

The Warehouse Group Limited
Interim Financial Statements

For the 26 weeks ended 25 January 2015

Consolidated Income Statements

	Note	Unaudited 26 Weeks Ended 25 January 2015 \$ 000	Unaudited 26 Weeks Ended 26 January 2014 \$ 000	Audited 52 Weeks Ended 27 July 2014 \$ 000
Continuing operations				
Retail sales	3	1,444,711	1,420,409	2,648,478
Finance business revenue		2,601	-	2,414
Total Revenue		1,447,312	1,420,409	2,650,892
Cost of retail goods sold		(971,407)	(959,027)	(1,775,338)
Other income		4,539	7,336	9,796
Employee expenses		(225,473)	(213,514)	(424,849)
Lease and occupancy expenses		(71,748)	(65,590)	(136,496)
Depreciation and amortisation expenses	3	(27,858)	(25,404)	(51,349)
Other operating expenses		(98,375)	(94,153)	(177,487)
Operating profit	3	56,990	70,057	95,169
Gain on disposal of property	4	5,021	9,230	16,810
Contingent consideration	18	23	5,359	5,259
Direct costs relating to acquisitions	17	-	(1,106)	(1,617)
Equity earnings of associate	6	1,350	1,527	3,006
Earnings before interest and tax		63,384	85,067	118,627
Net interest expense		(7,676)	(7,277)	(13,863)
Profit before tax		55,708	77,790	104,764
Income tax expense		(12,792)	(19,023)	(26,868)
Net profit for the period from continuing operations		42,916	58,767	77,896
Discontinued operations				
Loss from discontinued operations (net of tax)	20	-	(378)	(642)
Net profit for the period		42,916	58,389	77,254
Attributable to:				
Shareholders of the parent		43,280	58,684	77,750
Minority interests		(364)	(295)	(496)
		42,916	58,389	77,254
Basic earnings per share				
From continuing operations		12.5 cents	19.1 cents	24.3 cents
From discontinued operations		0.0 cents	(0.1)cents	(0.2)cents
From net profit for the period		12.5 cents	19.0 cents	24.1 cents
Diluted earnings per share				
From continuing operations		12.4 cents	18.9 cents	24.1 cents
From discontinued operations		0.0 cents	(0.1)cents	(0.2)cents
From net profit for the period		12.4 cents	18.8 cents	23.9 cents

Consolidated Statements of Comprehensive Income

	Unaudited 26 Weeks Ended 25 January 2015 \$ 000	Unaudited 26 Weeks Ended 26 January 2014 \$ 000	Audited 52 Weeks Ended 27 July 2014 \$ 000
Net profit for the period	42,916	58,389	77,254
Items that may be reclassified subsequently to the Income Statement			
Movement in cash flow hedge reserve net of tax	19,342	(2,902)	(5,216)
Total comprehensive income for the period	62,258	55,487	72,038
Attributable to:			
Shareholders of the parent	62,622	55,782	72,534
Minority interest	(364)	(295)	(496)
Comprehensive income	62,258	55,487	72,038
Total comprehensive income attributable to shareholders of the parent arise from:			
Continuing operations	62,622	56,160	73,176
Discontinued operations	-	(378)	(642)
Comprehensive income	62,622	55,782	72,534

Consolidated Statements of Changes in Equity

	Note	Unaudited 26 Weeks Ended 25 January 2015 \$ 000	Unaudited 26 Weeks Ended 26 January 2014 \$ 000	Audited 52 Weeks Ended 27 July 2014 \$ 000
Equity at the beginning of the period		523,917	411,765	411,765
Total comprehensive income for the period		62,258	55,487	72,038
Proceeds from equity raise	21	-	-	114,072
Share rights charged to the income statement		1,448	1,415	2,266
Dividends paid to shareholders of the company		(20,811)	(17,116)	(57,571)
Dividends paid to minority interest		(199)	(156)	(371)
Treasury stock dividends received		65	73	237
Purchase of treasury stock		(50)	(42)	(3,339)
Minority interest acquired		-	-	(15,180)
Equity at the end of the period		566,628	451,426	523,917
Equity consists of:				
Share capital		365,517	251,445	365,517
Treasury stock		(4,507)	(5,521)	(8,707)
Cashflow hedge reserve		13,562	(3,466)	(5,780)
Employee share benefits reserve		3,044	2,939	3,709
Retained earnings		185,258	194,744	164,861
Total equity attributable to shareholders		562,874	440,141	519,600
Minority interest		3,754	11,285	4,317
Total equity		566,628	451,426	523,917

