THE WAREHOUSE GROUP LIMITED ANNUAL REPORT 2014

BUILDING FOR THE FUTURE, DELIVERING TODAY

This Annual Report is dated 17 October 2014
and is signed on behalf of the Board by:

Eduard (Ted) van Arkel
Chairman

Keith Smith
Deputy Chairman

Contents

Annual Meeting

The Annual Meeting of shareholders of the Group will be held in the Guineas Ballroom, Ellerslie Event Centre, 80–100 Ascot Avenue, Greenlane East, Auckland, New Zealand, on Friday 21 November 2014 commencing at 10.00am.

21
November

BUILDING FOR THE FUTURE, DELIVERING TODAY

Our retail businesses are at different points in their strategy but are well positioned to deliver long-term sustainable profitable growth to our shareholders.

We will continue to build on the momentum generated over the past year, while continuing to deliver today.

Our aim – build on strategies that deliver long-term sustainable profitable growth.

THE WAREHOUSE GROUP

CHAIRMAN AND CEO'S REPORT

Eduard (Ted) van Arkel, Chairman

Mark Powell, Group Chief Executive Officer

While adjusted profit has reduced from the previous year, the company has been significantly reshaped and is well positioned for the future.

The Board understands this now has to be leveraged into profit growth, and Management is very focused on achieving this. The Group's strategy has evolved and comprises five key result areas: Keep the 'Red Core' strong, Grow 'Non-Red' profit to be as large as 'Red', Be the leading Multichannel and Digital retailer in New Zealand, Be a leading NZ Retail Financial Services Company and Leverage Group Competencies and Scale.The Board is confident this strategic focus will deliver results for our shareholders.

The Warehouse

The Warehouse (Red Sheds) reported sales for the full year of $1,665.2 million, an increase of 4.7% or $74.1 million compared to last year. Same-store sales increased 3.2% for the year. Sales in the second half were $745.1 million, an increase of 2.9%, with same-store sales growth of 2.2%. Same-store sales in the fourth quarter were up 1.5%.

The major drivers of sales growth in FY14 have been the store refit and refurbishment programme, better customer service through our investment in the 'Career Retailer Wage' and our 'Love Your Customer' training programme, improved private label product quality and the introduction of major brands, such as Sony, Samsung, Hewlett Packard and Kambrook. There have been particularly strong category performances in womenswear, consumer electronics, gaming, baby, consumables, small appliances, whiteware and jewellery. In spite of a late and warm winter, overall gross margin percentage for the full year was the same as last year. However, this was below planned levels and therefore was not sufficient to fully cover the cost invested to enhance customer experience, resulting in an operating profit decline compared to that of FY13.

The Red Sheds have now had 14 quarters of positive same-store sales after many years of ongoing decline. This turnaround in customer perception has required significant investment in our stores, our products and our people over the last three years. We expect to see operating profit growth resume in FY15.

Warehouse Stationery

Warehouse Stationery sales were $250.6 million, an increase of 8.1% compared to last year. Same-store sales increased 5.3% for the year. The second half saw sales of $129.0 million, up 7.6%, and same-store sales growth of 5.7%. Same-store sales in the fourth quarter were up 5.3%. Warehouse Stationery has now had 20 quarters of same-store sales growth. This sales growth is translating into significant operating profit leverage, with an increase in FY14 of 14.3% to $11.8 million.

The rebranding of Warehouse Stationery around the 'Work, Study, Create, Connect' positioning has helped drive growth. The year saw another three stores opened as part of the continued roll-out of a nationwide store network.

Noel Leeming

Noel Leeming sales were $620.5 million with same-stores sales increasing 5.6% for the year. The second half saw sales of $291.8 million, up 6.7%, and same-store sales growth of 2.2%. Same-store sales in the fourth quarter were down 2.1%. While the same-store sales growth softened in the fourth quarter, this was expected as the closure of Bond & Bond annualised, and the sector cycled the iPhone 5 launch in FY13. However, Noel Leeming continues to be the market leader, outpacing its rivals and growing market share in the last year including the softer fourth quarter. Operating profit was $11.3 million, in line with expectations.

Noel Leeming has just launched its rebranding, based on delivering the right product, at the right price, with leading services, delivered through passionate people with expert service. Competitive advantage will be achieved through our team, with product knowledge, advice and service as a key differentiator.

Torpedo7 Group and Multichannel

Torpedo7 Group sales were $107.7 million, with an operating profit of $1.1 million. FY14 was a year of substantial change, with the integration of the acquisitions of No1 Fitness, Shotgun Supplements and R&R Sport, along with the opening of a new fulfilment centre in Hamilton. The business is now well positioned to be launched as a leading multichannel outdoor, adventure and sport business, with strong growth potential.

Dividend

The Directors have declared a final dividend of 6.0 cents per share, representing 100.9% of adjusted earnings, which will be paid on 11 December 2014 with the record date being 28 November 2014.

Strategy

The Warehouse Group has reshaped itself substantially over the past three years and is now entering a period of consolidation to leverage the changes made. As a trading Group with multiple business units we have clear strengths and competencies that significantly add value to each unit. While our retail businesses are at different points in delivering strategy, we are well positioned to deliver long term results to our shareholders.

At our half year, we announced that the Group had added a fifth priority to its four strategic priorities – 'Be a leading NZ Retail Financial Services Company.' Going forward, the five strategic priorities are:

- Keep the 'Red Core' Strong.
- Grow 'Non-Red' profit to be as large as 'Red'.
- Be the Leading Multichannel and Digital Retailer in New Zealand.
- Be a leading NZ Retail Financial Services Company.
- Leverage Group Competencies and Scale.

Keep the 'Red Core' Strong

We continue to deliver on the 'House of Bargains', 'Home of Essentials' strategy – from delivering quality improvements and improving price perception to buying better and working smarter.

Putting the customer first keeps the 'Red Core' strong and, we believe, by empowering our team members to be the best they can be, this positively impacts the shopping experience for our customers. Our 'Way of Working' framework and 'Working Smarter' programme ensures team members can make decisions that drive our business to be truly Customer-Led, Store Focused and People Centred.

While the market continues to be challenging, we will work to embed and evolve our price and promotional framework to achieve excellence, increasing basket size and driving gross profit.

Grow 'Non-Red' profit to be as large as 'Red'

Noel Leeming Group, Warehouse Stationery and Torpedo7 Group are all significant businesses that continue to grow and evolve, making substantial contributions to the bottom line.

In September 2014, Noel Leeming's branding strategy introduced a new logo, a rebrand of all stores, updated promotional material and a contemporary new uniform for its 'passionate experts'. As passionate experts Noel Leeming will continue to have the right product at the right price, with passionate people providing expert service, together with leading services.

Warehouse Stationery will continue to evolve its 'Everything you need to Work, Study, Create, Connect' strategy to ensure it continues to 'Take care of business'.

Torpedo7 Group is being developed into a new outdoor and adventure sport retail vertical that is looking forward to delivering customers a unique multichannel experience with both bricks and clicks.

Be the Leading Multichannel and Digital Retailer in New Zealand

We know the retail landscape is evolving rapidly with the online space growing faster than traditional bricks and mortar. Our aim of becoming New Zealand's leading multichannel and digital retailer enables us to offer customers new ways to obtain the best bargains as we continue to move through this digital transformation.

Understanding our customers, the market and channels is critical if we are to achieve the right balance between short-term growth and long-term sustainability. Leading in digital marketing, expanding the alternative channel presence and leveraging our scale and sourcing expertise continue to be the critical drivers going forward.

'Click Madness' is an example of this. The Group launched 'Click Madness' following the worldwide phenomenon, 'Cyber Monday', which has become the biggest single online sales day in the United States, and China's 'Singles Day', which is now the biggest online shopping day of the year – worldwide. Kiwis are savvy shoppers who are constantly on the lookout for a bargain and have an enormous appetite for online shopping. 'Click Madness' is essentially one day only of the greatest deals shoppers can get and, as New Zealand's biggest retail Group, we are able to offer events of this scale with amazing deals.

Another example and strategic model is ShopHQ. ShopHQ is a 51%-owned joint-venture company that is a pure play online site, enabling us to learn fast in the online space, with the ability to develop further vertical partnerships that appeal to the same customer base. Pet.co.nz and Baby.co.nz have developed a solid foundation under the ShopHQ umbrella, and built the platform for a number of new sites launching soon. Customers also love the autoship option, which is a key differentiator for us, allowing customers to place an order for a frequent recurring delivery. This works very well in situations where there is a regular order cycle such as pet food or nappies.

Everybody's favourite, Red Alert, The Warehouse's daily deal site, continues to delight and surprise with one-off deals at great prices on well-known brands. This website continues to attract customers who are enticed by the super low prices on an amazing array of products sourced by our team who can 'sniff' out fantastic bargains.

Across the Group we now have a unique audience of more than 1.1 million New Zealanders visiting our sites each month, which places us second only to TradeMe in New Zealand's online space.

Leverage Group Competencies and Scale

In a Group our size it is apparent there will be times when brand-led approaches will deliver greater outcomes. However, we will continue to leverage our Group's 'Way of Working' to identify and develop appropriate synergies in shared services that will add value and deliver cost benefits. At the same time we will constantly remain Customer-Led, Store Focused and People Centred.

We will also continue to maximise the cross-brand trading opportunities, leveraging our scale and building competitive advantage, including developing key strategic supplier relationships and growing the commercial and educational customer base. Through the Shanghai Representative Office and other channels, we will leverage the group sourcing expertise and logistics capability.

Be a Leading Financial Services Retail Company

Since the acquisition of Diners Club (NZ) in early 2014, we have been working on developing a range of products that have a strong fit with our retail brands' personality and positioning. We are now embarking on a five-year strategy which will include credit cards, consumer financing options, insurance and extended warranties. We would expect our Financial Services company to be making a solid contribution by FY16.

