The Warehouse Group Limited
Interim Financial Statements

For the 26 weeks ended 26 January 2014

Consolidated Income Statements

	Note	Unaudited 26 Weeks Ended 26 January 2014	Unaudited 26 Weeks Ended 27 January 2013	Audited 52 Weeks Ended 28 July 2013
		$ 000	$ 000	$ 000
Continuing operations				
Revenue	3	1,420,409	1,097,152	2,239,532
Cost of sales		(959,027)	(712,881)	(1,473,253)
Gross profit		461,382	384,271	766,279
Other income		7,336	4,464	10,301
Employee expenses		(213,514)	(168,340)	(355,625)
Lease and occupancy expenses		(65,590)	(51,469)	(113,503)
Depreciation and amortisation expenses	3	(25,404)	(21,083)	(44,017)
Other operating expenses		(94,153)	(70,983)	(152,197)
Operating profit	3	70,057	76,860	111,238
Gain on disposal of property	4	9,230	62,399	77,368
Contingent consideration	19	5,359	-	-
Direct costs relating to acquisitions	17, 18	(1,106)	(1,112)	(2,356)
Equity earnings of associate	6	1,527	1,816	3,464
Earnings before interest and tax		85,067	139,963	189,714
Net interest expense		(7,277)	(4,971)	(11,675)
Profit before tax		77,790	134,992	178,039
Income tax expense		(19,023)	(28,575)	(28,423)
Net profit for the period from continuing operations		58,767	106,417	149,616
Discontinued operations				
(Loss) / Profit from discontinued operations (net of tax)	20	(378)	81	(4,288)
Net profit for the period		58,389	106,498	145,328
Attributable to:				
Shareholders of the parent		58,684	106,319	144,748
Minority interests		(295)	179	580
		58,389	106,498	145,328
Basic earnings per share				
From continuing operations		19.1 cents	34.3 cents	48.1 cents
From discontinued operations		(0.1)cents	-	(1.4)cents
From net profit for the period		19.0 cents	34.3 cents	46.7 cents
Diluted earnings per share				
From continuing operations		18.9 cents	34.2 cents	47.9 cents
From discontinued operations		(0.1)cents	-	(1.4)cents
From net profit for the period		18.8 cents	34.2 cents	46.5 cents

Consolidated Statements of Comprehensive Income

	Unaudited 26 Weeks Ended 26 January 2014	Unaudited 26 Weeks Ended 27 January 2013	Audited 52 Weeks Ended 28 July 2013
	$ 000	$ 000	$ 000
Net profit for the period	58,389	106,498	145,328
Items that may be reclassified subsequently to the Income Statement			
Movement in cash flow hedge reserve net of tax	(2,902)	(317)	6,651
Total comprehensive income for the period	55,487	106,181	151,979
Attributable to:			
Shareholders of the parent	55,782	106,002	151,399
Minority interest	(295)	179	580
Comprehensive income	55,487	106,181	151,979
Total comprehensive income attributable to shareholders of the parent arise from:			
Continuing operations	56,160	105,921	155,687
Discontinued operations	(378)	81	(4,288)
Comprehensive income	55,782	106,002	151,399

Consolidated Statements of Changes in Equity

	Unaudited 26 Weeks Ended 26 January 2014	Unaudited 26 Weeks Ended 27 January 2013	Audited 52 Weeks Ended 28 July 2013
	$ 000	$ 000	$ 000
Equity at the beginning of the period	411,765	317,367	317,367
Total comprehensive income for the period	55,487	106,181	151,979
Share rights charged to the income statement	1,415	1,542	2,545
Dividends paid to shareholders of the company	(17,116)	(20,228)	(68,463)
Dividends paid to minority interest	(156)	(109)	(370)
Treasury stock dividends received	73	77	353
Purchase of treasury stock	(42)	(638)	(2,939)
Minority interest arising on acquisition of subsidiairies	-	-	11,293
Equity at the end of the period	451,426	404,192	411,765
Equity consists of:			
Share capital	251,445	251,445	251,445
Treasury stock	(5,521)	(5,061)	(7,361)
Cashflow hedge reserve	(3,466)	(7,532)	(564)
Employee share benefits reserve	2,939	2,279	3,281
Retained earnings	194,744	162,758	153,228
Total equity attributable to shareholders	440,141	403,889	400,029
Minority interest	11,285	303	11,736
Total equity	451,426	404,192	411,765

Consolidated Balance Sheets

	Note	Unaudited As at 26 January 2014	Unaudited As at 27 January 2013	Audited As at 28 July 2013
		$ 000	$ 000	$ 000
ASSETS				
Current assets				
Cash and cash equivalents	9	42,625	23,228	22,763
Trade and other receivables	7	80,730	52,886	66,513
Inventories		519,957	454,831	458,109
Derivative financial instruments	10	613	-	2,487
Total current assets		643,925	530,945	549,872
Non-current assets				
Trade and other receivables	7	187	637	3,374
Property, plant and equipment	4	315,632	333,936	305,602
Intangible assets	5	124,861	63,766	108,479
Investments	6	4,062	4,023	5,671
Derivative financial instruments	10	965	2,036	1,315
Deferred taxation		27,520	23,322	21,425
Total non-current assets		473,227	427,720	445,866
Total assets		1,117,152	958,665	995,738
LIABILITIES				
Current liabilities				
Borrowings	9	31,330	23,117	85,336
Trade and other payables	12	408,656	283,507	257,917
Derivative financial instruments	10	3,893	7,904	1,566
Taxation payable		1,006	21,954	3,466
Provisions	8	43,239	40,906	45,449
Total current liabilities		488,124	377,388	393,734
Non-current liabilities				
Borrowings	9	153,546	151,603	154,301
Derivative financial instruments	10	1,774	3,086	1,866
Trade and other payables	12	5,200	5,000	15,809
Provisions	8	17,082	17,396	18,263
Total non-current liabilities		177,602	177,085	190,239
Total liabilities		665,726	554,473	583,973
Net assets		451,426	404,192	411,765
EQUITY				
Contributed equity		245,924	246,384	244,084
Reserves		(527)	(5,253)	2,717
Retained earnings		194,744	162,758	153,228
Total equity attributable to shareholders		440,141	403,889	400,029
Minority interest		11,285	303	11,736
Total equity	16	451,426	404,192	411,765
Net assets per share		145.7 cents	130.4 cents	133.1 cents