Consolidated Balance Sheets

	Note	Unaudited As at 25 January 2015 \$ '000	Unaudited As at 26 January 2014 \$ '000	Audited As at 27 July 2014 \$ '000
ASSETS				
Current assets				
Cash and cash equivalents	9	28,251	42,625	26,758
Finance business receivables		17,022	-	19,036
Trade and other receivables	7	83,547	80,730	72,217
Inventories		545,905	519,957	492,109
Derivative financial instruments	10	24,023	613	1,054
Taxation receivable		3,942	-	3,226
Total current assets		702,690	643,925	614,400
Non-current assets				
Trade and other receivables	7	-	187	-
Property, plant and equipment	4	341,784	315,632	336,805
Intangible assets	5	148,962	124,861	143,691
Investments	6	1,326	4,062	5,541
Derivative financial instruments	10	-	965	398
Deferred taxation		26,695	27,520	30,845
Total non-current assets		518,767	473,227	517,280
Total assets		1,221,457	1,117,152	1,131,680
LIABILITIES				
Current liabilities				
Borrowings	9	101,528	31,330	104,896
Trade and other payables	12	406,718	408,656	284,319
Derivative financial instruments	10	-	3,893	7,587
Taxation payable		-	1,006	-
Provisions	8	42,194	43,239	48,037
Total current liabilities		550,440	488,124	444,839
Non-current liabilities				
Borrowings	9	81,343	153,546	142,740
Derivative financial instruments	10	5,022	1,774	1,518
Trade and other payables	12	1,750	5,200	1,986
Provisions	8	16,274	17,082	16,680
Total non-current liabilities		104,389	177,602	162,924
Total liabilities		654,829	665,726	607,763
Net assets		566,628	451,426	523,917
EQUITY				
Contributed equity		361,010	245,924	356,810
Reserves		16,606	(527)	(2,071)
Retained earnings		185,258	194,744	164,861
Total equity attributable to shareholders		562,874	440,141	519,600
Minority interest		3,754	11,285	4,317
Total equity	16	566,628	451,426	523,917
Net assets per share		164.2 cents	130.4 cents	152.1 cents

Consolidated Statements of Cash Flows

	Note	Unaudited 26 Weeks Ended 25 January 2015	Unaudited 26 Weeks Ended 26 January 2014	Audited 52 Weeks Ended 27 July 2014
		\$ 000	\$ 000	\$ 000
Cash flows from operating activities				
Cash received from customers		1,440,607	1,420,203	2,660,562
Retail business interest income		76	12	105
Payments to suppliers and employees		(1,291,650)	(1,243,444)	(2,537,407)
Income tax paid		(16,712)	(25,807)	(37,492)
Interest paid		(7,820)	(7,104)	(13,351)
		124,501	143,860	72,417
Loans repaid by finance business customers		45,308	-	36,420
New loans to finance business customers		(41,124)	-	(32,228)
Net cash flows from operating activities		128,685	143,860	76,609
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		18,982	19,195	27,544
Landlord and share purchase scheme advances repaid		221	16,058	22,505
Dividend received from associate	6	5,565	3,136	3,136
Purchase of property, plant, equipment and software		(58,026)	(45,659)	(91,010)
Related party advances		-	-	3,000
Landlord advances		-	(16,920)	(17,901)
Contingent and deferred consideration	18	(7,913)	(4,000)	(12,401)
Acquisition of minority interest		-	-	(2,000)
Acquisition of subsidiaries, net of cash acquired	17	-	(23,786)	(35,845)
Other items		(44)	(29)	(80)
Net cash flows from investing activities		(41,215)	(52,005)	(103,052)
Cash flows from financing activities				
Repayment short term borrowings		(3,410)	(53,900)	(110,308)
(Repayment) / Proceeds from term borrowings		(60,737)	-	90,000
Repayment of finance leases		(718)	(743)	(1,903)
Proceeds from equity raise		-	-	114,072
Purchase of treasury stock		-	-	(3,230)
Treasury stock dividends received		65	73	237
Dividends paid to parent shareholders		(20,978)	(17,267)	(58,059)
Dividends paid to minority shareholders		(199)	(156)	(371)
Net cash flows from financing activities		(85,977)	(71,993)	30,438
Net cash flow		1,493	19,862	3,995
Opening cash position		26,758	22,763	22,763
Closing cash position		28,251	42,625	26,758
Reconciliation of Operating Cash Flows				
Profit after tax		42,916	58,389	77,254
Non-cash items				
Depreciation and amortisation expenses		27,858	25,421	51,369
Share based payment expense		1,448	1,415	2,266
Interest capitalisation		(61)	251	524
Movement in deferred tax		(3,372)	(4,622)	(4,672)
Share of surplus retained by associate		(1,350)	(1,527)	(3,006)
Total non-cash items		24,523	20,938	46,481
Items classified as investing or financing activities				
Net gain on sale of property, plant and equipment		(4,774)	(9,302)	(14,528)
Direct costs relating to acquisitions		-	1,106	1,617
Contingent consideration	18	(23)	(5,359)	(5,259)
Supplementary dividend tax credit		167	151	488
Total investing and financing adjustments		(4,630)	(13,404)	(17,682)
Changes in assets and liabilities				
Trade and other receivables		(16,772)	(9,142)	(4,270)
Finance business receivables		2,014	-	2,321
Inventories		(53,796)	(48,101)	(15,484)
Trade and other payables		141,395	141,511	(5,752)
Provisions		(6,249)	(3,870)	433
Income tax		(716)	(2,461)	(6,692)
Total changes in assets and liabilities		65,876	77,937	(29,444)
Net cash flows from operating activities		128,685	143,860	76,609

Notes to the Financial Statements

1. GENERAL INFORMATION

The Warehouse Group Limited and its subsidiaries (together the "Group") operates in the New Zealand Retail and Financial Services sectors.