Outlook

It is an exciting time for the Group as we continue to evolve and establish a strong platform for growth and build on the momentum generated over the past year, while continuing to deliver today. The economy grew strongly in the first half of 2014, but the pace is now slowing. Although some parts of the economy are easing, spending behaviour is gradually returning to normal and consumer confidence is growing.

Customers are more savvy, using technology to research potential purchases across a variety of retailers, both here and overseas, ensuring they search out the best deal. However, we know that by continuing to invest in our people we will continue to deliver first-rate service and ongoing loyalty across all brands. Of course, this is only possible if we continue to have the right product at the right price.

We would like to thank everyone who supports the Group: our customers, suppliers, shareholders, the community and our enthusiastic, engaged and passionate teams across all brands – The Warehouse Limited, Noel Leeming Group, Warehouse Stationery Limited and Torpedo7 Group.

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EDUARD (TED) VAN ARKEL
Chairman

MARK POWELL
Group Chief Executive Officer

IN MEMORIAM

It was with deep sadness that the Board of Directors advised of the sudden death of Stephen Small, the Group Chief Financial Officer, in May 2014. Stephen was 39 years old.

Stephen joined The Warehouse Group in April 2012 where he was responsible for corporate finance, business planning, acquisitions and divestments, investor relations and property development. He was also Chairman of The Warehouse Financial Services Limited, a joint venture with the Westpac Banking Corporation. Stephen was instrumental in formalising a number of strategic acquisitions including the Noel Leeming Group, Torpedo7, No1 Fitness, Shotgun Supplements, R&R Sport, Diners Club (NZ) and the Postie Plus Schooltex business.

Stephen was very astute and a hugely respected member of the Executive team and he is missed by his friends and colleagues at The Warehouse Group.

THE BOARD

① EDUARD (TED) VAN ARKEL
FNZIM

Chairman and Independent Non-Executive Director

TERM OF OFFICE:

Appointed Director 1 July 2011, elected 2011 Annual Meeting

BOARD COMMITTEES:

Member of the Audit Committee and the People and Remuneration Committee

Ted possesses a strong retail background and director experience across a broad range of industries. He is a professional director who has more than 40 years' experience in the retail and wholesale sectors and has been Chairman or a director of a large number of public and private companies. Currently he is Chairman of Restaurant Brands (NZ) Limited and Health Benefits Limited. Ted is also a Director of Abano Healthcare Group Limited, AWF Group Limited and several other private companies. Prior to becoming a professional director he was Managing Director of Progressive Enterprises Limited.

② KEITH SMITH
BCom, FCA

Deputy Chairman and Independent Non-Executive Director

TERM OF OFFICE:

Appointed Director 10 June 1994, last re-elected 2011 Annual Meeting

BOARD COMMITTEES:

Chairman of the Disclosure Committee, Member of the Audit Committee and the People and Remuneration Committee

Keith has been involved with The Warehouse since Sir Stephen opened his first store in 1982, initially providing accounting, tax and corporate advice, and was Chairman from 1995 to May 2011. He has a long-standing record of leadership as a director and advisor to companies in a diverse range of industries, including the energy sector, rural services, printing, media and exporting. He brings considerable experience and governance expertise to his role as Deputy Chairman of the Board. He is Chairman of listed company Goodman (NZ) Limited (the Manager of Goodman Property Trust) and is a director of Mighty River Power, Westland Dairy Co-operative Limited and several other private companies. Keith is a past President of The New Zealand Institute of Chartered Accountants.

③ SIR STEPHEN TINDALL

KNZM, Dip. Mgt, FNZIM, CFisntD, HonD, DCom Honoris Causa

Founder and Non-Executive Director

TERM OF OFFICE:

Appointed Director 10 June 1994, last re-elected 2013 Annual Meeting

BOARD COMMITTEES:

Member of the Disclosure Committee and the People and Remuneration Committee

Sir Stephen founded The Warehouse in 1982 and grew the company into a billion-dollar business before stepping down as Managing Director in 2001. His vision for creating an organisation to provide support for worthwhile initiatives benefiting New Zealand and New Zealanders resulted in the establishment of The Tindall Foundation, promoting a 'hand up' rather than a 'hand out' philosophy.

Sir Stephen has seen many personal honours and awards come his way. In August 2009 he was bestowed the accolade of a knighthood in recognition of his work with New Zealand businesses and the community. He has helped ordinary Kiwis reach their potential and is a true leader across the spheres of business, community and the environment. Through his investment business K1W1, Sir Stephen has invested in over 100 New Zealand export-oriented technology companies, with a goal to help New Zealand businesses thrive on the world stage. Sir Stephen appointed Robert Tindall to be his alternate Director effective 1 July 2011.

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④ ANTONY (TONY) BALFOUR

BCom

Independent Non-Executive Director

TERM OF OFFICE:

Appointed Director 15 October 2012, elected 2012 Annual Meeting

BOARD COMMITTEES:

Member of the People and Remuneration Committee

Tony has extensive global retail and e-commerce experience with a strong track record in a diverse range of industries. Most recently he was General Manager (Markets) for Icebreaker Clothing with responsibility for the company's global business units in New Zealand, Australia, USA, Canada, Europe and Asia as well as the development of the company's rapidly growing e-commerce and retail business units. Prior experience includes senior roles in Monster.com and Seek.com, both successful online recruitment sites. Tony also spent nine years at Nike in senior general management roles in the USA, Australia and Asia Pacific regions. Since 2009 he has been a director of Silver Fern Farms Limited, New Zealand's largest meat company. Tony also joined Les Mills International (the world's leading provider of group fitness programming) in November 2013 as an independent director.

⑤ JAMES OGDEN

BCA (Hons), FCA, CFinstD

Independent Non-Executive Director

TERM OF OFFICE:

Appointed Director 4 August 2009, last re-elected 2012 Annual Meeting

BOARD COMMITTEES:

Chairman of the Audit Committee and Member of the Disclosure Committee

James brings strong financial expertise to the Board and director experience across a broad range of industries. He has had a distinguished career as an investment banker for eleven years, six years as Country Manager for Macquarie Bank and five years as a director of Credit Suisse First Boston. James has also worked in the New Zealand dairy industry in chief executive and finance roles for eight years. In addition to his role as a director of The Warehouse Group Limited, he is a director of Summerset Group Limited, Vista Group International Limited and Vehicle Testing Group Limited and is a member of the New Zealand Markets Disciplinary Tribunal. Former directorships include New Zealand Post Limited, Kiwibank Limited, NZX-listed Powerco Limited and Capital Properties New Zealand Limited.

⑥ VANESSA STODDART

BCom/LLB (Hons), PGDip in Professional Ethics

Independent Non-Executive Director

TERM OF OFFICE:

Appointed Director 17 October 2013, elected 2013 Annual Meeting

BOARD COMMITTEES:

Chairman of the People and Remuneration Committee

Vanessa is a lawyer by profession. She was previously Group General Manager of Technical Operations and People at Air New Zealand for almost 10 years. Prior to this Vanessa held positions at Carter Holt Harvey Packaging Australia as Chief Executive and General Manager Performance Improvement, as well as change management and legal positions. She is a member of both the Australian and New Zealand Institute of Directors, an honorary fellow of HRINZ, a Companion of IPENZ and is currently assisting with diversity initiatives in the engineering profession. Vanessa is an Independent Director for NZ Refinery, Alliance Group and Paymark. She is a member of the Tertiary Education Commission, the Global Women Board and King's College Board and currently chairs the Otago University Business School Advisory Board.

⑦ JOHN JOURNEE

Non-Executive Director

TERM OF OFFICE:

Appointed Director 17 October 2013, elected 2013 Annual Meeting

BOARD COMMITTEES:

Member of the Audit Committee (since August 2014)

John has had an extensive retail career which includes executive experience across sectors that span general merchandise, fashion apparel, FMCG, consumer electronics, telecommunications, and electricity retailing and services. Over his 30-year career he has spent 15 years with The Warehouse Group, starting as a joint-venture partner in 1990 and progressing through senior roles in operations, marketing, merchandise, international sourcing and business development, before taking a role in the UK with a telecommunications company. He rejoined in 2012 when The Warehouse Group acquired Noel Leeming, where John was CEO. He is also Chairman of online electricity retailer Powershop and fashion retailer Max Fashions. John has previously been a non-executive director of multichannel retailer EziBuy.

CONTINUING TO BUILD ON STRONG FOUNDATIONS

The 'Red Sheds' have now delivered 14 consecutive quarters of positive same-store sales. The Warehouse continues to make progress as New Zealand's 'House of Bargains' and 'Home of Essentials'. This supports the strategy of ongoing investment in stores, people and products, delivering improvements to our customers and keeping the 'Red Core' strong.

Our key result areas reflect a natural evolution from those stated in our 2013 Annual Report:

1. Strengthen brand and price positioning
2. Continue to invest in our people
3. Improve store experience
4. Deliver sustainable sales and gross profit growth
5. Deliver your Warehouse, your way
6. Operate better, simpler, cheaper

thewarehouse

where everyone gets a bargain

Strengthen brand and price positioning

In the previous year we worked to establish and drive clear brand positioning, personality and approach to price and promotion. This has evolved into embedding the brand positioning and price and promotion framework, with a focus on our point of difference and bringing these to life in-store. During the year, we launched the brand reappraisal programme inviting customers and non-customers to come and take another look at The Warehouse. This message, along with more consistent execution of leadership in pricing, product quality and store experience, has resonated with customers through sustained growth and transactions in-store. We will continue to bring the 'House of Bargains' and 'Home of Essentials' to life for customers every day.

