secured as the rights to the lease asset 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	2013	2012
	\$ 000	\$ 000
Future minimum rentals payable		
0-1 Years	1,822	-
1-2 Years	1,470	-
2-5 Years	2,639	-
	5,931	-
Less future finance charges	(744)	-
Present value of finance leases	5,187	-
Current	1,506	-
Non-current	3,681	-
	5,187	-

(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:

Group	2013	2012
	\$ 000	\$ 000
Future minimum rentals payable		
0-1 Years	92,297	61,573
1-2 Years	70,924	50,283
2-5 Years	123,272	75,404
5+ Years	178,513	64,579
	465,006	251,839

The operating lease commitments include new lease commitments of \$58.170 million arising from the acquisition of subsidiaries and \$147.200 million connected with the sale and lease back of previously Group owned properties (refer note 25).

(c) Capital commitments

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

Group	2013	2012
	\$ 000	\$ 000
Within one year	8,505	18,963

The parent has no capital or lease commitments.

37. DISCONTINUED OPERATIONS

(a) Bond & Bond

In March 2013 the Group announced a plan to merge the Bond & Bond retail chain acquired as part of the Noel Leeming acquisition into the Noel Leeming network expanding the number of Noel Leeming stores from 67 to 75 nationwide. As part of this plan 13 Bond & Bond stores were closed and two further stores while still trading at balance date are in the process of being closed. Lease exit costs associated with these stores are included within the Noel Leeming acquisition provisions, however other restructuring costs have been expensed as incurred.

All Bond & Bond non-management store staff were offered comparable roles in Noel Leeming stores and every effort was made to offer store managers and other support staff roles within Noel Leeming or the wider Group resulting in minimal redundancy costs.

The results from discontinued operations were as follows:

Group	Note	2013	2012
		\$ 000	\$ 000
Revenue		25,046	-
Cost of sales		(23,837)	-
Gross Profit		1,209	-
Other income		316	-
Employee expense		(2,523)	-
Lease and occupancy expense		(1,919)	-
Depreciation and amortisation expense	17	(208)	-
Other operating expenses		(2,831)	-
Net profit before tax for the period from discontinued operations		(5,956)	-
Income tax expense	12	1,668	-
Net profit after tax for the period from discontinued operations		(4,288)	-
Operating cashflows from discontinued operations		(4,551)	-
Total assets		693	-
Total liabilities		(7,056)	-

Notes to and forming part of the Financial Statements - Continued

For the 52 week period ended 28 July 2013

38. BUSINESS COMBINATIONS

During the year the group acquired five subsidiaries. Based on the best information available at the reporting date the Group has recognised the following identifiable acquisition assets and liabilities for the subsidiaries acquired.

Group	Note	Insight	Noel	Torpedo7	Complete	Shop HQ	Total
		Traders	Leeming		Entertainment		
For the 52 week period ended 28 July 2013							
		\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
Cash and cash equivalents		-	876	426	-	51	1,353
Trade and other receivables		-	15,433	142	103	67	15,745
Inventories		4,037	101,865	14,702	2,222	559	123,385
Property, plant and equipment	25	222	11,590	2,546	395	149	14,902
Computer software (included in intangibles)	26	28	285	901	155	400	1,769
Brand names (included in intangibles)	26	-	15,500	8,023	-	-	23,523
Tax receivable		-	807	-	-	-	807
Deferred taxation	24	-	7,499	443	-	4	7,946
		4,287	153,855	27,183	2,875	1,230	189,430
Trade and other payables		-	(92,278)	(5,010)	-	(182)	(97,470)
Make good (included in provisions)	28	-	(1,400)	(608)	-	-	(2,008)
Onerous lease (included in provisions)	28	-	(7,574)	-	-	-	(7,574)
Other provisions		-	(5,558)	-	-	-	(5,558)
Tax payable		-	-	(28)	-	-	(28)
Borrowings (including finance leases)		-	(7,933)	-	-	-	(7,933)
Fair value of identifiable net assets		4,287	39,112	21,537	2,875	1,048	68,859
Minority interests	32	-	-	(10,769)	-	(524)	(11,293)
Goodwill arising on acquisition	26	11,750	25,888	22,091	9,700	2,476	71,905
		16,037	65,000	32,859	12,575	3,000	129,471
The acquisition consideration is as follows:							
Cash		8,537	65,000	20,000	11,175	3,000	107,712
Contingent consideration		7,500	-	12,859	1,400	-	21,759
		16,037	65,000	32,859	12,575	3,000	129,471
The cash outflow on acquisitions is as follows:							
Cash and cash equivalents in subsidiary acquired		-	(876)	(426)	-	(51)	(1,353)
Direct costs relating to the acquisition		135	1,217	703	204	71	2,330
Purchase consideration settled in cash		8,537	65,000	20,000	11,175	3,000	107,712
		8,672	65,341	20,277	11,379	3,020	108,689
Direct costs relating to post balance date acquisitions							26
Net consolidated cash outflow							108,715