The Warehouse Group Limited is a limited liability company incorporated and domiciled in New Zealand and registered under the New Zealand Companies Act 1993. The address of its registered office is Level 8, 120 Albert Street, PO Box 2219, Auckland. The Group is listed on the New Zealand stock exchange.

The interim financial statements of the Group have been prepared in accordance with the requirements of the Financial Reporting Act 2013, the Companies Act 1993 and the New Zealand Stock Exchange (NZX). The Warehouse Group Limited is registered under the Companies Act 1993 and is an FMC Reporting Entity under Part 7 of the Financial Markets Conduct Act 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The interim financial statements of the Group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with NZ IAS 34 Interim Financial Reporting and IAS 34 Interim Financial Reporting and consequently, do not include all the information required for full financial statements. These Group interim financial statements should be read in conjunction with the annual report for the year ended 27 July 2014.

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

The accounting policies that materially affect the measurement of the interim financial statements have been applied on a consistent basis with those used in the audited financial statements for the 52 weeks ended 27 July 2014 and the unaudited interim financial statements for the 26 weeks ended 26 January 2014.

Seasonality

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

Approval of Financial Statements

These consolidated interim financial statements were approved for issue by the Board of Directors on 5 March 2015. Unless as otherwise stated, the financial statements have been reviewed by our Auditors, but are not audited.

3. SEGMENT INFORMATION

(a) Operating segments

The Group has four main operating segments trading in the New Zealand retail sector and one in the financial services 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 stores located throughout New Zealand.

Warehouse Stationery

Warehouse Stationery is a stationery retailer, with 65 stores located throughout New Zealand.

Noel Leeming

Noel Leeming is a consumer electronics and home appliances retailer, with 79 stores located throughout New Zealand.

Torpedo7

Torpedo7 is a multi-channel retailer operating both online through a variety of websites and through 13 stores. During the comparative periods Torpedo7 group increased its online retail presence and strengthened its multi-channel capability with the acquisitions of Number1 Fitness in September 2013 and Shotgun Supplements and R&R Sport in December 2013.

Finance Business

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

Other Group operations

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

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

Notes to the Financial Statements - continued

3. SEGMENT INFORMATION - (Continued)

	REVENUE			OPERATING PROFIT		
	(Unaudited)	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)	(Audited)
	26 Weeks	26 Weeks	52 Weeks	26 Weeks	26 Weeks	52 Weeks
	Ended	Ended	Ended	Ended	Ended	Ended
	25 January	26 January	27 July	25 January	26 January	27 July
	2015	2014	2014	2015	2014	2014
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
SEGMENT PERFORMANCE						
The Warehouse	928,699	920,097	1,665,233	54,105	60,621	76,903
Warehouse Stationery	124,415	121,535	250,561	4,787	4,681	11,793
Noel Leeming	330,404	328,754	620,520	2,344	6,786	11,308
Torpedo7	64,247	47,870	107,658	(227)	742	1,085
Other Group operations	8,729	7,388	14,217	(2,615)	(2,773)	(4,373)
Inter-segment eliminations	(11,783)	(5,235)	(9,711)	-	-	-
Retail Group	1,444,711	1,420,409	2,648,478	58,394	70,057	96,716
Finance business	2,601	-	2,414	(1,404)	-	(1,547)
	1,447,312	1,420,409	2,650,892	56,990	70,057	95,169
Unallocated revenue/(expenses)						
Gain on disposal of property				5,021	9,230	16,810
Contingent consideration				23	5,359	5,259
Direct costs relating to acquisitions				-	(1,106)	(1,617)
Equity earnings of associate				1,350	1,527	3,006
Earnings before interest and tax				63,384	85,067	118,627
Net interest expense				(7,676)	(7,277)	(13,863)
Income tax expense				(12,792)	(19,023)	(26,868)
Net profit for the period from continuing operations				42,916	58,767	77,896
Loss from discontinued operations (net of tax)				-	(378)	(642)
Net profit for the period				42,916	58,389	77,254
Operating margin						
The Warehouse (%)				5.8	6.6	4.6
Warehouse Stationery (%)				3.8	3.9	4.7
Noel Leeming (%)				0.7	2.1	1.8
Torpedo7 (%)				(0.4)	1.6	1.0
Total Retail Group (%)				4.0	4.9	3.7
	DEPRECIATION & AMORTISATION			CAPITAL EXPENDITURE		
	(Unaudited)	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)	(Audited)
	26 Weeks	26 Weeks	52 Weeks	26 Weeks	26 Weeks	52 Weeks
	Ended	Ended	Ended	Ended	Ended	Ended
	25 January	26 January	27 July	25 January	26 January	27 July
	2015	2014	2014	2015	2014	2014
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
The Warehouse	19,811	18,187	37,512	19,995	29,117	56,790
Warehouse Stationery	3,139	3,036	6,123	3,831	4,495	8,051
Noel Leeming	2,894	2,604	4,304	8,129	5,513	11,747
Torpedo7	635	567	1,037	3,236	271	762
Finance business	390	-	324	5,098	-	406
Other Group operations	989	1,010	2,049	12,027	3,958	16,511
Continuing operations	4	27,858	25,404	51,349	52,316	43,354
Discontinued operations	20	-	17	20	-	-
		27,858	25,421	51,369	52,316	43,354
						94,267