Improving category performance to ensure that customers obtain the product quality and 'fit for purpose' they deserve is critically important. This is fundamental to the ongoing success of The Warehouse.

The continued introduction of reputable global brands is an essential foundation to product quality.

We continue to pay very close attention to feedback from customers about the quality of the products we sell – whether through exit surveys, customer focus groups or queries and complaints coming through to our contact centre. Every complaint is taken seriously and investigated thoroughly – we pride ourselves on providing prompt and transparent responses to our customers.

We have a dedicated team of quality technicians based in Auckland and Shanghai working closely with our buyers and suppliers to ensure 'the quality is right' first time. Their actions trace every step in the quality management process from initial product evaluation, reviewing specifications and compliance documents, checking production test reports and finally granting approval for products to ship.

In addition to these steps taken to ensure the quality of our own branded ranges, we are also enhancing our overall quality offering to customers with the introduction of more and more of New Zealand's favourite national and international brands.

Three 'Winning at Retail' modules launched in FY14 have already had a substantial impact, with material benefits already being realised.

Continue to invest in our people

We have continued our focus on providing a clear 'Way of Working' framework for our team. This way of working has helped set the standard for delivering a consistently positive shopping experience to customers. This year we began an initiative called 'Working Smarter', which used the tools and principles in the 'Way of Working' to help store teams identify issues that frustrated customers and to implement solutions that would address these concerns. Sixty-four stores went through this programme in FY14, which involved roll-out workshops for the team, in-store coaching and regular follow-up from the senior management team.

Our investment in the Career Retailer Wage has been well publicised, with over $2 million invested in bolstering the wages of team members who are fully trained and completed 5,000 hours of service. These experienced, capable team members are the backbone of our business. The Career Retailer Wage recognises the productivity and contribution of these team members, as well as the impact they have on the experience our customers have every time they shop in one of our stores.

Another step-change we have led is in our partnership with Massey University to develop a Bachelor in Retail and Business Management degree. The Warehouse Group has sponsored the 'Sir Stephen Tindall Chair in Retail', as well as working closely with Massey to design the content of the degree. From February 2015, The Warehouse will be offering scholarship opportunities for team members who have chosen retail as a career. Together with the Career Retailer Wage, this initiative sends a powerful signal that retail is a highly skilled and lucrative career path.

This year saw a significant investment in training for our merchandise teams, with the launch of our 'Winning at Retail' module series. These modules focus on broadening the commercial skills of the team, equipping them to negotiate, better manage logistical issues and ensure that a compelling proposition is delivered to the customer. The three modules launched in FY14 have already had a substantial impact, with material benefits already being realised.

Improve store experience

The stores continue to advance as we revitalise and refresh through our modernisation and refit programme. This ongoing programme saw 14 stores refitted and 12 externally modernised during the year and we are pleased this brings the total refitted in the last three years to 42. Including these and our new/refurbished stores, we now have 58 stores that are 'fit for purpose' and in line with brand. Of the 33 remaining stores, they are either due for a refit shortly, will be replaced by a new store or will require minimum investment. The Refit Programme will be completed by July 2016. Customers have recognised the improvements and have been delighted with the look and feel of these refreshed stores, continuing to provide positive feedback to store teams.

During this year, in the Auckland catchment, we closed Balmoral and Papakura stores and opened Takanini. In August we opened a brand new store in a prime retail position in Richmond, at the top of the South Island. At the end of April 2014 we were delighted to be able to also provide free Wifi to customers in all stores.

Last year we talked about 'Love your Customer' and 'Working Smarter', our in-store programmes that focused on customer service and improving efficiency. In the coming year, we will be concentrating on implementing better and simpler ways of working in all stores through 'Working Smarter 2' specifically focusing on the Front End, Night Filling and Ticketing. This will deliver improved customer outcomes through price accuracy, availability and reduced wait times. It will increase the efficiency of store teams by improving, simplifying and better supporting operational processes.

The improved store experience has impressed customers too, who like clean, tidy, organised and well laid out stores that are also well lit and airy, combined with friendly, engaged and knowledgeable team members. Sales have been underpinned by more customers visiting The Warehouse and we have had great success with events like the Toy Sale, Disney and Jewellery VIP nights, which have resonated well with our customers. Team capability has been further enhanced by investing in our people and their product knowledge training.

14 stores refitted

12 stores externally modernised

Deliver Sustainable Sales and gross profit growth

Category strategies ensuring the delivery of great product at the right price have evolved into customer-focused strategies to drive sustainable sales and margin growth through continuous improvement. Further leveraging our 'Way of Working' in sourcing and pricing, continuous improvement in quality and looking at new sourcing opportunities supports the margin dollar growth in categories. By embedding our 'Buying Better' initiatives, this gives our category teams a framework in which to maximise gross profit and sales, enabling our teams to work smarter in the areas of pricing and category management.

We continue to strengthen our position in the consumer electronics, small appliances and whiteware categories, with audiovisual, jewellery, gaming, health & beauty, womenswear, childrenswear and menswear being major drivers of sales growth. This has been further enhanced by the acquisition of the Schooltex brand from Postie Plus Group in January 2014. This allows us to provide families with more choice for their 'Back to School' needs with the uniform brand complementing existing apparel and school product ranges.

Deliver your Warehouse, your way

The face of retail is evolving rapidly with customers challenging retailers to provide a seamless customer experience and value proposition; that is, 'Anywhere, Any Way'. The Warehouse makes it easy for customers to shop 'Anywhere, Any Way' with the ability to shop our whole range in-store, online or on-the-go, and to have the ability to pick up in-store (click and collect) or to have delivery to their home.

Using our channels and digital engagement for the promotion of products and brands means we can ensure a superior customer experience and grow category sales. Accelerating online growth is key to maintaining our position of enabling customers to shop when and how they desire. We cannot ignore the growth of alternative online sites, both in New Zealand and beyond, so will continue to evolve our capability to match customer expectations.

Saving time and money is an important consideration for our customers and is why we introduced The Warehouse Mobile Shopping App. Customers love to research and price-check products and now, with our mobile app, if a customer finds an identical product in another retail store they can cross-check The Warehouse price on the spot – that way, they know they are getting the best possible price when they shop with us.

Community

We also continue to build on our existing community strategies – that is, our neighbourhood, regional and national partnerships – and will continue to communicate our successes so our stakeholders know we are meeting their expectations as a good corporate citizen. Please see page 34 for an update on our community activity.

WORKING SMARTER AND SELLING SMARTER

Operate better, simpler, cheaper

In the year ahead we will be explicitly focusing on productivity and simplicity within our existing 'Way of Working' framework, to build sustainable operating profit growth. The operating model needs to be better for customers, simpler for team members and cheaper for the cost of doing business.

We will ensure our customer-led service and productivity improvement in stores is optimised through the investment in people and through the 'Working Smarter' and 'Selling Smarter' programmes, delivering improved customer outcomes such as availability and pricing. We will also continue to identify and drive opportunities to improve key productivity measures throughout the business achieving greater returns on space, capital, inventory, people and marketing. 'Better, simpler and cheaper': better for customers, simpler for our people and cheaper for profit.

The future

As we move into FY15, we will continue to build our understanding of our customers so that we can deliver better products and services to them at the right price, and earn their loyalty by doing so. Improving operational effectiveness, the customer experience and being at the forefront of multichannel delivery are key to enabling our customers to 'love The Warehouse'.

The future is exciting with a good platform for sustainable growth. We will maintain our investment in the 'look and feel' of our stores to deliver a superior customer experience. We will also continue to invest in multichannel initiatives to deliver a seamless customer offering, cementing The Warehouse as New Zealand's leading retailer where the desirable is affordable.

I would like to acknowledge and sincerely thank all our Red Shed team members for their ongoing support, enthusiasm and commitment, as well as our suppliers and customers who make us the 'House of Bargains' and 'Home of Essentials'.

SIMON TURNER
Chief Executive Officer

BUILDING ON A MORE DIVERSE RANGE

With 20 consecutive quarters of same-store sales growth, customers are telling us that Warehouse Stationery (Blue Sheds) is on the right track and the focus remains on providing our customers with 'Everything you need to Work, Study, Create, Connect'.

This has been supported by the introduction of new, innovative products such as 'fashionery' (fashion stationery), along with additional technology brands and ranges creating desire and excitement. New print and copy centre services strengthen our position as New Zealand's only truly national print and copy network. A refresh of our art and craft range has also added inspiration for our customers.

The market place that we operate within is an ever-changing one with some declining trends in traditional stationery categories, increased penetration of technology in people's lives and of course a higher demand for personalisation and more targeted communication.

We have a highly engaged and capable team who has been able to respond to the changes in the market place and effectively deliver on the strategy.

We have six key result areas:

1. Brand positioning
2. Product strategy
3. Services strategy
4. Customer channels
5. Store experience
6. Way of Working

warehouse stationery

Brand positioning

This year saw the refresh of the Warehouse Stationery brand underpinned by Work, Study, Create, Connect. This has been received extremely well externally and internally. Our focus has been to embed the brand in everything we do and bring it to life in all our customer touch points.

Product

Warehouse Stationery is the one-stop shop for Kiwis and New Zealand businesses and provides a wide range of products and services for the four customer pillars – Work, Study, Create, Connect.

We continue to be the number one destination for our customers' 'Back to School' needs. Setting up children for success can be expensive, stressful and time consuming. Over the years, we have improved our position to provide the largest range of school supplies, the latest technology and an extensive range of furniture and arts and crafts that helps customers to easily manage this time of the year. We are proud to continue to offer everyday value pricing, a great range and desirable fashionery, along with a 'Best Price Guarantee'.