Condensed Consolidated Statements of Cash Flows

	Note	Unaudited 26 Weeks Ended 26 January 2014	Unaudited 26 Weeks Ended 27 January 2013	Audited 52 Weeks Ended 28 July 2013
		$ 000	$ 000	$ 000
Cash flows from operating activities				
Cash received from customers		1,420,203	1,106,705	2,264,573
Interest income		12	174	136
Payments to suppliers and employees		(1,243,444)	(988,265)	(2,117,935)
Income tax paid		(25,807)	(24,718)	(40,803)
Interest paid		(7,104)	(5,876)	(12,270)
Net cash flows from operating activities		143,860	88,020	93,701
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		19,195	117,643	195,572
Landlord and share purchase scheme advances repaid		16,058	254	545
Dividend received from associate	6	3,136	4,165	4,165
Purchase of property, plant, equipment and software		(45,659)	(46,057)	(93,315)
Related party advances		-	-	(3,000)
Landlord advances		(16,920)	-	(9,071)
Acquisition of subsidiaries, net of cash acquired	17, 18	(23,786)	(73,773)	(108,715)
Contingent consideration	19	(4,000)	-	-
Other items		(29)	(52)	(78)
Net cash flows from investing activities		(52,005)	2,180	(13,897)
Cash flows from financing activities				
Repayment short term borrowings		(53,900)	(62,113)	(573)
Repayment of finance leases		(743)	(200)	(902)
Purchase of treasury stock		-	(515)	(2,777)
Treasury stock dividends received		73	77	353
Dividends paid to parent shareholders		(17,267)	(20,398)	(69,058)
Dividends paid to minority shareholders		(156)	(109)	(370)
Net cash flows from financing activities		(71,993)	(83,258)	(73,327)
Net cash flow		19,862	6,942	6,477
Opening cash position		22,763	16,286	16,286
Closing cash position		42,625	23,228	22,763

Reconciliation of Operating Cash Flows

	Note	Unaudited 26 Weeks Ended 26 January 2014	Unaudited 26 Weeks Ended 27 January 2013	Audited 52 Weeks Ended 28 July 2013
Profit after tax		58,389	106,498	145,328
Non-cash items				
Depreciation and amortisation expenses		25,421	21,131	44,225
Share based payment expense		1,415	1,542	2,545
Interest capitalisation		251	(637)	(322)
Unrecovered lease incentives on property sales		-	-	(1,237)
Movement in deferred tax		(4,622)	(13,794)	(13,640)
Share of surplus retained by associate		(1,527)	(1,816)	(3,464)
Total non-cash items		20,938	6,426	28,107
Items classified as investing or financing activities				
Net gain on sale of property, plant and equipment		(9,302)	(61,627)	(73,403)
Direct costs relating to acquisitions		1,106	1,112	2,356
Reassessment of contingent consideration payable	19	(5,359)	-	-
Supplementary dividend tax credit		151	170	595
Total investing and financing adjustments		(13,404)	(60,345)	(70,452)
Changes in assets and liabilities				
Trade and other receivables		(9,142)	(9,923)	(14,134)
Inventories		(48,101)	(39,508)	(25,303)
Trade and other payables		141,511	68,104	28,946
Provisions		(3,870)	(746)	2,212
Income tax		(2,461)	17,514	(1,003)
Total changes in assets and liabilities		77,937	35,441	(9,282)
Net cash flows from operating activities		143,860	88,020	93,701

Notes to the Financial Statements

1. GENERAL INFORMATION

The Warehouse Group Limited and its subsidiaries (together the “Group”) is a multi-business general merchandise retailer that operates through four retail brands, The Warehouse, Warehouse Stationery, Noel Leeming and Torpedo7.

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 an issuer for the purposes of the New Zealand Financial Reporting Act 1993 and listed on the New Zealand stock exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These interim financial statements for the reporting period ended 26 January 2014 have been prepared in accordance with generally accepted accounting practice in New Zealand, International Accounting Standard 34 and NZ IAS 34 Interim Financial Reporting.

These financial statements have been prepared under the historical cost convention except for the revaluation of certain financial instruments (including derivative instruments). The Group is designated as a profit-oriented entity for financial reporting purposes. 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 28 July 2013 and the unaudited interim financial statements for the 26 weeks ended 27 January 2013.

The interim financial statements do not include all of the information normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual financial statements and related notes in the Group’s Annual Report for the 52 weeks ended 28 July 2013.

(a) Changes in accounting policies

The following new accounting standards and amendments to existing standards have been adopted by the Group in the period ended 26 January 2014:

NZ IFRS 10, ‘Consolidated Financial Statements’, redefines the concept of control to determine when an entity should be included within the consolidated financial statements and provides additional guidance to determine control where this is difficult to assess. The application of this standard has had no material impact on the Group.