Notes to the Financial Statements - continued

3. SEGMENT INFORMATION - (Continued)

	Note	TOTAL ASSETS			TOTAL LIABILITIES		
		(Unaudited)	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)	(Audited)
		As at	As at	As at	As at	As at	As at
		25 January	26 January	27 July	25 January	26 January	27 July
		2015	2014	2014	2015	2014	2014
		\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
The Warehouse		523,152	514,679	491,466	246,298	248,140	159,487
Warehouse Stationery		94,772	86,058	84,558	42,850	44,847	27,031
Noel Leeming		154,347	128,725	124,790	142,474	153,359	119,888
Torpedo7		52,307	43,923	46,883	26,897	21,973	28,569
Finance business		25,073	-	22,339	4,491	-	4,849
Other Group operations		160,449	156,107	166,702	3,926	5,858	11,198
Operating assets / liabilities		1,010,100	929,492	936,738	466,936	474,177	351,022
Unallocated assets / liabilities							
Cash and borrowings	9	28,251	42,625	26,758	182,871	184,876	247,636
Derivative financial instruments	10	24,023	1,578	1,452	5,022	5,667	9,105
Investments	6	1,326	4,062	5,541	-	-	-
Intangible Goodwill and Brands	5	127,120	111,875	127,120	-	-	-
Taxation		30,637	27,520	34,071	-	1,006	-
Total		1,221,457	1,117,152	1,131,680	654,829	665,726	607,763

4. PROPERTY, PLANT, EQUIPMENT AND COMPUTER SOFTWARE

	Note	(Unaudited)	(Unaudited)	(Audited)
		As at	As at	As at
		25 January	26 January	27 July
		2015	2014	2014
		\$ 000	\$ 000	\$ 000
Property, plant and equipment		341,784	315,632	336,805
Computer software	5	21,842	12,986	16,571
Net book value		363,626	328,618	353,376
Movement in property, plant, equipment and computer software				
Balance at the beginning of the period		353,376	318,653	318,653
Acquisition of businesses	17	-	1,924	5,032
Capital expenditure	3	52,316	43,354	94,267
Depreciation and amortisation	3	(27,858)	(25,421)	(51,369)
Disposals		(14,208)	(9,892)	(13,207)
Balance at the end of the period		363,626	328,618	353,376

During the year the Group sold a store property in Whangarei for a consideration of \$18.300 million which realised a pre-tax profit of \$5.021 million.

During the first half of the comparative year the Group sold a store in Christchurch and surplus land in Wiri (Auckland). In the second half of the comparative year the Group also sold a storage facility in Manukau (Auckland), together the sale of these three properties realised a pre-tax profit of \$16.810 million (H1 2014: \$9.230 million).

5. INTANGIBLE ASSETS

	Note	(Unaudited)	(Unaudited)	(Audited)
		As at	As at	As at
		25 January	26 January	27 July
		2015	2014	2014
		\$ 000	\$ 000	\$ 000
Computer software	4	21,842	12,986	16,571
Brands	17	23,523	23,523	23,523
Goodwill		103,597	88,352	103,597
Net book value		148,962	124,861	143,691
Movement in Goodwill and Brands				
Balance at the beginning of the period		127,120	95,428	95,428
Acquisition of businesses - Goodwill	17	-	16,447	31,692
Balance at the end of the period		127,120	111,875	127,120

Notes to the Financial Statements - continued

6. INVESTMENT

	(Unaudited) As at 25 January 2015 \$ 000	(Unaudited) As at 26 January 2014 \$ 000	(Audited) As at 27 July 2014 \$ 000
Investment at beginning of the year	5,541	5,671	5,671
Share of associates profit before taxation	1,875	2,122	4,177
Less taxation	(525)	(595)	(1,171)
Equity earnings of associate	1,350	1,527	3,006
Dividend received from associate	(5,565)	(3,136)	(3,136)
Investment at end of the period	1,326	4,062	5,541

The Warehouse Financial Services Limited

The Group has a 49% (2014: 49%) interest, and Westpac a 51% (2014: 51%) interest in The Warehouse Financial Services Limited.