Fashionery is all about eye-catching stationery that has the 'wow' factor. In late July we launched the limited-edition 'I Love Candy' collection, with eye-popping colour, sweet swirls and strong stripes and more than 75 candy-inspired products to choose from.

Customers love our technology and at Warehouse Stationery we continue to offer an excellent selection of well-known brands including Hewlett Packard, Apple, Canon, Brother, Epson and Samsung. As an authorised Apple retailer we are pleased to be able to now offer iPads in 30 stores and online through a 'click and collect' option, as well as an extended range of computer and mobile accessories. This year, we also launched 3D printers, enabling customers to turn their ideas from fantasy into reality.

Kiwis are a crafty bunch and they love to put that creativity into practice. Recently our Art and Craft ranges were updated adding many new and inspiring products. This includes an extensive array of Art and Craft materials including scrapbooks, stickers, paint, tools, glitter and embellishments galore. With such a wide variety, we can easily satisfy the professional, amateur and novice art-and-crafter. Our website also offers inspiration through a number of art and craft projects that are easy to complete, providing the opportunity to create something absolutely amazing and of course original, whatever the skill level.

Looking ahead, our product strategy will continue to evolve alongside our customers' needs to provide the right solution to enable them to Work, Study, Create, Connect.

With such a wide variety, we can easily satisfy the professional, amateur and novice art-and-crafter.

Our focus has been to embed the brand in everything we do and bring it to life in all our customer touch points.

Services

Delivering our customers' needs does not end with great products and great prices. In this fast-paced environment it is also important that we provide the right services that are aligned to our customers' needs and our brand.

With 64 dedicated Print & Copy Centres across the country and a very comprehensive range of services, we are New Zealand's largest retailer providing print and copy services – offering customers high-quality printed products with a 'Best Price Guarantee'. Combined with innovative and inspirational approaches and a simple process, this makes the experience positive for all customers. Over the past year we have introduced self-service, wide-format printing and Duraprint (waterproof) options to assist customers with their 'big ideas' and plan printing needs. Our 'Pull Up' banners, making messaging stand out, continue to be popular, as do our light-hearted caricature and photo restoration services for making that ideal personalised gift. We have worked hard to ensure customers can access these services in-store and online and that we are top of mind when it comes to delivering a fast and friendly service, with low prices, great quality and at convenient locations.

Customer Channels

BizRewards, our loyalty programme, has been very successful since its launch in 2010. To date, we have over 35,000 businesses and schools that are choosing this smart and rewarding way to shop for their business needs.

We have continued to develop this programme and are pleased to be able to offer BizRewards across three major New Zealand brands: Warehouse Stationery, The Warehouse Limited and Noel Leeming Group. This year we also introduced loyalty recognition by means of a tiered system of Blue, Silver and Gold, where customers can accelerate their status and rewards through points earned on their spend.

Delivering a great customer experience is at the heart of our strategy and the stores are critical in providing this.

Store Experience

Delivering a great customer experience is at the heart of our strategy and the stores are critical in providing this. We have continued to invest in the stores in three major ways – new stores, modernising existing stores and our team members.

We opened three new stores in the financial year – Oamaru, Lower Hutt and Takanini – and on 14 August 2014 we opened Victoria Street (Auckland Central), strengthening our conveniently located New Zealand-wide network and taking our total number of stores to 64.

During the year, we also modernised seven of our existing stores across the country. This programme will continue into FY15.

Our team members and store management teams have benefited from a comprehensive learning and development programme which has seen all team members taking part.

64 **stores** **nationwide**

7 **stores** **modernised**

Way of working

A successful, fast-growing company requires significant teamwork and we were delighted to receive formal acknowledgement by winning the following awards: firstly, as a winner of the Kenexa Best Workplaces Award (Enterprise Category Winner 2013); and secondly, the 2013 'Retail Employer of the Year' Award (Medium Category).

This is testament to our highly engaged team who are committed and passionate about all things stationery. We continue to invest in our people with product and sales training to ensure they have the best skills and tools to undertake their roles, be it customer facing or behind the scenes.

Community partners

'Partnering with you for a better community' has seen Warehouse Stationery work even closer with our national partnerships, The Salvation Army and CanTeen, raising over $40,000 for each of the charities through in-store 'Add a Dollar' campaigns. Going forward, we will look to establish and grow regional partnerships as well as increasing funds raised through our national partnerships.

For full details on our community engagement please see page 40 of this report.

Support your school

The 'Support your School' programme is part of our ongoing commitment to New Zealand education. This initiative is an easy way for students, their families and the whole community to give back to their school all year round. It is designed to help as many education providers as possible including early childhood centres, primary, intermediate and secondary schools. More than 90% of New Zealand's education providers have earned 'Support your School' points.

New Zealand's Most Inspiring Teachers

We are proud to acknowledge that our 'New Zealand's Most Inspiring Teachers' programme is in its fourth year. Thousands of teachers are nominated each year as 'New Zealand's Most Inspiring Teachers'. Specifically, we judge and evaluate nominees on the qualities of dedication, creativity, enthusiasm and drive.

Congratulations this year go to our fantastic winners of 'New Zealand's Most Inspiring Teachers' awards in the following categories:

Early Childhood

Ms Francesca Bunting, City Impact Church Care & Education, Albany

Primary School

Mr Micah Hocquard, Medbury Preparatory School, Fendalton

Secondary School

Mrs Asha Kumar, Birkenhead College

In August 2014, we launched this year's programme, adding three inspirational judges: Bernice Mene (teacher and former Silver Fern), Margaret McCaw (teacher and Richie McCaw's mum) and Paul King (inspirational leader in secondary-school education).

The Future

It has been another busy year for the Blue Sheds as we work on bringing additional product innovation and the personalisation that customers are now demanding. We maintain our focus on becoming a seamless multichannel retailer and driving increased efficiencies and productivity, further building on our position and strength.

Taking care of business is what we do well and through our Work, Study, Create, Connect philosophy we will continue to ensure that customers have everything they need and want.

The next five years is about progressing our strategy, with a step-change that is focused on building on our strengths, ensuring our position in the market place, following the customer of today and tomorrow, and becoming more productive and efficient.

Our teams have, as always, been the pivotal point of our business and it is their dedication, enthusiasm and drive for success that has seen yet again another year of positive results with growth in sales, profit and positive customer feedback. I would like to thank our teams for their ongoing support in 'Taking care of business'.

PEJMAN OKHOVAT
Chief Executive Officer

BUILDING ON A SOLID GROWTH PLATFORM

We have the right product at the right price, with passionate people providing expert service, together with leading services.

noel leeming

Building on our 41-year history, we have moved from being a single store in Christchurch to become New Zealand's leading technology and appliance retailer. We have 71 technology and appliance stores, three Lifestyle Appliance stores, three clearance centres and of course our online store offering a comprehensive range of products and suite of services – all delivered by 1,600 passionate experts.

This has been further enhanced by our refreshed identity that clearly defines our brand positioning and personality. This represents the future direction of the business as being the authority in appliances, technology and services for both our retail and commercial customers. Customers will notice the difference both externally and internally with store signage, promotional material, advertising and a new contemporary wardrobe for the team.

Our continued success is based on five core pillars that support our brand positioning: Providing customers with the Right Product, at the Right Price, delivered by Passionate People with Expert Service and through Leading Services such as Tech Solutions, Open Learning Centres and Maclean Technology.

71 Technology and Appliance stores

3 Lifestyle Appliance stores

3 Clearance Centres

1 Online store

Right Product, Right Price

Continuing strong sales performance in all major product categories strengthens our position as New Zealand's No1 technology and appliance retailer. We continue to lead the market across multiple categories, for example, the Samsung Galaxy S5 and PlayStation 4 where significant pre-orders were received in advance. We were also first in New Zealand to launch the emerging category of 3D printers, demonstrating our market leadership in consumer technology. Providing better, smarter product solutions is the heart and soul of our business.

Kiwis want to know how our products and services can make their lives and businesses better and it is our sourcing ability and passionate experts that can provide the latest in trends, ideas, choice and advice. Our supplier relationships are critical to the way we do business as we continue to manage a balanced mix of supplier brands in each category, whilst at the same time identifying new and subcategories to stimulate and deliver optimum margin growth.

We will continue to focus on 'first to market' opportunities to validate our position that we are the 'authority' and 'market leader' in New Zealand, as well as providing flexible payment options, rewards through Fly Buys and passionate service that makes purchasing affordable, efficient and, most importantly, enjoyable.

Stores

By September 2014, every Noel Leeming store had been refreshed to match the new brand image. It is our desire to ensure all stores deliver a memorable and engaging customer experience. Our larger-format stores will include some or all of the following: a Tech Solutions area, an Open Learning Centre, Built-in Cooking Centre and a new and improved Mobile Solutions Zone.

Optimising the store experience for the customer is critical to increasing the awareness of our services and the opportunity for customer interaction at a personal level. For example, our Built-in Cooking Centres will be used for in-store demonstrations, creating interactive experiences while, at the same time, showcasing the features and benefits of the latest products.

The Noel Leeming Group has gone from strength to strength in the past year, maintaining excellent sales and growing overall market share.

We will continue to invest in our people through learning, development and career prospects.

Passionate Experts

We continue to develop 'Passionate Experts' – the team members across all parts of our business who deliver the end-to-end service propositions that result in Noel Leeming being the leading technology and appliance retailer in New Zealand. This is reinforced through industry recognition of our store teams in winning 'Retailer of the Year' at the Wares Awards and having multiple nominations across categories.

A pathway of learning programmes exists for team members that, through a combination of facilitator-led training, technology-enabled learning, self-paced workbooks, coaching and on-job experience, enables them to be the best they can be. The development of our management and leadership teams continues to be a key focus with programmes such as the 'Store Manager Development Programme' and 'Retail Leadership Programme'. These initiatives expose team members to best-practice management and leadership development while also providing participants with greater insights into national and international retail trends.