NZ IFRS 13, ‘Fair Value Measurement’, defines fair value and provides a single IFRS framework for measuring fair value and disclosure of fair value measurements. NZ IFRS 13 does not determine when an item is measured at fair value and applies only when another IFRS requires or permits the item to be measured at fair value (with limited exceptions). The application of this standard has had no material impact on the Group except for additional disclosure requirements which are set out in Note 11.

(b) 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 2014. 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 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 stores located throughout New Zealand.

Warehouse Stationery
Warehouse Stationery is a stationery retailer, with 63 stores located throughout New Zealand.

Noel Leeming
Noel Leeming is a consumer electronics and home appliances retailer, with 76 stores located throughout New Zealand. The Group acquired Noel Leeming in December 2012.

Torpedo7
Torpedo7 is an online retailer operating through the Torpedo7 and several other websites in New Zealand and Australia. The Group acquired a 51% interest in Torpedo7 in April 2013. In the current year Torpdo7 expanded its New Zealand operations with three acquisitions. No.1 Fitness (an online retailer of fitness equipment) was acquired in September 2013. Shotgun Supplements (a sports nutrition online retailer) and R&R Sport (a sporting, outdoor & adventure retail chain) were both acquired in December 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.

Notes to the Financial Statements - continued

3. SEGMENT INFORMATION - (Continued)

	REVENUE			OPERATING PROFIT		
	(Unaudited) 26 Weeks Ended 26 January 2014	(Unaudited) 26 Weeks Ended 27 January 2013	(Audited) 52 Weeks Ended 28 July 2013	(Unaudited) 26 Weeks Ended 26 January 2014	(Unaudited) 26 Weeks Ended 27 January 2013	(Audited) 52 Weeks Ended 28 July 2013
SEGMENT PERFORMANCE	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000
The Warehouse	920,097	866,618	1,591,088	60,621	65,714	85,186
Warehouse Stationery	121,535	111,905	231,838	4,681	3,653	10,321
Noel Leeming	328,754	117,288	390,667	6,786	5,671	11,011
Torpedo7	47,870	-	24,193	742	-	656
Other Group operations	7,388	5,995	9,688	(2,773)	1,822	4,064
Inter-segment eliminations	(5,235)	(4,654)	(7,942)	-	-	-
	1,420,409	1,097,152	2,239,532	70,057	76,860	111,238
Unallocated (expenses) / revenue						
Gain on disposal of property				9,230	62,399	77,368
Contingent consideration				5,359	-	-
Direct costs relating to acquisitions				(1,106)	(1,112)	(2,356)
Equity earnings of associate				1,527	1,816	3,464
Earnings before interest and tax				85,067	139,963	189,714
Net interest expense				(7,277)	(4,971)	(11,675)
Income tax expense				(19,023)	(28,575)	(28,423)
Net profit for the period from continuing operations				58,767	106,417	149,616
Profit / (Loss) from discontinued operations (net of tax)				(378)	81	(4,288)
Net profit for the period				58,389	106,498	145,328
Operating margin						
The Warehouse (%)				6.6	7.6	5.4
Warehouse Stationery (%)				3.9	3.3	4.5
Noel Leeming (%)				2.1	4.8	2.8
Torpedo7 (%)				1.6	-	2.7
Total Group (%)				4.9	7.0	5.0

		DEPRECIATION & AMORTISATION			CAPITAL EXPENDITURE		
	Note	(Unaudited) 26 Weeks Ended 26 January 2014	(Unaudited) 26 Weeks Ended 27 January 2013	(Audited) 52 Weeks Ended 28 July 2013	(Unaudited) 26 Weeks Ended 26 January 2014	(Unaudited) 26 Weeks Ended 27 January 2013	(Audited) 52 Weeks Ended 28 July 2013
		$ 000	$ 000	$ 000	$ 000	$ 000	$ 000
The Warehouse		18,187	16,704	33,207	29,117	24,470	59,090
Warehouse Stationery		3,036	2,735	5,455	4,495	3,281	12,628
Noel Leeming		2,604	801	3,040	5,513	706	4,341
Torpedo7		567	-	321	271	-	2,751
Other Group operations		1,010	843	1,994	3,958	12,135	17,996
Continuing operations	4	25,404	21,083	44,017	43,354	40,592	96,806
Discontinued operations	20	17	48	208	-	-	-
		25,421	21,131	44,225	43,354	40,592	96,806

Notes to the Financial Statements - continued

3. SEGMENT INFORMATION - (Continued)

	Note	TOTAL ASSETS			TOTAL LIABILITIES		
		(Unaudited) As at 26 January 2014	(Unaudited) As at 27 January 2013	(Audited) As at 28 July 2013	(Unaudited) As at 26 January 2014	(Unaudited) As at 27 January 2013	(Audited) As at 28 July 2013
		$ 000	$ 000	$ 000	$ 000	$ 000	$ 000
The Warehouse		514,679	455,680	485,569	248,140	186,775	171,023
Warehouse Stationery		86,058	74,880	76,695	44,847	27,484	26,588
Noel Leeming		127,735	104,476	107,326	145,858	111,236	109,292
Torpedo7		43,923	-	21,957	21,973	-	18,182
Other Group operations		156,107	209,158	154,409	5,858	4,534	5,297
Operating assets / liabilities		928,502	844,194	845,956	466,676	330,029	330,382
Unallocated assets / liabilities							
Discontinued operations	20	990	10,063	693	7,501	16,780	7,056
Cash and borrowings	9	42,625	23,228	22,763	184,876	174,720	239,637
Derivative financial instruments	10	1,578	2,036	3,802	5,667	10,990	3,432
Investments	6	4,062	4,023	5,671	-	-	-
Intangible Goodwill and Brands	5	111,875	51,799	95,428	-	-	-
Taxation		27,520	23,322	21,425	1,006	21,954	3,466
Total		1,117,152	958,665	995,738	665,726	554,473	583,973