7. TRADE AND OTHER RECEIVABLES

	(Unaudited) As at 25 January 2015 \$ 000	(Unaudited) As at 26 January 2014 \$ 000	(Audited) As at 27 July 2014 \$ 000
Trade receivables	48,509	48,206	44,408
Allowance for impairment	(1,346)	(1,138)	(1,812)
	47,163	47,068	42,596
Other debtors and prepayments	31,716	19,975	19,237
Landlord advances	4,500	10,215	10,000
Advances to related parties	-	3,039	-
Employee share purchase plan loans	168	620	384
	83,547	80,917	72,217
Less: Non-current	-	(187)	-
Current trade and other receivables	83,547	80,730	72,217

8. PROVISIONS

	(Unaudited) As at 25 January 2015 \$ 000	(Unaudited) As at 26 January 2014 \$ 000	(Audited) As at 27 July 2014 \$ 000
Current liabilities	42,194	43,239	48,037
Non-current liabilities	16,274	17,082	16,680
	58,468	60,321	64,717
Provisions consist of:			
Performance based compensation	2,836	4,966	7,895
Annual leave	29,093	27,149	28,338
Long service leave	7,439	7,273	7,365
Other employee benefits	6,408	5,531	6,411
Employee benefits	45,776	44,919	50,009
Make good provision	6,428	6,180	6,207
Sales returns provision	3,974	3,786	3,581
Onerous lease	2,290	5,436	4,920
	58,468	60,321	64,717

Provision movements:

	MAKE GOOD			ONEROUS LEASE		
	(Unaudited) 26 Weeks Ended 25 January 2015 \$ 000	(Unaudited) 26 Weeks Ended 26 January 2014 \$ 000	(Audited) 52 Weeks Ended 27 July 2014 \$ 000	(Unaudited) 26 Weeks Ended 25 January 2015 \$ 000	(Unaudited) 26 Weeks Ended 26 January 2014 \$ 000	(Audited) 52 Weeks Ended 27 July 2014 \$ 000
Opening balance	6,207	6,152	6,152	4,920	7,150	7,150
Acquisition of businesses	-	84	83	-	-	-
Arising / (released) during the period	761	664	1,384	(932)	499	1,339
Net settlements	(540)	(720)	(1,412)	(1,698)	(2,213)	(3,569)
Closing balance	6,428	6,180	6,207	2,290	5,436	4,920

Notes to the Financial Statements - continued

9. DEBT

	(Unaudited) As at 25 January 2015 \$ 000	(Unaudited) As at 26 January 2014 \$ 000	(Audited) As at 27 July 2014 \$ 000
Cash on hand and at bank	28,251	42,625	26,758
Bank borrowings	-	29,930	3,410
Lease liabilities	1,451	1,400	1,370
Fixed rate senior bond (coupon: 7.37%)	100,000	-	100,000
Fair value adjustment relating to effective interest	197	-	391
Unamortised capitalised costs on senior bond	(120)	-	(275)
Current borrowings	101,528	31,330	104,896
Bank borrowings	79,263	50,000	140,000
Lease liabilities	2,080	3,225	2,740
Fixed rate senior bond (coupon: 7.37%)	-	100,000	-
Fair value adjustment relating to effective interest	-	751	-
Unamortised capitalised costs on senior bond	-	(430)	-
Non-current borrowings	81,343	153,546	142,740
Total borrowings	182,871	184,876	247,636
Net debt	154,620	142,251	220,878
Committed bank credit facilities at balance date are:			
Bank debt facilities	300,000	280,000	300,000
Bank facilities used	(79,263)	(79,930)	(143,410)
Unused bank debt facilities	220,737	200,070	156,590
Letter of credit facilities	28,000	28,000	28,000
Letters of credit	(5,941)	(4,039)	(14,276)
Unused letter of credit facilities	22,059	23,961	13,724
Total unused bank facilities	242,796	224,031	170,314

10. DERIVATIVE FINANCIAL INSTRUMENTS

	(Unaudited) As at 25 January 2015 \$ 000	(Unaudited) As at 26 January 2014 \$ 000	(Audited) As at 27 July 2014 \$ 000
Current assets	24,023	613	1,054
Non-current assets	-	965	398
Current liabilities	-	(3,893)	(7,587)
Non-current liabilities	(5,022)	(1,774)	(1,518)
	19,001	(4,089)	(7,653)
Derivative financial instruments consist of:			
Current assets	23,767	613	599
Non-current assets	-	-	242
Current liabilities	-	(3,893)	(7,587)
Non-current liabilities	-	-	(22)
Foreign exchange contracts	23,767	(3,280)	(6,768)
Current assets	256	-	455
Non-current assets	-	965	156
Non-current liabilities	(5,022)	(1,774)	(1,496)
Interest rate swaps	(4,766)	(809)	(885)
	19,001	(4,089)	(7,653)

The Group continues to manage its foreign exchange and interest rate risks in accordance with the policies and parameters detailed in the 2014 Annual Report.