We have made good progress in establishing a clear 'Way of Working' framework for our team. This structure provides team members with a common 'language' and tools that enable us to do business better. Together with the growth of our services offering to support our end-to-end customer proposition through the acquisition of Maclean Technology, and the expansion of Tech Solutions and our Open Learning Centres, this has resulted in meaningful career progression opportunities for our team.

We will continue to invest in our people through learning, development and career prospects, building engagement and offering the Career Retailer Wage. Customers know when they come into one of our stores they will continue to receive great service delivered by our passionate and committed experts.

Channels

We are the 'go to' solution for our customers, both retail and commercial – through the Open Learning Centres, Tech Solutions and Maclean Technology which are ingrained as part of our DNA.

The Open Learning Centres continue to assist customers become more 'connected' and 'savvy' in understanding and using new technology and getting the very best out of their purchase. The learning specialists can provide one-on-one assistance at home or in store and continue to tailor great packages for small to large business groups. Currently our Open Learning Centres are available in-store at St Lukes, Wairau Park, Manukau and Tauranga. We will have 13 centres nationally by Christmas 2014.

Purchasing technology can be daunting, especially if customers are not fully conversant with the product features and benefits. Helping customers to become connected is what we do. The Tech Solutions mobile technicians ensure our customers get the best out of their purchases from delivery, installation and after-sales service and advice – we have it covered.

Commercial business is growing at a phenomenal rate year-on-year and the acquisition of Maclean Technology in late 2013 will help Noel Leeming close the service gap, focusing on delivering both device-based and software-based services. Maclean provides IT services and solutions, freeing up organisations to concentrate on day-to-day business activities. Maclean provides a total IT management solution, whether it is infrastructure as a service, hosted desktops and virtual servers in the Cloud or on site at clients' offices, proactively providing support and maintenance to keep their business running. Opportunities like education, remote network monitoring and managed services are the areas we will be further developing with the aim of becoming the leading player in New Zealand.

Our team are experts at what they do and they are there to help customers make the right choices for their lifestyle.

Lifestyle Appliances

Lifestyle Appliances specialises in high-performance, stylishly designed kitchenware and laundry items and has over 30 premium brands including Asko, Electrolux, Fisher & Paykel Designer Series, ILVE, Scholtes, DeLonghi and Westinghouse, all of which are displayed in spacious purpose-built showrooms.

The Hawke's Bay is home to the latest unique luxury Lifestyle Appliances store with a dedicated specialist team and best-in-class product ranges. The other two Appliance specialist stores are Wairau Park and St Lukes, both of which are in Auckland. Two further stores will be opened before Christmas 2014.

We are proud also to announce that the nationwide brand ambassador for Lifestyle Appliances is Josh Emett, internationally acclaimed Michelin Chef and MasterChef New Zealand Judge. As a Kiwi, Josh complements our business through his personality and passion for food and his total professionalism – a recipe for success.

Our end-to-end service will continue to support customers' needs and be delivered by people who are the centre of our brand.

Community

We are very enthusiastic about our Mobile Learning Centre initiative. This Mobile Learning Centre will travel the length of New Zealand over a two-year period focusing on communities with decile 1–3 primary and intermediate schools, remote catchment areas and on the elderly.

This interactive learning environment will be filled with the latest technology and manned by passionate experts who have the ability to engage with adults and children alike, helping the community to connect and discover the power of learning through technology.

We anticipate our Mobile Learning Centre will enrich the lives of communities throughout New Zealand, inspiring them to learn about the technology that will shape their lives. It will also make Open Learning and Noel Leeming a household name in New Zealand as an authority on technology and a trusted brand that understands and inspires our communities.

The Future

It is an exciting time for the Noel Leeming Group as the authority in technology, appliances and services for retail and commercial customers. Our new brand image, refreshed stores and passionate experts sums up our brand personality and our 'New Zealand-ness', as a 41-year-old company. We will continue to build on the success and work already undertaken, returning on the expectations of our stakeholders.

Customers know and trust that we will have the right products and right prices. We will continue to be number one and top of mind for customers, achieving this through reputational strength, customer engagement and loyalty, as well as by understanding the uniqueness and individuality of our customers. We will continue to be first in market where possible, to bring customers new and innovative technology, appliances and connectivity.

Our end-to-end service will continue to support customers' needs and be delivered by people who are the centre of our brand – our 1,600 passionate experts. Service is at the centre of everything we do; it is a very important part of our business and a huge differentiator for us.

We believe competitive advantage and passionate experts will enable us to grow and continually strengthen our market position going forward.

I would like to sincerely thank our team members, suppliers and customers for their ongoing support and look forward to a very exciting year ahead.

TIM EDWARDS
Chief Executive Officer

NOEL LEEMING

OUR CONTINUED SUCCESS IS BASED ON FIVE CORE PILLARS

Providing customers with the **Right Product**

At the **Right Price**

Delivered by **Passionate People**

With **Expert Service**

Through Leading Services such as **Tech Solutions, Open Learning Centres and Maclean Technology**

BUILDING ON ACCESSIBILITY AND AVAILABILITY

We are New Zealand's leading outdoor and adventure sports multichannel retailer. We are investing in these channels – making sure we are where our customers want us to be – **'Anywhere, Any way'.**

Torpedo7


GROUP SALES
$107.7M
VALUE IS JUST A CLICK
AWAY, EVERY MIDDAY
SEE YOU OUT
THERE
CAMELBAK

Torpedo7

SEE YOU OUT THERE

The year has seen significant strategic change at Torpedo7. We have developed an exciting strategy for long-term sustainable profitable growth and built a solid platform for Torpedo7 to deliver this strategy of being New Zealand's leading outdoor and adventure sports multichannel retailer.

While strategic development has been the key focus during the year, trading has been positive in a tough retail environment. Torpedo7 has continued to drive sales and gross profit both in stores and online across our core categories. This has been achieved due to:

- **Acquisition of R&R Sport stores** – in December 2013 Torpedo7 purchased the R&R Sport chain of outdoor/adventure sports stores. R&R Sport is the best in the outdoor and adventure sports category, renowned for providing market-leading brands and products and exceptional levels of customer service.
- **Rebrand** – we have worked on bringing R&R Sport and Torpedo7 together under the one brand – 'Torpedo7'. The key for our customers is that we retained some DNA from each, ensuring that 1+1=3. The new combined brand was launched in October 2014 with the introduction of two new stores.
- **Category Expansion** – we have expanded the depth and breadth of our core product range to ensure we can provide our customers with all the products they want at great prices. This includes the addition of a new Fitness and Nutrition offering.
- **Improved Customer Experience** – we have worked hard to improve our customer experience service level agreements, with investment in customer service category experts to deliver the level of support customers demand. We are also seeing the dividends of an improved pick/pack and delivery function through our new 14,500m² fulfilment centre in Hamilton.
- **Development of Multichannel Marketing Programme** – we have activated an aggressive brand marketing and promotional programme combining the best from traditional media, digital and social media with a focus on brand awareness, customer acquisition and conversion.

With a solid trading platform across our bricks and clicks, a fully-developed strategy ready to roll out and key resources in all the right places, we believe the coming year will be significant in the delivery of our overall strategy.

Torpedo7 has continued to drive sales and gross profit both in stores and online across our core categories.

Our products are selected and used by the team who sells them – ensuring we can provide the customer genuine solutions with the right gear, best suited to their needs.

1-day.co.nz

Where value is just a click away, every midday!

1-day is the leading product daily deal site in New Zealand

The 1-day team has made a considerable shift in trading behaviour during the latter part of the year and has started to see pleasing results in month-on-month growth both in sales and margin within a challenging daily deals market, as follows:

- **Exceeding customer expectations** – increased product quality, delivery on time, best price offering has led to increased conversions and customer engagement.
- **Reduction in the top-up model** – ensured faster deliveries, efficient promotional planning, increased quality control.
- **Range** – reviewed the variety of products offered to drive up improved customer satisfaction levels.
- **Product Margin** – continued to drive margins up, without diluting customer expectations on price, delivery and quality.

The future is bright for 1-day, where we will continue to be New Zealand's largest daily deal website – offering a wide range of products for a fraction of the price.

To support a solid trading strategy for the coming year, we have a number of key initiatives to deliver strategic growth of the brand:

- Continuing to exceed customer expectations with substantial savings on high-quality goods.
- Refreshing the website, retaining its simplicity, personalising and welcoming new customers and having a mobile version to support the new look.
- Redefining our return and exchange policy, allowing more flexibility and freedom when buying online.
- Expanding into new categories – giving rise to branding opportunities and new customers.
- Marketing rebranding strategies including an alliance with market places, coupled with a strong social media presence via Facebook and Twitter.

Everything for Fitness

The team at No1 Fitness has continued to deliver year-on-year growth since becoming part of the Torpedo7 Group in early September 2013. The strong growth performance has been achieved this year by focusing on:

- **Great products** – a wide variety to suit all fitness needs and budgets. Constantly evolving and improving the brand hierarchy and product range – some exciting brands will be arriving in late 2014, exclusive in New Zealand.
- **Great service** – making fitness easier through expert advice. Helping customers by understanding their needs and providing them with fit-for-purpose products.
- **At a great price** – offering the best value on fitness equipment purchases, keeping prices down by buying smarter.

On top of this strong growth, the team has been busy updating its operating system. Accounting, Merchandising, Payroll and Warehousing have all migrated. For example, the warehousing network changed dramatically from being located in seven different sites around Christchurch to being consolidated into one national distribution centre in Hamilton.