4. PROPERTY, PLANT, EQUIPMENT AND COMPUTER SOFTWARE

	Note	(Unaudited) As at 26 January 2014	(Unaudited) As at 27 January 2013	(Audited) As at 28 July 2013
		$ 000	$ 000	$ 000
Property, plant and equipment		315,632	333,936	305,602
Computer software	5	12,986	11,967	13,051
Net book value		328,618	345,903	318,653
Movement in property, plant, equipment and software				
Balance at the beginning of the period		318,653	368,606	368,606
Acquisition of businesses	17, 18	1,924	12,125	16,671
Capital expenditure	3	43,354	40,592	96,806
Depreciation and amortisation	3	(25,421)	(21,131)	(44,225)
Disposals		(9,892)	(54,289)	(119,205)
Balance at the end of the period		328,618	345,903	318,653

During the current half year the Group sold two store properties for a combined consideration of $18.805 million realising a pre-tax gain of $9.230 million.

In the first half year of 2013 the Group sold a Distribution Centre located in Wiri, Auckland and three store properties. In the second half of the same year the Group also sold a Retail Centre in Silverdale. The combined property disposals generated net sale proceeds of $194.182 million and realised pre-tax profits of $77.368 million (including disposal related costs).

5. INTANGIBLE ASSETS

	Note	(Unaudited) As at 26 January 2014	(Unaudited) As at 27 January 2013	(Audited) As at 28 July 2013
		$ 000	$ 000	$ 000
Computer software	4	12,986	11,967	13,051
Brands	18	23,523	15,500	23,523
Goodwill		88,352	36,299	71,905
Net book value		124,861	63,766	108,479
Movement in Goodwill and Brands				
Balance at the beginning of the period		95,428	-	-
Acquisition of businesses - Brands	18	-	15,500	23,523
Acquisition of businesses - Goodwill	17, 18	16,447	36,299	71,905
Balance at the end of the period		111,875	51,799	95,428

Notes to the Financial Statements - continued

6. INVESTMENT

	(Unaudited) As at 26 January 2014 $ 000	(Unaudited) As at 27 January 2013 $ 000	(Audited) As at 28 July 2013 $ 000
Investment at beginning of the year	5,671	6,372	6,372
Share of associates profit before taxation	2,122	2,524	4,812
Less taxation	(595)	(708)	(1,348)
Equity earnings of associate	1,527	1,816	3,464
Dividend received from associate	(3,136)	(4,165)	(4,165)
Investment at end of the period	4,062	4,023	5,671

The Warehouse Financial Services Limited
The Group has a 49% (2013: 49%) interest, and Westpac a 51% (2013: 51%) interest in The Warehouse Financial Services Limited.

7. TRADE AND OTHER RECEIVABLES

	Note	(Unaudited) As at 26 January 2014 $ 000	(Unaudited) As at 27 January 2013 $ 000	(Audited) As at 28 July 2013 $ 000
Trade receivables		48,206	37,914	42,865
Allowance for impairment		(1,138)	(1,169)	(1,078)
		47,068	36,745	41,787
Other debtors and prepayments		19,975	15,678	15,159
Landlord advances		10,215	-	9,071
Advances to related partes	22	3,039	-	3,010
Employee share purchase plan loans		620	1,100	860
		80,917	53,523	69,887
Less: Non-current		(187)	(637)	(3,374)
Current trade and other receivables		80,730	52,886	66,513

8. PROVISIONS

	(Unaudited) As at 26 January 2014 $ 000	(Unaudited) As at 27 January 2013 $ 000	(Audited) As at 28 July 2013 $ 000
Current liabilities	43,239	40,906	45,449
Non-current liabilities	17,082	17,396	18,263
	60,321	58,302	63,712
Provisions consist of:			
Performance based compensation	4,966	4,505	9,024
Annual leave	27,149	23,816	25,244
Long service leave	7,273	7,112	7,178
Other employee benefits	5,531	5,890	5,735
Employee benefits	44,919	41,323	47,181
Make good provision	6,180	6,221	6,152
Sales returns provision	3,786	3,217	3,229
Onerous lease	5,436	7,541	7,150
	60,321	58,302	63,712

Provision movements:	**MAKE GOOD**			**ONEROUS LEASE**		
	(Unaudited) 26 Weeks Ended 26 January 2014 $ 000	(Unaudited) 26 Weeks Ended 27 January 2013 $ 000	(Audited) 52 Weeks Ended 28 July 2013 $ 000	(Unaudited) 26 Weeks Ended 26 January 2014 $ 000	(Unaudited) 26 Weeks Ended 27 January 2013 $ 000	(Audited) 52 Weeks Ended 28 July 2013 $ 000
Opening balance	6,152	2,990	2,990	7,150	2,507	2,507
Acquisition of businesses	84	1,416	1,435	-	5,696	7,573
Arising during the period	664	2,281	2,950	499	306	19
Net settlements	(720)	(466)	(1,223)	(2,213)	(968)	(2,949)
Closing balance	6,180	6,221	6,152	5,436	7,541	7,150