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

US Dollar forward contracts - cash flow hedges

Notional amount (NZ\$000)	233,051	226,504	326,736
Average contract rate (\$)	0.8117	0.8021	0.8214
Spot rate used to determine fair value (\$)	0.7467	0.8252	0.8550

Notes to the Financial Statements - continued

10. DERIVATIVE FINANCIAL INSTRUMENTS - (Continued)

	(Unaudited) As at 25 January 2015 \$ 000	(Unaudited) As at 26 January 2014 \$ 000	(Audited) As at 27 July 2014 \$ 000
Cash flow hedges	(5,022)	(1,664)	(2,200)
Fair value hedges	256	855	1,315
Interest rate swaps	(4,766)	(809)	(885)

Interest rate swaps - cash flow hedge

In order to protect against interest rate volatility the Group has interest rate swap contracts which have a right to receive interest at variable rates and to pay interest at fixed rates. The interest rate swaps currently have terms of up to 8.5 years and provide a hedge against a notional principal of \$50.000 million of the Group's core variable interest bank borrowings. The Group has also entered forward start interest rate swap contracts with a notional principal of \$55.000 million to provide a partial hedge against the rollover of Group's fixed rate senior bond when it matures in June 2015.

Interest rate swaps - fair value hedge

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. The 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.

11. FAIR VALUE MEASUREMENT

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

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

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

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

Asset / (Liability)		(Unaudited) As at 25 January 2015 \$ 000	(Unaudited) As at 26 January 2014 \$ 000	(Audited) As at 27 July 2014 \$ 000
	Note			
Derivatives used for hedging				
Foreign exchange contracts	(Level 2) 10	23,767	(3,280)	(6,768)
Interest rate swaps	(Level 2) 10	(4,766)	(809)	(885)
Senior bond fair value adjustment relating to effective interest	(Level 2) 9	(197)	(751)	(391)

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

Specific valuation techniques used to value financial instruments are:

- Forward exchange contracts determined using forward exchange market rates at the balance date (refer note 10).
- Interest rate swaps calculated as the present value of the estimated future cash flows based on the applicable market interest yield rates at balance date.

Except for the Group's fixed rate senior bond (refer note 9) and derivatives (detailed above) the carrying value of the Group's financial assets and liabilities approximate fair value. The fixed rate senior bond is listed on the NZX and measured at amortised cost. The closing prices at balance date per \$1.00 bond were as follows:

Fixed Rate Senior Bond	(Unaudited) As at 25 January 2015 Per \$1.00	(Unaudited) As at 26 January 2014 Per \$1.00	(Audited) As at 27 July 2014 Per \$1.00
NZX quoted closing price	1.01629	1.04274	1.02649

The total fair value of the Fixed Rate Senior bond is \$101.629 million, and is a level 1 valuation as they are listed on the NZX.

Notes to the Financial Statements - continued

12. TRADE AND OTHER PAYABLES

		(Unaudited) As at 25 January 2015 \$ 000	(Unaudited) As at 26 January 2014 \$ 000	(Audited) As at 27 July 2014 \$ 000
	Note			
Trade creditors		317,443	321,999	203,725
Goods in transit creditors		18,293	13,691	14,909
Goods and services tax		28,673	35,511	15,512
Unearned income (includes layby's, gift vouchers and Christmas club deposits)		15,887	12,167	15,478
Contingent and deferred consideration	18	14,380	17,437	22,316
Interest accruals		1,266	1,115	1,273
Payroll accruals		12,526	11,936	13,092
		408,468	413,856	286,305
Less: Non-current contingent and deferred consideration		(1,750)	(5,200)	(1,986)
Current trade and other payables		406,718	408,656	284,319

13. COMMITMENTS

		(Unaudited) As at 25 January 2015 \$ 000	(Unaudited) As at 26 January 2014 \$ 000	(Audited) As at 27 July 2014 \$ 000
(a) Capital commitments				
Capital expenditure contracted for at balance date but not recognised as liabilities is set out below:				
Within one year		26,214	41,735	11,714
Capital commitments includes a part payment on a property purchase in Newmarket (\$22.300 million).				
(b) Operating lease commitments				
Commitments for minimum lease payments in relation to non-cancellable operating leases at balance date are as follows:				
Future minimum rentals payable				
0-1 Years		104,172	99,501	103,584
1-2 Years		90,351	76,493	85,914
2-5 Years		210,751	160,595	207,305
5+ Years		280,378	240,029	268,668
		685,652	576,618	665,471