FY13 was the year to establish the foundations for the future, delivering on our purpose to be New Zealand's leading fitness equipment multi-channel retailer.

In looking ahead, these are exciting times for our team at No1 Fitness, who are very passionate about fitness and helping Kiwis get fitter. The coming year represents another exciting period of continued growth for No1 Fitness as we will:

- Continue to drive sales and margin growth – we will open more bricks-and-mortar showrooms and improve our online e-commerce store.
- Expand our offering into other product categories to reinforce our brand position of 'Everything for Fitness'.
- Drive improvement in our customer experience in stores and online through live chat and 0800 support.
- Continue to expand into new markets.

FY13 was the year to establish the foundations for the future, delivering on our purpose to be New Zealand's leading fitness equipment multichannel retailer.

TORPEDO7 GROUP

NEW ZEALAND'S LEADING OUTDOOR AND ADVENTURE SPORTS MULTICHANNEL RETAILER

SHOTGUN SUPPLEMENTS
WWW.SHOTGUN.CO.NZ

We Beat Everyone's Prices.

Shotgun joined the Torpedo7 Group in early December 2013, and over the past year we have consolidated our position as New Zealand's biggest online supplier of sports supplements, protein powders, muscle builders and weight management products.

This financial year has seen considerable forward progress for Shotgun's future sustainable sales growth. We have:

- Relocated our national fulfilment centre.
- Expanded our product range.
- Migrated our website to a new provider that has helped us cope with the increases in site traffic and e-commerce.
- Improved our 0800 customer support service.
- Increased our Shotgun-branded range of sports supplements; this brand is now being sold in other channels within the Group.
- Recruited very capable merchandise and marketing people with a passion for sports supplements, to help us reach new customers and evolve our product and brand line-up.

Looking Ahead

The last 12 months has seen a period of immense change in the Torpedo7 Group. We have acquired a number of businesses along the way – initially, No1 Fitness, then Shotgun Supplements and finally R&R Sport – to form what is now a Group of companies under the Torpedo7 Group banner.

We now have three clear vertical offerings:

- **Torpedo7** – New Zealand's leading outdoor and adventure sport multichannel retailer
- **1 Day** – The leading daily deal site in New Zealand
- **No1 Fitness and Shotgun Supplements:**
  - New Zealand's leading fitness equipment multichannel retailer.
  - New Zealand's largest online supplements store with the best range, advice and service.

We have spent a great deal of time defining the strategy for each vertical, and, in the coming year, we will really start to deliver the strategy that has been set. Behind the scenes a significant amount of work has been undertaken looking at people, process and systems to ensure we have laid the right foundations to help us deliver this strategy.

We have brought Torpedo7 and R&R Sport together, in what we believe is a 'marriage made in heaven', and rebranded both under the new-look Torpedo7 banner. We now look forward to offering customers a real multichannel experience with both bricks and clicks.

Finally, I would like to thank all of the team across the Torpedo7 Group for the hard work everyone has contributed. The last 12 months has seen much change as we set ourselves up to deliver what will be a very exciting next chapter for our Group.

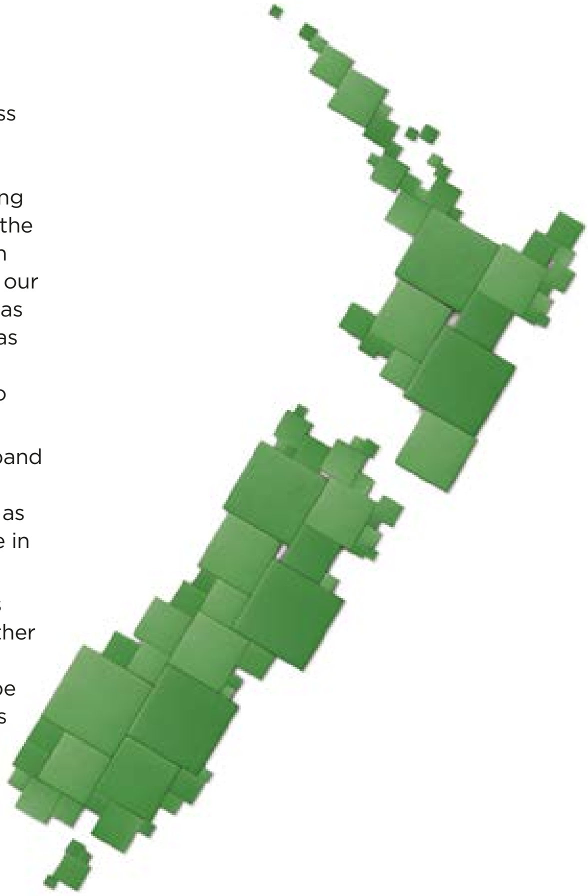
AARON GREENE
Chief Operating Officer

TOGETHER BUILDING A BETTER NEW ZEALAND

The building blocks for prosperity... at the heart of our business – we are constantly looking for new ways we can make a difference.

COMMUNITY & ENVIRONMENT

THE WAREHOUSE



Our community partnerships have continued and strengthened over the past 12 months. We have maintained our focus on supporting organisations that work with families and young people with the goal of helping build a stronger and better New Zealand, now and in the future. Last year, more than 550 Kiwi organisations received funding from our community programmes at a national, regional and neighbourhood level. Once again, our community partners covered a wide spectrum, from local schools and community groups to organisations that supported families and young people across the country in the education, wellness and general social sectors.

The Warehouse continued to receive enormous support for our community partnerships from customers and suppliers and raised and distributed a total of $3,531,057.

We also continued to make progress on reducing landfill, increasing recycling, reducing our carbon footprint, and engaging and assisting our team and our customers to do the same. In addition, our dialogue with national and local government and our membership of organisations such as the Sustainable Business Council has enabled us to commence planning further activities which will come to fruition over the coming years.

This year we have continued to expand the information contained in this Annual Report to our shareholders as part of demonstrating performance in this key strategic area.

As we bring each of the businesses within The Warehouse Group together and evolve their community and environment programmes we will be able to report more of our activities and metrics.

OUR NATIONAL COMMUNITY PARTNERSHIPS

The generosity of our customers and suppliers has enabled The Warehouse to continue to make a huge difference to Kiwi families and young people. This year we selected five charities to be our national community partners, who have a great fit with our 'families and young people' focus and provide amazing services and support across a wide but balanced spectrum.

Reducing the Digital Divide

The Warehouse continued our partnership with Variety – The Children's Charity with its 'Laptops for Learning' programme. Both organisations passionately believe that access to learning is a key to the future well-being of New Zealand and all New Zealanders and that no one should be disadvantaged by a lack of access to technology. Recognising that many low-decile schools struggle to provide this service, funds raised for this programme saw hundreds of laptops and tablets distributed to schools in many regions, with more to come.

Helping Out When There's a Need

The Warehouse continued to support Youthline so that this organisation could continue to deal with the tens of thousands of calls it receives on its 24/7 0800 HelpLine as well as texts, emails and face-to-face meetings. When life isn't as it should be for young people across New Zealand, Youthline is there to support and counsel, and the funds which The Warehouse's partnership with Youthline raised have helped save lives and see a way forward for thousands of young Kiwis.

Helping Kids Make Positive Choices

Life Education Trust has been helping kids in New Zealand reach their full potential since 1988. This organisation works with 250,000 primary and intermediate children every year to help them make informed choices about their health, respect others and learn to appreciate their uniqueness. The Warehouse is proud of our partnership with Life Education Trust and our commitment to them has helped the organisation develop and implement long-term plans, especially around the digitalisation of its material to more effectively meet contemporary learning methodologies.

Positive Parents Raising Positive Children

The Parenting Place believes that ‘family is everything’ and it does a fantastic job helping people on their parenting journey, providing ideas and solutions to help and encourage what can be a difficult passage. The Warehouse partners with The Parenting Place to support them with the delivery of its Toolbox Parenting Groups that provide practical strategies, inspiration and encouragement for parents that can be put to immediate use.

Helping Prevent Family Violence

It’s a tragic fact that every six minutes Women’s Refuge helps a woman on its crisis lines. As an organisation dedicated to keeping women and children safe, Women’s Refuge operates at many levels from its contact with individuals and families through to involvement with local community and government agencies. The Warehouse’s partnership with Women’s Refuge helps provide support and funding for its much-needed activities.

MAKING A DIFFERENCE

The Warehouse has also developed or embedded a number of other community partnerships over the past 12 months.

Garden to Table

Along with support from The Tindall Foundation, The Warehouse has initiated an exciting new partnership with Garden to Table. The Garden to Table programme is about changing the way children approach and think about food. Its aim is to see kids learning how to grow, harvest, prepare and share seasonal food. This holistic approach has a real fit with The Warehouse's commitment to sustainability and wellness within the community. This partnership has enabled Garden to Table to expand its programme into the Wellington area with Cannons Creek Primary its first school, with a further three planned in the near future.

Our holistic approach has a real fit with The Warehouse's commitment to sustainability and wellness within the community.

From Education to Employment

Youth employment is an issue across New Zealand and The Warehouse understands the challenge that some young people have in the transition from school to gaining their first job. Last year we extended our very successful 'Red Shirts in Schools' programme beyond Auckland into Wellington and Christchurch. Based on the very positive feedback we received – Red Shirts in Schools was operating in 80 of our 91 stores across New Zealand by the end of July 2014 – there are plans to extend this initiative to all stores by the end of 2014. The programme enables Years 11 to 13 secondary-school students to gain authentic workplace experience while achieving credits towards Level 2 NCEA. This programme is operated in partnership with The Warehouse by the industry training organisation that covers retail ServiceIQ – feedback we have received from this sector and from participating students is that the programme not only teaches them practical skills, especially in the areas of customer service and teamwork, but also increases their self-esteem and preparedness for interviews and future job opportunities.