(a) Insight Traders acquisition

On 28 September 2012 the Group acquired the operations and business assets of Insight Traders, an unlisted private company specialising in the retail and wholesale of perfumes, cosmetics and skincare products.

The acquisition enhances the Group's sourcing and multichannel channel capability and extends the range of products available online and in the Warehouse stores. Insight Traders was a well established business with strong sourcing capability, the goodwill arising from the acquisition is largely attributable to the specialised knowledge acquired and economies of scale from combining the operations within the Group

A maximum contingent consideration of \$2.5 million is payable on the first anniversary of the acquisition and then four further tranches of \$1.25 million are payable at six monthly intervals thereafter conditional upon certain specified sales and gross profit targets being achieved.

For the purposes of segment reporting Insight Traders is included within The Warehouse segment (refer note 5).

(b) Noel Leeming acquisition

Effective from 1 December 2012 the Group acquired 100% of the share capital of Noel Leeming Group, a private equity owned company with a chain of 92 retail stores specialising in Consumer Electronics and Home Appliances retailing.

The consideration for the share purchase was \$65.0 million. The goodwill arising from the acquisition is attributable to trading profitability, increased access to retail brands and economies of scale from combining the operations within the Group.

The Group has reassessed the fair value of the assets and liabilities acquired from those initially recognised at the date of the acquisition and previously reported in the January 2013 half year accounts. The level of provisions for onerous leases was increased by \$1.860 million as it has proved more difficult to sublease the vacated properties than originally assumed. This resulted in an increase in goodwill of \$1.340 million above the amounts previously reported.

The Noel Leeming Group operates as a separate trading division and is reported separately for both management and segment reporting (refer note 5).

Notes to and forming part of the Financial Statements - Continued

For the 52 week period ended 28 July 2013

38. BUSINESS COMBINATIONS (continued)

(c) Torpedo7 acquisition

The Group acquired 51% of the shares of Torpedo7 Limited in April 2013, a leading New Zealand online retailer operating through the Torpedo7, 1-Day and Urban Daddy websites in New Zealand and Australia. The acquisition is consistent with Group's multichannel strategy and provides another platform to increase the Group's online retail presence.

The remaining 49% of the shares of Torpedo7 Limited are held by the pre-acquisition shareholders. The Group has elected to measure the minority interests using the proportionate share of their interest in the identifiable assets and liabilities.

The Group acquired its 51% interest in Torpedo7 Limited for an initial consideration of \$20.0 million, with a further maximum performance based contingent consideration of up to \$13.0 million. The contingent consideration is payable at the end of each of the next three financial years commencing August 2013, based on a sliding scale referenced to the achievement of specified earnings targets for each financial year. The Group has estimated the fair value of the performance based contingent consideration to be \$11.359 million.

The agreement also required a net asset adjustment to be paid where the net assets acquired exceeded a specified limit, subject to the completion and agreement of settlement accounts. The settlement accounts were agreed following balance date indicating that the net asset's acquired exceeded the specified limit. The net asset adjustment was settled for \$1.5 million and forms part of contingent consideration.