14. ADJUSTED NET PROFIT RECONCILIATION

		(Unaudited) 26 Weeks Ended 25 January 2015 \$ 000	(Unaudited) 26 Weeks Ended 26 January 2014 \$ 000	(Audited) 52 Weeks Ended 27 July 2014 \$ 000
	Note			
Net profit attributable to shareholders of the parent		43,280	58,684	77,750
Less: Unusual items				
Direct costs relating to acquisitions	17	-	(1,106)	(1,617)
Contingent consideration	18	23	5,359	5,259
Gain on disposal of property	4	5,021	9,230	16,810
		5,044	13,483	20,452
Income tax relating to unusual items		(1,406)	(2,584)	(4,707)
Income tax expense related to depreciation recovered on building disposals		2,405	1,956	1,956
		6,043	12,855	17,701
Add back loss from discontinued operations		-	(378)	(642)
Adjusted net profit		37,237	46,207	60,691

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

Adjusted net profit makes allowance for discontinued operations and the after tax effect of unusual items. Unusual items include profits from the disposal of properties, direct costs relating to the acquisition of subsidiaries and changes in the value of contingent consideration recognised in the income statement.

Notes to the Financial Statements - continued

15. DIVIDENDS

	CENTS PER SHARE			DIVIDENDS PAID		
	(Unaudited) 26 Weeks Ended 25 January 2015	(Unaudited) 26 Weeks Ended 26 January 2014	(Audited) 52 Weeks Ended 27 July 2014	(Unaudited) 26 Weeks Ended 25 January 2015 \$ 000	(Unaudited) 26 Weeks Ended 26 January 2014 \$ 000	(Audited) 52 Weeks Ended 27 July 2014 \$ 000
Prior year final dividend	6.0	5.5	5.5	20,811	17,116	17,116
Interim dividend	-	-	13.0	-	-	40,455
Total dividends paid	6.0	5.5	18.5	20,811	17,116	57,571

On 5 March 2015 the Board declared a fully imputed interim dividend of 11.0 cents per ordinary share to be paid on 16 April 2015 to all shareholders on the Group's share register at the close of business on 2 April 2015.

16. EQUITY

(Unaudited)	Share Capital	Treasury Stock	Cash Flow Hedge Reserve	Employee Share Benefits Reserve	Retained Earnings	Minority Interest	Total Equity
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
For the 26 weeks ended 25 January 2015							
Balance at the beginning of the period	365,517	(8,707)	(5,780)	3,709	164,861	4,317	523,917
Profit for the half year	-	-	-	-	43,280	(364)	42,916
Net change in fair value of cash flow hedges	-	-	19,342	-	-	-	19,342
	-	-	19,342	-	43,280	(364)	62,258
Share rights charged to the income statement	-	-	-	1,448	-	-	1,448
Share rights exercised	-	4,250	-	(2,113)	(2,137)	-	-
Dividends paid	-	-	-	-	(20,811)	(199)	(21,010)
Treasury stock dividends received	-	-	-	-	65	-	65
Purchase of treasury stock	-	(50)	-	-	-	-	(50)
Balance at the end of the period	365,517	(4,507)	13,562	3,044	185,258	3,754	566,628

(Unaudited)	Share Capital	Treasury Stock	Cash Flow Hedge Reserve	Employee Share Benefits Reserve	Retained Earnings	Minority Interest	Total Equity
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
For the 26 weeks ended 26 January 2014							
Balance at the beginning of the period	251,445	(7,361)	(564)	3,281	153,228	11,736	411,765
Profit for the half year	-	-	-	-	58,684	(295)	58,389
Net change in fair value of cash flow hedges	-	-	(2,902)	-	-	-	(2,902)
Total comprehensive income	-	-	(2,902)	-	58,684	(295)	55,487
Share rights charged to the income statement	-	-	-	1,415	-	-	1,415
Share rights exercised	-	1,882	-	(1,757)	(125)	-	-
Dividends paid	-	-	-	-	(17,116)	(156)	(17,272)
Treasury stock dividends received	-	-	-	-	73	-	73
Purchase of treasury stock	-	(42)	-	-	-	-	(42)
Balance at the end of the period	251,445	(5,521)	(3,466)	2,939	194,744	11,285	451,426

(Audited)	Share Capital	Treasury Stock	Cash Flow Hedge Reserve	Employee Share Benefits Reserve	Retained Earnings	Minority Interest	Total Equity
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
For the 52 weeks ended 27 July 2014							
Balance at the beginning of the period	251,445	(7,361)	(564)	3,281	153,228	11,736	411,765
Profit for the year	-	-	-	-	77,750	(496)	77,254
Net change in fair value of cash flow hedges	-	-	(5,216)	-	-	-	(5,216)
Total comprehensive income	-	-	(5,216)	-	77,750	(496)	72,038
Contributions by and distributions to owners:							
Proceeds from equity raise	114,072	-	-	-	-	-	114,072
Share rights charged to the income statement	-	-	-	2,266	-	-	2,266
Share rights exercised	-	1,993	-	(1,838)	(155)	-	-
Dividends paid	-	-	-	-	(57,571)	(371)	(57,942)
Treasury stock dividends received	-	-	-	-	237	-	237
Purchase of treasury stock	-	(3,339)	-	-	-	-	(3,339)
Minority interest arising on acquisition	-	-	-	-	(8,628)	(6,552)	(15,180)
Balance at the end of the period	365,517	(8,707)	(5,780)	3,709	164,861	4,317	523,917