Notes to the Financial Statements - continued

9. DEBT

	(Unaudited) As at 26 January 2014 $ 000	(Unaudited) As at 27 January 2013 $ 000	(Audited) As at 28 July 2013 $ 000
Cash on hand and at bank	42,625	23,228	22,763
Bank borrowings	29,930	22,290	83,830
Lease liabilities	1,400	827	1,506
Current borrowings	31,330	23,117	85,336
Bank borrowings	50,000	50,000	50,000
Lease liabilities	3,225	719	3,681
Fixed rate senior bond (coupon: 7.37%)	100,000	100,000	100,000
Fair value adjustment relating to effective interest	751	1,627	1,206
Unamortised capitalised costs on senior bond	(430)	(743)	(586)
Non-current borrowings	153,546	151,603	154,301
Total borrowings	184,876	174,720	239,637
Net debt	142,251	151,492	216,874
Committed bank credit facilities at balance date are:			
Bank debt facilities	280,000	200,000	260,000
Bank facilities used	(79,930)	(72,290)	(133,830)
Unused bank debt facilities	200,070	127,710	126,170
Letter of credit facilities	28,000	28,000	28,000
Letters of credit	(4,039)	(11,335)	(14,853)
Unused letter of credit facilities	23,961	16,665	13,147
Total unused bank facilities	224,031	144,375	139,317

10. DERIVATIVE FINANCIAL INSTRUMENTS

	(Unaudited) As at 26 January 2014 $ 000	(Unaudited) As at 27 January 2013 $ 000	(Audited) As at 28 July 2013 $ 000
Current assets	613	-	2,487
Non-current assets	965	2,036	1,315
Current liabilities	(3,893)	(7,904)	(1,566)
Non-current liabilities	(1,774)	(3,086)	(1,866)
	(4,089)	(8,954)	370
Derivative financial instruments consist of:			
Current assets	613	-	2,487
Current liabilities	(3,893)	(6,368)	(987)
Foreign exchange contracts	(3,280)	(6,368)	1,500
Non-current assets	965	2,036	1,315
Current liabilities	-	(1,536)	(579)
Non-current liabilities	(1,774)	(3,086)	(1,866)
Interest rate swaps	(809)	(2,586)	(1,130)
	(4,089)	(8,954)	370

The Group continues to manage its foreign exchange and interest rate risks in accordance with the policies and parameters detailed in the 2013 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$000)	226,504	171,202	200,688
Average contract rate ($)	0.8021	0.7977	0.8072
Spot rate used to determine fair value ($)	0.8252	0.8372	0.8087

Notes to the Financial Statements - continued

10. DERIVATIVE FINANCIAL INSTRUMENTS - (Continued)

	(Unaudited) As at 26 January 2014 $ 000	(Unaudited) As at 27 January 2013 $ 000	(Audited) As at 28 July 2013 $ 000
Cash flow hedges	(1,664)	(4,227)	(2,445)
Fair value hedges	855	1,641	1,315
Interest rate swaps	(809)	(2,586)	(1,130)

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 4 years and provide a hedge against a notional principal of $50.000 million of the Group's core variable interest bank borrowings.

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)		Note	(Unaudited) As at 26 January 2014 $ 000	(Unaudited) As at 27 January 2013 $ 000	(Audited) As at 28 July 2013 $ 000
Derivatives used for hedging					
Foreign exchange contracts	(Level 2)	10	(3,280)	(6,368)	1,500
Interest rate swaps	(Level 2)	10	(809)	(2,586)	(1,130)
Senior bond fair value adjustment relating to effective interest	(Level 2)	9	(751)	(1,627)	(1,206)

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. As at 26 January 2014 the closing price was $1.04274 per $1.00 bond.

Notes to the Financial Statements - continued

12. TRADE AND OTHER PAYABLES

	Note	(Unaudited) As at 26 January 2014 $ 000	(Unaudited) As at 27 January 2013 $ 000	(Audited) As at 28 July 2013 $ 000
Trade creditors		321,999	214,089	196,888
Goods in transit creditors		13,691	17,670	18,423
Goods and services tax		35,511	25,122	12,471
Unearned income (includes layby's, gift vouchers and Christmas club deposits)		12,167	10,894	11,262
Contingent consideration	19	17,437	7,500	21,759
Interest accruals		1,115	1,224	1,180
Payroll accruals		11,936	12,008	11,743
		413,856	288,507	273,726
Less: Non-current contingent consideration		(5,200)	(5,000)	(15,809)
Current trade and other payables		408,656	283,507	257,917

13. COMMITMENTS

	(Unaudited) As at 26 January 2014 $ 000	(Unaudited) As at 27 January 2013 $ 000	(Audited) As at 28 July 2013 $ 000
(a) Capital commitments			
Capital expenditure contracted for at balance date but not recognised as liabilities is set out below:			
Within one year	41,735	11,989	8,505

Capital commitments include development works on the Group's Auckland support office ($11.700 million) and 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:

	(Unaudited) As at 26 January 2014 $ 000	(Unaudited) As at 27 January 2013 $ 000	(Audited) As at 28 July 2013 $ 000
Future minimum rentals payable			
0-1 Years	99,501	91,612	92,297
1-2 Years	76,493	73,631	70,924
2-5 Years	160,595	116,702	123,272
5+ Years	240,029	167,222	178,513
	576,618	449,167	465,006