The Torpedo 7 group operates as a separate trading division and is reported separately for both management and segment reporting (refer note 5).

(d) Complete Entertainment Services acquisition

The Group acquired the operations and business assets of Complete Entertainment Services Limited (CES) in February 2013, an unlisted private company specialising in the retail and wholesale of books.

The acquisition enhances the Group's sourcing and multichannel capability and will provide cost savings across the Group. CES has capability in sourcing, inventory management, distribution and on-line fulfilment in the books category that can be transferred in to other categories. The goodwill arising from the acquisition is largely attributable to the specialised knowledge acquired and economies of scale from combining the operations within the Group.

A maximum contingent consideration of \$0.7 million is payable to the vendor on both the first and second anniversaries of the acquisition subject to CES expanding the current operations in accordance with a specified future expansion plan.

For the purposes of segment reporting CES is included within The Warehouse segment (refer note 5).

(e) Shop HQ acquisition

The Group acquired a controlling 50% interest in the shares of Shop HQ Limited, a start-up online pet store company. The consideration for the share purchase was \$3.000 million. The goodwill arising from the acquisition is largely attributable to the specialised knowledge acquired and economies of scale from combining the operations within the Group.

For the purposes of segment reporting Shop HQ is included within the 'Other Group operations' segment (refer note 5).

39. SUBSEQUENT EVENTS

(a) No.1 Fitness acquisition

On 5 August 2013 Torpedo 7 (a 51% owned Group subsidiary) signed an agreement to acquire a 100% interest in the operations and business assets of No.1 Fitness, a leading New Zealand online retailer of fitness equipment.

Under the terms of the agreement the Group will acquire the operations and business assets on 31 August 2013 for an initial consideration of \$8.5 million, with a further maximum contingent consideration of up to \$1.5 million. The contingent consideration is payable within 18 months, based on a sliding scale referenced to the achievement of specified earnings targets.

The acquisition and initial settlement are subject to a number of precompletion deliverables which are yet to be satisfied and include a net asset adjustment. To the extent that the net assets acquired are more or less than an agreed amount this would result in an adjustment to the initial purchase price. Detailed information regarding the identifiable acquisition assets and liabilities were not available at the reporting date pending the completion and finalisation of acquisition accounts.

Notes to and forming part of the Financial Statements - Continued

For the 52 week period ended 28 July 2013

40. WARRANTY PROVISIONS AND CONTINGENT LIABILITIES

The Warehouse Australia

In November 2005 the Group sold the business assets of The Warehouse Australia to Australian Discount Retail (ADR). At the time of the sale the Group provided for the settlement of potential claims where it was deemed probable that a liability could arise from warranties and indemnities made to the purchaser as part of the sale agreement. The last of the warranties relating to the sale of the business expired in December 2011. The Group was not notified of any unsettled claims and released all the remaining warranty provisions (2012: \$7.355 million) when the warranty period expired.

There are still however potential residual exposures for unknown claims arising from the Group's ownership of The Warehouse Australia business prior to November 2005 that cannot be quantified. Under commercial arrangements associated with the sale process in November 2005, the Group retained guarantees to certain landlords in respect of rental payments by ADR after November 2005. It remains uncertain whether the Group's still retains contingent liabilities in respect of these leases.

Group	2013	2012
	\$ 000	\$ 000
Bank letters of credit issued to secure future purchasing requirements	14,853	12,622
Less included as a goods in transit creditor	(2,781)	(783)
	12,072	11,839
Bank guarantees provided to landlords and the New Zealand Stock Exchange Limited	1,021	315
Total contingent liabilities	13,093	12,154

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.

The parent had no contingent liabilities.

41. 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. Advances provided to related parties are disclosed in note 21.

(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 84,058,283 shares (2012: 84,058,283 shares) which carry the normal entitlement to dividends. Dividends of \$18.493 million (2012: \$16.812 million) were received on these shares during the year.
- (ii) The Groups other Directors collective had beneficial shareholdings of 79,642 shares (2012: 49,642 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 14) collectively held 287,707 shares (2012: 191,846 shares) at balance date which carry the normal entitlement to dividends. The Group's Chief Executive Officer, M D Powell held 114,779 shares (2012: 67,888 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 66,323,220 shares (2012: 66,323,220 shares) in the Group. Dividends of \$14.591 million (2012: \$13.265 million) were received on these shares during the year.