Notes to the Financial Statements - continued

17. BUSINESS COMBINATIONS - 2014

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

	For the period ended 26 January 2014			For the year ended 27 July 2014			
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)	(Audited)
	Note	Torpedo7	Other	Total	Torpedo7	Diners Club NZ	Other
		\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
Cash and cash equivalents		88	-	88	88	18	-
Finance business receivables		-	-	-	-	21,357	-
Trade and other receivables		433	21	454	433	163	21
Inventories		13,748	-	13,748	13,747	-	4,769
Property, plant and equipment		1,758	-	1,758	1,758	260	-
Computer software (included in intangibles)		166	-	166	166	2,848	-
Deferred taxation		342	-	342	342	2,378	-
		16,535	21	16,556	16,534	27,024	4,790
Trade and other payables		(5,170)	(49)	(5,219)	(5,169)	(4,668)	(418)
Provisions		(479)	-	(479)	(479)	-	-
Borrowings (including finance leases)		-	-	-	-	(29,935)	-
Provisional fair value of identifiable net assets		10,886	(28)	10,858	10,886	(7,579)	4,372
Goodwill arising on acquisition	5	14,900	1,547	16,447	14,900	11,014	5,778
		25,786	1,519	27,305	25,786	3,435	10,150
The acquisition consideration is as follows:							
Cash		21,186	1,082	22,268	21,186	3,435	9,713
Contingent consideration	18	4,600	437	5,037	4,600	-	437
		25,786	1,519	27,305	25,786	3,435	10,150
The cash outflow on acquisitions is as follows:							
Cash and cash equivalents acquired		(88)	-	(88)	(88)	(18)	-
Direct costs relating to the acquisition		552	34	586	694	666	257
Purchase consideration settled in cash		21,186	1,082	22,268	21,186	3,435	9,713
		21,650	1,116	22,766	21,792	4,083	9,970
Direct costs relating to post balance date acquisitions				520			-
Deposit paid on Diners Club NZ acquisition				500			-
Net consolidated cash outflow				23,786			35,845

(a) Torpedo7 acquisitions

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

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

(i) Number 1 Fitness

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

(ii) Shotgun

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

(iii) R&R Sport

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

In addition to the initial consideration of \$21.186 million paid for the three acquisitions, a further maximum performance based contingent consideration of \$5.600 million was payable over the following two years. The contingent consideration is subject to the achievement of specified earnings targets and completion of other specified deliverables. At balance date contingent consideration of \$1.0 million remains unsettled.

(b) Diners Club (NZ)

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

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

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

Notes to the Financial Statements - continued

17. BUSINESS COMBINATIONS - 2014 - (Continued)

(c) Other acquisitions

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

Maclean Technology

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

Schooltex

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

18. CONTINGENT AND DEFERRED CONSIDERATION

		(Unaudited) As at 25 January 2015 \$ 000	(Unaudited) As at 26 January 2014 \$ 000	(Audited) As at 27 July 2014 \$ 000
	Note			
Contingent consideration		4,200	17,437	9,136
Deferred consideration	19	10,180	-	13,180
Balance at the end of the period		14,380	17,437	22,316
Movements in contingent and deferred consideration				
Balance at the beginning of the period		22,316	21,759	21,759
Acquisition of businesses	17	-	5,037	5,037
Acquisition of minority interest	19	-	-	13,180
Reassessment of consideration payable		(23)	(5,359)	(5,259)
Cash settlements		(7,913)	(4,000)	(12,401)
Balance at the end of the period		14,380	17,437	22,316

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

The Group reassess the amount of contingent consideration payable at each reporting date based on its assessment of the likelihood that the performance target outcomes will be achieved.

19. TORPEDO 7 MINORITY INTEREST - 2014

In March 2014 the Group increased its interest in the Torpedo7 group of companies from 51% to 80%. The consideration payable to the minority interests to purchase the additional 29% interest in Torpedo7 Limited was \$15.180 million. The consideration was payable in three instalments, with the first instalment (\$2.000 million) paid in March 2014, a second instalment (\$3.000 million) was paid in September 2014 and the final instalment (\$10.180 million) is payable in March 2015.

20. DISCONTINUED OPERATIONS - 2014

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

21. EQUITY RAISE- 2014

The Group raised \$114.072 million (net of issuing costs) by issuing 35.647 million new ordinary shares as part of an equity raise which was undertaken in two parts. The first part was an institutional placement which raised \$100.000 million (at \$3.23 per share) in March 2014, the second part was a share purchase plan which raised \$14.998 million (at \$3.20 per share) in April 2014. The equity raise increased the number of shares on issue from 311.196 million shares to 346.843 million shares.

22. RELATED PARTIES

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

23. CONTINGENT LIABILITIES

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