14. ADJUSTED NET PROFIT RECONCILIATION

	Note	(Unaudited) 26 Weeks Ended 26 January 2014 $ 000	(Unaudited) 26 Weeks Ended 27 January 2013 $ 000	(Audited) 52 Weeks Ended 28 July 2013 $ 000
Net profit attributable to shareholders of the parent		58,684	106,319	144,748
Less: Unusual items				
Direct costs relating to acquisitions	17, 18	(1,106)	(1,112)	(2,356)
Contingent consideration	19	5,359	-	-
Gain on disposal of property	4	9,230	62,399	77,368
		13,483	61,287	75,012
Income tax relating to unusual items		(2,584)	(17,955)	(9,800)
Income tax expense related to depreciation recovered on building disposals		1,956	10,125	10,127
		12,855	53,457	75,339
Add back (Loss) / Profit from discontinued operations		(378)	81	(4,288)
Adjusted net profit		46,207	52,781	73,697

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

Adjusted net profit makes allowance for discontinued operations and the after tax effect of unusual items. 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 26 January 2014	(Unaudited) 26 Weeks Ended 27 January 2013	(Audited) 52 Weeks Ended 28 July 2013	(Unaudited) 26 Weeks Ended 26 January 2014	(Unaudited) 26 Weeks Ended 27 January 2013	(Audited) 52 Weeks Ended 28 July 2013
				$ 000	$ 000	$ 000
Prior year final dividend	5.5	6.5	6.5	17,116	20,228	20,228
Interim dividend	-	-	15.5	-	-	48,235
Total dividends paid	5.5	6.5	22.0	17,116	20,228	68,463

On 5 March 2014 the board declared a fully imputed interim dividend of 13.0 cents per ordinary share to be paid on 19 March 2014 to all shareholders on the Group's share register at the close of business on 12 March 2014.

16. EQUITY

(Unaudited)	Share Capital	Treasury Stock	Cash Flow Hedge Reserve	Employee Share Benefits Reserve	Retained Earnings	Minority Interest	Total Equity
For the 26 weeks ended 26 January 2014	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000
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)
	-	-	(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

(Unaudited)	Share Capital	Treasury Stock	Cash Flow Hedge Reserve	Employee Share Benefits Reserve	Retained Earnings	Minority Interest	Total Equity
For the 26 weeks ended 27 January 2013	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000
Balance at the beginning of the period	251,445	(5,739)	(7,215)	2,209	76,434	233	317,367
Profit for the half year	-	-	-	-	106,319	179	106,498
Net change in fair value of cash flow hedges	-	-	(317)	-	-	-	(317)
Total comprehensive income	-	-	(317)	-	106,319	179	106,181
Share rights charged to the income statement	-	-	-	1,542	-	-	1,542
Share rights exercised	-	1,316	-	(1,472)	156	-	-
Dividends paid	-	-	-	-	(20,228)	(109)	(20,337)
Treasury stock dividends received	-	-	-	-	77	-	77
Purchase of treasury stock	-	(638)	-	-	-	-	(638)
Balance at the end of the period	251,445	(5,061)	(7,532)	2,279	162,758	303	404,192

(Audited)	Share Capital	Treasury Stock	Cash Flow Hedge Reserve	Employee Share Benefits Reserve	Retained Earnings	Minority Interest	Total Equity
For the 52 weeks ended 28 July 2013	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000
Balance at the beginning of the period	251,445	(5,739)	(7,215)	2,209	76,434	233	317,367
Profit for the year	-	-	-	-	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 rights 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	-	-	-	-	-	11,293	11,293
Balance at the end of the period	251,445	(7,361)	(564)	3,281	153,228	11,736	411,765

Notes to the Financial Statements - continued

17. BUSINESS COMBINATIONS - 2014

During the current half year the Group acquired four new businesses. Based on the best information available at the time the Group has provisionally recognised the following identifiable acquisition assets and liabilities for the businesses acquired.

	Note	For the period ended 26 January 2014 (Unaudited) Torpedo7 Acquisitions	(Unaudited) Maclean	(Unaudited) Total
		$ 000	$ 000	$ 000
Cash and cash equivalents acquired		88	-	88
Trade and other receivables		433	21	454
Inventories		13,748	-	13,748
Property, plant, equipment and computer software	4	1,924	-	1,924
Deferred taxation		342	-	342
		16,535	21	16,556
Trade and other payables		(5,170)	-	(5,170)
Provisions		(479)	(49)	(528)
Provisional fair value of identifiable net assets		10,886	(28)	10,858
Goodwill arising on acquisition	5	14,900	1,547	16,447
		25,786	1,519	27,305
The acquisition consideration is as follows:				
Cash		21,186	1,082	22,268
Contingent consideration	19	4,600	437	5,037
		25,786	1,519	27,305
The cash outflow on acquisitions is as follows:				
Cash and cash equivalents acquired		(88)	-	(88)
Direct costs relating to the acquisition		552	34	586
Purchase consideration settled in cash		21,186	1,082	22,268
		21,650	1,116	22,766
Direct costs relating to post balance date acquisitions				520
Deposit paid on Diners Club NZ acquisition	21			500
Net consolidated cash outflow				23,786

(a) Torpedo7 acquisitions

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

The three businesses operate as trading divisions of Torpdeo7 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 is a Sporting, Outdoor and Adventure retail chain with 7 New Zealand stores as well as an online store.

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

(b) Maclean acquisition

The Group's last asset based acquisition in December 2013 was 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.