This year, 1,654 students took part in the programme with many going on to become part of our store teams or gain employment with other organisations.

When Community Meets Environment

Educating children about nature, conservation and the environment is critical for our future. When doing this helps underprivileged kids gain life experiences they would otherwise miss out on, we achieve a great outcome. That's where our Zoo-fari partnerships with Auckland and Wellington Zoos come in. This year, thousands of children from the Auckland and Greater Wellington areas, who attend low-decile schools, had their transport and entry fees paid so they could visit the zoo and attend their education centres and learn about how they can support our environment and conservation. The Auckland Zoo-fari programme was funded with proceeds from our annual Bob Tindall Charity Golf Day supported by our suppliers, while the Wellington Zoo-fari programme is a regional partnership assisted by the generosity of customers in the region.

Helping the Families of Those Who Served New Zealand

The New Zealand Fallen Heroes' Trust provides direct, practical support to the families of those men and women who are wounded or killed while serving their country in the armed forces. For the second year now, we are proud to have partnered with our generous supplier, Sistema, and, thanks to its generous support, we have been able to further contribute to the work of the Trust.

New Zealand's Biggest Charity Dinner

Our suppliers are key partners in the bid to provide everyday essentials at great prices and fantastic bargains to customers across New Zealand. Our supplier base ranges from Kiwi manufacturers and importers to large multinational corporations, as well as suppliers associated with our representative office in Shanghai, China.

Each year, we host The Warehouse Group Supplier Awards and Charity Dinner – an evening that combines recognition and celebration with fundraising. The event held in November 2013 at the Viaduct Events Centre in Auckland saw over 1,000 suppliers from across the Group in attendance. For the second year in a row, the selected community partner was Variety – The Children's Charity and its ongoing 'Laptops for Learning' programme. The Warehouse saw what a difference funds raised at last year's dinner had made to this initiative and saw it as worthy of further support. With the backing of participating suppliers, $591,396 was raised in a single night.

Supporting Our Regions

Each of our nine regions has shown a passion for making a difference in their own communities. They each choose a community partner and all funds raised help families and young people who live in that region. Our 'Add a Dollar' campaigns at checkouts make a real difference to those regional partners.

This year, more than $703,273 was raised and distributed through our nine regions, from Region 1 in the deep south to Region 9 in the far north.

Region 1	Plunket Southland Otago Otago Rescue Helicopter
Region 2	Children's Ward at Christchurch Children's Hospital
Region 3	Wellington Zoo Wellington Children's Hospital St John Youth Programme
Region 4	Arthritis NZ
Region 5	Skylight
Region 6	Child Cancer Foundation
Region 7	Duffy Books in Homes
Region 8	The Hearing House
Region 9	Bluelight

How We Help Our Neighbours

The Warehouse believes that strong communities need strong businesses and that strong businesses need strong communities.

That's why, as well as the activities we undertake at a national and regional level, each Warehouse store does its best to support community organisations in its local neighbourhood. This involves the provision of BBQs for community groups' use to fundraise (in stores where our leases allow us to do so), and through coin-box donations and our 'Bags for Good' programme.

Our 'Bags for Good' programme combines a focus on the environment with supporting our communities. We understand that for some customers their preference is to put the goods they purchase in a plastic bag. Six years ago we introduced a 10 cent charge for each bag requested and the profits from that charge are directed straight back into supporting community organisations in each store's neighbourhood. Some of that money is used to provide donations to community groups who are holding fundraising events, while most of it is donated to the three organisations each store chooses to support every six-month period. When customers shop in our stores they can vote for which of the three organisations they'd like to see the money be given to and, at the end of the six months, all funds raised are provided according to the percentage of votes received.

As well as supporting neighbourhood community organisations in this way, since we started our 'Bags for Good' programme the number of plastic bags issued to our stores has decreased by 72% (FY14 compared to FY08).

Each Warehouse store does its best to support community organisations in its local neighbourhood.

Partnering with you for a better community and environment

Our community programme has made significant progress over the past year. We have strengthened our relationship with our national community partners and have created brand new regional partnerships across the country. Warehouse Stationery focuses on supporting organisations that work with families and young people and on assisting the education sector.

Key to the success of our community partnerships has been the enthusiasm of our teams and the generosity of our customers. Without this we would not have been able to have raised the $154,496, which has made such a difference to communities throughout New Zealand.

Our National Community Partnerships

This year, we maintained and developed our partnerships with our three selected national community partners, The Salvation Army, CanTeen and First Foundation.

Helping Families get 'Back to School' and Working with Disadvantaged Youth

The Salvation Army is an icon when it comes to helping people in need across the country. Our partnership with 'the Sallies' assists them to support the community in two ways.

Every year, thousands of Kiwi families struggle with the cost of stationery and other basic needs when it's time for their kids to go 'back to school'. Our campaign in the weeks prior to this challenging time of the year raised funds to help with this necessity.

We also helped with a programme that The Salvation Army operates to assist youth who are struggling to cope with society's demands which assists them with practical life skills as well as restoring their self-belief.

No Young Person Should Have to Deal With Cancer Alone

Warehouse Stationery is proud to have partnered with CanTeen, an organisation that supports young people living with cancer and their families. Our campaigns have raised funds to assist this outstanding organisation to fulfil its belief that no young person living in New Zealand ever has to deal with cancer alone.

Transforming the Lives of Young New Zealanders

First Foundation is a unique educational trust founded to give young New Zealanders with plenty of talent but few financial resources a hand up to tertiary education. Not only has Warehouse Stationery funded 24 scholarships since our partnership with First Foundation commenced, but we provide practical mentoring and on-the-job opportunities for students to develop their skills and earn funds to support them in their education.

Supporting Our Regions

This year, for the first time, each of our regions has selected a community partner to support and all funds raised help families and young people who live in that region. Our 'Add a Dollar' campaigns at checkouts have made a real difference to those regional partners and we look forward to continuing to develop this new area of community support for our business.

A total of $41,293 was raised and distributed through our regions this year.

National	
CanTeen Donation	34,141
Salvation Army 'Back to School' Donation	43,297
Salvation Army Pen	29,875
TOTAL NATIONAL	107,313
Regional	
Region 1	7,389
Regions 2 and 3 – Duffy Books	16,337
Region 4 – Bluelight	7,183
Region 5 – Child Cancer Foundation	10,384
TOTAL REGIONAL	41,293
CanTeen Bandanas	5,890
GRAND TOTAL	$154,496

NATIONAL FUNDRAISING

AUGUST 2013 TO JULY 2014	$
Variety – The Children's Charity	223,886
Women's Refuge	127,508
Life Education Trust	194,297
The Parenting Place	96,042
Youthline	165,694
Supplier's Dinner – Variety	591,396
TOTAL NATIONAL FUNDRAISING	**1,398,823**
REGIONAL FUNDRAISING AUGUST 2013 TO JULY 2014	**703,273**

LOCAL FUNDRAISING

AUGUST 2013 TO JULY 2014	$
Coin boxes	124,717
BBQ Fundraising	569,984
Store Support Office	13,266
Distribution Centres	11,433
Customer Choice	491,516
TOTAL LOCAL FUNDRAISING	**1,210,916**
OTHER	**218,045**

$3,531,057

Grand Total National, Regional and Local Fundraising for 2013 – 2014

MEASURING OUR GREENHOUSE GAS EMISSIONS

For 2014, we have measured our greenhouse gas (GHG) emissions for Warehouse Stationery and Noel Leeming; next year we will include the Torpedo7 businesses.

Another change this year: we received the CEMARS® certification which recognises our commitment to managing and reducing our GHG emissions. CEMARS stands for Certified Emissions Measurement and Reduction Scheme, and to receive this certification our GHG emissions and emissions reduction plan had to be independently reviewed and audited.

The Warehouse produces the most emissions by far; this isn't surprising given our footprint and sales compared to those of the other businesses. (The Warehouse also directly sources a significant number of products internationally, so we must count the logistics-related emissions of these products reaching our stores.) The Warehouse's emissions fell 7% last year, the greatest savings coming from electricity where we continued our work on improving electricity efficiency in store lighting. In addition, we saved emissions from rationalising our air travel. There were some small but notable increases in courier freight and landfill. Courier emissions comprise less than 2% of total emissions; however, they are increasing rapidly as our customers continue to expand their use of online shopping with us – so we will see ongoing increases here. Landfill-related emissions have grown with our store modernisation programme because of a lack of construction waste recycling throughout the country. As fewer stores are yet to modernise, our landfill-related emissions will improve in the year ahead.

But how does The Warehouse's emissions compare to those of the other businesses? Very good, according to the Carbon Disclosure Project whose scoring system placed us well ahead of both the NZX50 Index and retailers' global benchmarks on our emissions and level of disclosure.

Our GHG emissions showed that electricity is our largest source of emissions across the Group. Our key electricity-efficiency project continued the upgrade to highly efficient T5 lighting systems in our The Warehouse stores. In the past we timed our upgrades with our store modernisations. This year, we chose not to wait and to roll out upgrades as quickly as possible because the benefit for the environment and the bottom line was so significant, with savings of at least 20% in electricity costs. When we carry out these upgrades we install an energy management control system to deliver the full potential of the lighting system and provide improved control and monitoring of the complete building services. We also replace old skylights to increase the natural light within the store. The electricity efficiency journey

for the rest of the Group is just beginning. We are rolling out a group-wide electricity monitoring system so we can fully understand our electricity usage; this is our first step in identifying future electricity-efficiency initiatives.