(b) Parent

During the period the Parent advanced and repaid loans to its subsidiaries by way of internal current accounts. In presenting the financial statements of the Group, the effect of transactions and balances between fellow subsidiaries and those with the Parent have been eliminated. All transactions with related parties were in the normal course of business and provided on commercial terms. The Parent entered into certain transactions with its subsidiaries as follows:

Material amounts outstanding between the Parent and its subsidiaries at year end were:

- (i) Loans from the Parent to subsidiaries \$317.509 million (2012: \$317.211 million).

Material transactions between the Parent and its subsidiaries were:

- (ii) The parent entered a \$100.000 million loan agreement in April 2010 with a subsidiary on terms aligned to finance the interest and principal commitments of the Group's fixed rate senior bond (refer note 29)
- (iii) Interest received by the Parent from its subsidiaries \$7.661 million (2012: \$7.640 million)
- (iv) Dividends received by the Parent from its subsidiaries \$68.463 million (2012: \$62.239 million).

Notes to and forming part of the Financial Statements - Continued

For the 52 week period ended 28 July 2013

41. RELATED PARTIES (continued)**(c) Subsidiaries**

The following subsidiaries have been included in the consolidated financial statements:

	Principal activity	Equity holding		
		2013	2012	
		%	%	
Guaranteeing Subsidiaries				
<u>New Zealand subsidiaries</u>				
1-Day Limited	Acquired April 2013	Online retail	51	-
Boye Developments Limited		Investment	100	100
Eldamos Investments Limited		Property owner	100	100
Noel Leeming Group Limited	Acquired December 2012	Retail	100	-
The Warehouse Limited		Retail	100	100
The Warehouse Nominees Limited		Investment	100	100
Torpedo 7 Limited	Acquired April 2013	Online retail	51	-
TWP No.3 Limited	Commenced October 2012	Retail	100	-
TWP No.4 Limited	Commenced December 2012	Investment	100	-
TWP No.5 Limited	Commenced April 2013	Investment	100	-
Urbandaddy Limited	Acquired April 2013	Online retail	51	-
Waikato Valley Chocolates Limited ¹		Chocolate factory	50	50
Warehouse Stationery Limited		Retail	100	100
<u>New Zealand employee share plan trustees</u>				
The Warehouse Management Trustee Company Limited ¹		Share plan trustee	100	100
The Warehouse Management Trustee Company No 2. Limited ¹		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 ¹			100	100
<u>Non-trading Australian subsidiaries</u>				
TWGA Pty Limited ¹			100	100
TWL Australia Pty Limited ¹			100	100
Non-Guaranteeing Subsidiaries				
<u>New Zealand subsidiaries</u>				
Shop HQ Limited	Acquired July 2013	Online retail	50	-
TWNL Projects Limited		Store development	50	50
TWP No.2 Limited		Wholesale	100	100
<u>New Zealand non-trading subsidiaries and joint ventures</u>				
1-Day Liquor Limited	Acquired April 2013		51	-
Bond and Bond Limited	Acquired December 2012		100	-
The Book Depot Limited	Acquired February 2013		100	-
Farran Nine Limited			50	50
Lincoln West Limited			50	50
Noel Leeming Finance Limited	Acquired December 2012		100	-
Noel Leeming Financial Services Limited	Acquired December 2012		100	-
Noel Leeming Furniture Limited	Acquired December 2012		100	-
Noel Leeming Limited	Acquired December 2012		100	-
The Warehouse Investments Limited			100	100
TWP No.1 Limited			100	100

Note 1 – For the purposes of the fixed rate senior bond trust deed these subsidiaries are designated as non-guaranteeing subsidiaries which differs from the negative pledge deed held by the Groups banks where they are designated as guaranteeing subsidiaries.