Notes to the Financial Statements - continued

18. BUSINESS COMBINATIONS - 2013

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

		For the period ended 27 January 2013			For the year ended 28 July 2013			
		(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)	(Audited)
	Note	Noel Leeming	Insight Traders	Total	Noel Leeming	Torpedo7	Other	Total
		$ 000	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000
Cash and cash equivalents		876	-	876	876	426	51	1,353
Trade and other receivables		15,433	-	15,433	15,433	142	170	15,745
Inventories		101,865	4,037	105,902	101,865	14,702	6,818	123,385
Property, plant and equipment		11,526	221	11,747	11,590	2,546	766	14,902
Computer software (included in intangibles)		349	29	378	285	901	583	1,769
Brands (included in intangibles)	5	15,500	-	15,500	15,500	8,023	-	23,523
Tax receivable		563	-	563	807	-	-	807
Deferred taxation		7,223	-	7,223	7,499	443	4	7,946
		153,335	4,287	157,622	153,855	27,183	8,392	189,430
Trade and other payables		(92,279)	-	(92,279)	(92,278)	(5,010)	(182)	(97,470)
Make good (included in provisions)	8	(1,416)	-	(1,416)	(1,400)	(608)	-	(2,008)
Onerous lease (included in provisions)	8	(5,696)	-	(5,696)	(7,574)	-	-	(7,574)
Other provisions		(5,560)	-	(5,560)	(5,558)	-	-	(5,558)
Taxation payable		-	-	-	-	(28)	-	(28)
Borrowings		(7,933)	-	(7,933)	(7,933)	-	-	(7,933)
Provisional fair value of identifiable net assets		40,451	4,287	44,738	39,112	21,537	8,210	68,859
Minority interests		-	-	-	-	(10,769)	(524)	(11,293)
Goodwill arising on acquisition	5	24,549	11,750	36,299	25,888	22,091	23,926	71,905
		65,000	16,037	81,037	65,000	32,859	31,612	129,471
The acquisition consideration is as follows:								
Cash		65,000	8,537	73,537	65,000	20,000	22,712	107,712
Contingent consideration	19	-	7,500	7,500	-	12,859	8,900	21,759
		65,000	16,037	81,037	65,000	32,859	31,612	129,471
The cash outflow on acquisitions is as follows:								
Cash and cash equivalents acquired		(876)	-	(876)	(876)	(426)	(51)	(1,353)
Direct costs relating to the acquisition		934	135	1,069	1,217	703	410	2,330
Purchase consideration settled in cash		65,000	8,537	73,537	65,000	20,000	22,712	107,712
		65,058	8,672	73,730	65,341	20,277	23,071	108,689
Direct costs relating to post balance date acquisitions				43				26
Net consolidated cash outflow				73,773				108,715

(a) Noel Leeming acquisition

In 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.

As a result of the acquisition, the Group expects to increase its presence in the Consumer Electronics and Home Appliances markets. 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 Noel Leeming Group operates as a separate trading division and is reported separately for both management and segment reporting (refer note 3).

(b) 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 and other websites in New Zealand and Australia. The acquisition was consistent with Group's multi-channel strategy and provided 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 the 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 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 during the current half year resulting in the payment of $1.5 million. The net asset adjustment was fully provided at July 2013 and formed part of contingent consideration.

The Torpedo7 group operates as a separate trading division and is reported separately for both management and segment reporting (refer note 3).

Notes to the Financial Statements - continued

18. BUSINESS COMBINATIONS - 2013 - (Continued)

(c) Other acquisitions

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

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 increased the Group's sourcing and multichannel channel capability and extended the range of products available online and in the Warehouse stores. Insight Traders was a well established business with strong sourcing capability, the goodwill ($11.750 million) arising from the acquisition was largely attributable to the specialised knowledge acquired and economies of scale from combining the operations within the Group.

In addition to the initial consideration ($8.537 million), contingent consideration of $2.500 million was paid during the current half year on the first anniversary of the acquisition. Four further contingent consideration tranches of $1.250 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 3).

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 enhanced the Group's sourcing and multichannel channel capability and provided cost savings across the Group. CES has capability in sourcing, inventory management, distribution and on-line fulfilment in the books category that are transferrable in to other categories. The goodwill ($9.700 million) arising from the acquisition was largely attributable to the specialised knowledge acquired and economies of scale from combining the operations within the Group.

In addition to the initial consideration ($11.175 million), contingent consideration of $0.700 million was paid in February 2014 on the first anniversary of the acquisition and a final payment of $0.700 million is expected to be made on the second anniversary of the acquisition subject to CES completing a specified future expansion plan.

For the purposes of segment reporting CES is included within The Warehouse segment (refer note 3).

Shop HQ acquisition
The Group acquired a controlling 50% interest in the shares of Shop HQ Limited in July 2013, a startup online pet store company. The consideration for the share purchase was $3.000 million. The goodwill ($2.476 million) 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 3).

19. CONTINGENT CONSIDERATION

	Note	(Unaudited) As at 26 January 2014	(Unaudited) As at 27 January 2013	(Audited) As at 28 July 2013
		$ 000	$ 000	$ 000
Balance at the beginning of the period		21,759	-	-
Acquisition of businesses	17, 18	5,037	7,500	21,759
Reassessment of consideration payable		(5,359)	-	-
Cash settlements	18	(4,000)	-	-
Balance at the end of the period		17,437	7,500	21,759

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. In respect of Torpedo7 (acquired in April 2013) negotiations to fully settle the contingent consideration were largely complete at balance date. The settlement value of these negotiations indicated that the Group's initial estimate of contingent consideration payable on this acquisition was overstated ($5.359 million). The reduction in the Group's estimate of contingent consideration is treated as a gain in the income statement.

During the period the Group also settled contingent consideration obligations arising from the Torpedo7 and Insight acquisitions (refer note 18).

Notes to the Financial Statements - continued

20. DISCONTINUED OPERATIONS

(a) Bond & Bond

In March 2013 the Group merged 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 at that time from 67 to 75 nationwide. As part of this plan it was decided to close 15 stores. With the exception of two stores, which are expected to cease trading in the next few months all the stores have been closed. A few on-going residual costs arising from the settlement of vacant leases and costs associated with the closure of the final two stores still remain.

The income statement , comprehensive income statement and related notes distinguish discontinued operations from continuing operations. Comparative figures for the period ended 27 January 2013 have been restated to seperately disclose discontinued operations. The results from discontinued operations were as follows:

	(Unaudited) 26 Weeks Ended 26 January 2014	(Unaudited) 26 Weeks Ended 27 January 2013	(Audited) 52 Weeks Ended 28 July 2013
	$ 000	$ 000	$ 000
Revenue	2,482	12,022	25,046
Cost of sales	(2,212)	(9,474)	(23,837)
Gross Profit	270	2,548	1,209
Other income	33	74	316
Employee expense	(299)	(1,049)	(2,523)
Lease and occupancy expense	(427)	(584)	(1,919)
Depreciation and amortisation expense	(17)	(48)	(208)
Other operating expenses	(85)	(828)	(2,831)
Net profit before tax for the period	(525)	113	(5,956)
Income tax expense	147	(32)	1,668
Net profit after tax for the period	(378)	81	(4,288)
Operating cashflows	(714)	2,741	(4,551)
Total assets	990	10,063	693
Total liabilities	(7,501)	(16,780)	(7,056)

21. EVENTS AFTER BALANCE DATE

(a) Schooltex acquisition

On 28 February 2014 the Group acquired the operations and business assets of Schooltex from Postie Plus Group Limited. Schooltex is a school uniform business which supplies over 1,100 schools with their uniform and sportswear needs. This business will be integrated into The Warehouse to extend its existing school apparel and 'back to school' product range.

The consideration for the purchase was $9.000 million, subject to adjustment to the extent that the net assets acquired are more or less than $5.000 million. Detailed information regarding the identifiable acquisition assets and liabilities acquired were not available at the reporting date pending the completion and finalisation of acquisition accounts.

(b) Torpedo7 minority acquisition

On 5 March 2014 the Group increased its shareholding in the Torpedo7 group initially acquired in April 2013 (refer note 18) from 51% to 80%. The consideration for the purchase of the minority shares was $15.180 million, payable in three instalments over the next 14 months. The carrying value of this minority interest at balance date was $6.659 million.

(c) Diners Club NZ acquisition

On 5 March 2014 the Group entered into an unconditional Sale and Purchase Agreement with Diners Club (Singapore) Pte Limited to acquire 100% of the share capital of Diners (NZ) Limited (DCNZ). DCNZ is a credit card company offering credit to its customers through its own branded credit card under a franchise agreement with Diners Club International. The consideration for the acquisition will be settled on 11 March 2014, and at that same time the Group will also replace DCNZ's current funding arrangements.

Following the Group's previous acquisitions the Group considers it has gained sufficient scale to be able to operate its own Financial Services business. In addition to the DCNZ receivables this acquisition provides the Group with the infrastructure, core systems and people capability to operate and grow a Financial Services business.

It is anticipated that the purchase price for the shares will be approximately $3.123 million subject to the completion and finalisation of the 28 February 2014 acquisition balance sheet accounts.

Notes to the Financial Statements - continued

21. EVENTS AFTER BALANCE DATE - (Continued)

(d) Capital raise

The Group is raising $115.000 million through the issue of new shares, which will be used in part to fund the acquisition of Diners NZ and the future growth of the Group’s Financial Services business. The capital raising comprises a $100.000 million equity placement and a $15.000 million share purchase plan. The issue price for the placement shares will be $3.23 which is priced at a 5.0% discount to the dividend adjusted, volume weighted average market share price of the Groups shares during the 5 day trading period from 27 February 2014 to 5 March 2014 (inclusive). The settlement and allotment date for the placement shares is 13 March 2014.

Under the share purchase plan, each shareholder with an address in New Zealand on the register at 5pm on 18 March 2014 will be eligible to invest up to $15,000 in new shares. Further details regarding the share purchase plan will be announced to the New Zealand stock exchange when they are confirmed.

(e) Capital management

On 5 March 2014 the board approved a change to the Group’s dividend policy. The Group’s new dividend policy is to pay a dividend to shareholders of between 75% and 85% of adjusted net profit (refer note 14). The Group’s previous dividend policy was to pay a dividend equal to 90% of adjusted net profit. To provide shareholders with certainty around the level of dividends which are expected to be paid during the current financial year and the following 2015 financial year, the Group has indicated it will target paying a minimum annual dividend of at least 19.0 cents per share (subject to no significant change in trading and market conditions). The 2014 dividend would comprise the current half year dividend of 13.0 cents per share and a final dividend of 6.0 cents per share expected to be declared when the Group’s full year result is announced.

22. RELATED PARTIES

During the period the Group has not entered into any material contracts involving related parties or directors' interests, other than the Torpedo7 transactions detailed below. No amounts owed by related parties have been written off or forgiven during the period. Apart from related party advances, directors' fees, key executive remuneration and dividends paid by the Group to its directors, there have been no other related party transactions.

(a) Advances to related parties

In April 2013 an advance was provided to certain minority shareholders of the Torpedo7 group as a prepayment of contingent consideration arising from the Torpedo7 acquisition. The advance had a principal of $3.000 million with a 4.0% interest rate which was payable quarterly and secured over the vendors minority shares held in the Torpedo7 group. In March 2014 an agreement to settle the contingent consideration payable in respect of the Torpedo7 acquisition was made (refer note 19) with part of proceeds received by the minority shareholders used to fully settle the related party advance.

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.