Product Stewardship

We want to help our customers to reduce our impact on the environment; an area we are investigating is the recycling of customers' electronic waste or e-waste. We are concerned about e-waste not only because it adds to landfill but because it contains materials that are hazardous to humans and the environment, and includes precious metals which can be recycled. We were involved in the government-sponsored TV Takeback in 2013, recycling a total of 1,226 TVs. Our Group has been recognised by the Government as a key stakeholder in the development of e-waste policy, and are actively participating with the Ministries involved.

Greenhouse Gas Emissions 2014

	The Warehouse			Warehouse Stationery	Noel Leeming	Total
Emissions source	2013/14	2012/13	% CHANGE	2013/14	2013/14	2013/14
Shipping	10,666	11,286	-5%	659	-	11,325
Electricity	9,580	12,414	-23%	1,118	2,357	13,055
Road Freight	2,507	2,288	10%	93	-	2,600
Employee Air Travel	2,105	2,223	-5%	234	368	2,707
Landfill	1,509	1,067	41%	500	218	2,227
Rail Freight	1,386	1,443	-4%	104	–	1,490
Company-owned Vehicles and Lifts	1,076	1,050	3%	37	1,196	2,309
GHG losses from air conditioning systems	620	n/a	n/a	51	51	722
Courier Freight	340	317	7%	124	304	768
Employee Private km Claims	183	154	19%	31	17	232
Total Tonnes CO_2 Equivalent	**29,972**	**32,242**	**-7%**	**2,951**	**4,511**	**37,434**

Engagement

Our environmental initiatives aren't just about how the business can reduce its environmental impact; we also support our team members in reducing their personal impact on the environment. We have provided team members with information on a range of environmental topics as well as product discounts on eco-focused products, and they have personally saved 216 tonnes of GHG emissions this year.

In September 2014, our team members were out cleaning up the community supporting the 'Keep New Zealand Beautiful Week' initiative.

Waste and Recycling

We take reducing our waste seriously, because it is important for both the environment and the business. We look at our waste as two specific waste types – our waste coming from the store modernisation programme and our 'regular' waste. Our store modernisation waste is predominantly building waste; unfortunately there are limited recycling options for this waste and we struggle to recycle much outside of Auckland. Our standard waste is a mix of different materials, much of which can be recycled. Over the past 12 months we have worked with recyclers so that all our The Warehouse stores are able to recycle our most common waste materials of cardboard, paper, plastic films and plastic containers. Many stores can recycle even more, like glass, tins and cans, and polystyrene. Another improvement we made was arranging for more recycling material to be picked up from stores, rather than having stores send it to recyclers. This helps the environment by using less fuel as the recycler's truck stopping off at the store on its regular rounds uses a great deal less fuel than having a single truck sent to the recycler.

There is one exception to this rule, our North Island distribution centre, which generates about 14% of all the cardboard recycling for The Warehouse. With so much cardboard waste in one place, we needed recyclers to visit us many times a day. To reduce these visits, and to save space, we invested in a large-scale compactor to compress the cardboard. Now, recyclers only visit us several times a week. We earn a rebate on this cardboard which is quickly recouping the cost of the compactor and team members operating it.

Our recycling focus hasn't just been on The Warehouse; Warehouse Stationery stores in Auckland and Wellington/Manawatu now have a full range of recycling options, but there is more to be done in other stores. We have a long relationship with Mana Recovery, our recycler in the Wellington/Manawatu region, because they use their recycling business to provide rehabilitation and vocational training services for people with mental health needs.

Noel Leeming has an established recycling system. A challenging part of their waste stream has been polystyrene because recycling options for this material are limited in New Zealand. We have responded to this by engaging a local recycler to recycle polystyrene on site at our Auckland distribution centre. By recycling on site, we are saving fuel from shipping polystyrene to another location for recycling, and we are supporting a local recycling business.

"The Warehouse Group has supported our recycling business right from the very start in 2004. This support helps us achieve our vision of providing social and employment outcomes for people with mental health needs while helping our environment and supporting our community."

Dusty Hindle, Acting General Manager, Mana Recovery

Statistics

	The Warehouse	Noel Leeming	Warehouse Stationery	Total
Landfill				
m^3 total				
2014	22,681	6,407	5,196	34,284
2013	21,045	6,680	4,520	32,245
m^3 per $m				Average
2014	13.62	10.33	20.74	14.89
2013	13.23	n/a	19.50	16.36
Electricity				
kWh total				
2014	74,127,385	15,479,178	8,545,690	98,152,253
2013	79,653,481	16,267,422	8,955,830	104,876,733
kWh per m^2 per month				Average
2014	12.34	19.32	10.44	14.03
2013	15.50	20.30	10.94	15.58
GHG				
CO_2e total				
2014	29,974	4,510	2,951	37,435
2013	32,359	n/a	n/a	32,359
CO_2e per $m				Average
2014	18.74	2.73	1.87	7.78
2013	20.34	n/a	n/a	20.00
Plastic Bags Issued				
Total				
2014	11,722,000	n/a	n/a	
2008*	43,370,500	n/a	n/a	
Total per $m				
2014	7,039*	n/a	n/a	
2008*	**28,347**	**n/a**	**n/a**	

*The year before we started charging for bags

BUILDING HEALTHIER AND SAFER ENVIRONMENTS

Team member and customer safety is critically important to The Warehouse Group. Therefore, we have undertaken a long-term journey to embed Health and Safety as part of the culture and way of working.

HEALTH AND SAFETY

Our focus has been on simplifying systems and processes to help teams ensure a safe environment for themselves, customers and contractors, without the burden of over-complicated compliance.

We are striving toward a culture of wholehearted commitment to safety, over and above compliance-based activities. We saw great improvements in our core Health and Safety measures for the first few years as our number of injuries declined. The make-up of our Group has changed dramatically and with that our numbers have stagnated and some of our previous improvements regressed.

As the size and nature of our Group of companies has evolved over the last 18 months we took time to reassess our approach to Health and Safety. In doing so we developed a new Health and Safety Strategy for the Group, to drive a step-change in performance.

We see leadership from the top and team member participation as key to creating long-term sustainable improvements in our Health and Safety behaviours and results.

The five key result areas for Health and Safety are:

- **Leadership** – leadership of Health and Safety from the top, driven across all levels of the organisation.
- **Commitment Culture** – a long term sustainable approach to keeping our teams, customers and contractors safe.
- **Competence and Capability** – a capable team who knows what they need to do to keep people safe.
- **Integration and Simplification** – developing best-fit practices for each of our businesses. Activities based on understanding our current state.
- **Risk and Compliance** – managing the risk and compliance elements of Health and Safety.

2014 FINANCIAL STATEMENTS

FOR THE 52 WEEK PERIOD ENDED 27 JULY 2014

Financial Statements

FOR THE 52 WEEK PERIOD ENDED 27 JULY 2014

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

These financial statements have been approved for issue by the Board of Directors on 11 September 2014.

Eduard (Ted) van Arkel
Chairman

Keith Smith
Deputy Chairman

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Income Statements

FOR THE 52 WEEK PERIOD ENDED 27 JULY 2014

	NOTE	(52 WEEKS) GROUP 2014 $000	(52 WEEKS) GROUP 2013 $000	(52 WEEKS) PARENT 2014 $000	(52 WEEKS) PARENT 2013 $000
Continuing operations					
Retail sales		2,648,478	2,239,532	–	–
Finance business revenue	6	2,414	–	–	–
Total revenue		2,650,892	2,239,532	–	–
Cost of retail goods sold		(1,775,338)	(1,473,253)	–	–
Other income	7	9,796	10,301	57,571	68,463
Lease and occupancy expense	8	(136,496)	(113,503)	–	–
Employee expense	9	(424,849)	(355,625)	–	–
Depreciation and amortisation expense	10	(51,349)	(44,017)	–	–
Other operating expenses	11	(177,487)	(152,197)	(3)	(3)
Operating profit		95,169	111,238	57,568	68,460
Gain on disposal of property	27	16,810	77,368	–	–
Direct costs relating to acquisitions	41, 40	(1,617)	(2,356)	–	–
Contingent consideration	44	5,259	–	–	–
Equity earnings of associate	29	3,006	3,464	–	–
Earnings before interest and tax		118,627	189,714	57,568	68,460
Net interest expense (excluding finance business interest received)	12	(13,863)	(11,675)	–	–
Profit before tax		104,764	178,039	57,568	68,460
Income tax expense	13	(26,868)	(28,423)	1	1
Net profit for the period from continuing operations		77,896	149,616	57,569	68,461
Discontinued operations					
Loss from discontinued operations (net of tax)	39	(642)	(4,288)	–	–
Net profit for the period		77,254	145,328	57,569	68,461
Attributable to:					
Shareholders of the Parent		77,750	144,748	57,569	68,461
Minority interests	34	(496)	580	–	–
		77,254	145,328	57,569	68,461
Basic earnings per share					
From continuing operations	17	24.3 cents	48.1 cents		
From discontinued operations	17	(0.2) cents	(1.4) cents		
From net profit for the period	17	24.1 cents	46.7 cents		
Diluted earnings per share					
From continuing operations	17	24.1 cents	47.9 cents		
From discontinued operations	17	(0.2) cents	(1.4) cents		
From net profit for the period	17	23.9 cents	46.5 cents		
Net assets per share	18	152.1 cents	133.1 cents		

Statements of Comprehensive Income

FOR THE 52 WEEK PERIOD ENDED 27 JULY 2014

	NOTE	(52 WEEKS) GROUP 2014 $000	(52 WEEKS) GROUP 2013 $000	(52 WEEKS) PARENT 2014 $000	(52 WEEKS) PARENT 2013 $000
Net profit for the period		77,254	145,328	57,569	68,461
Items that may be reclassified subsequently to the Income Statement					
Movement in cash flow hedges	23	(7,244)	9,237	–	–
Income tax relating to movement in cash flow hedges	26	2,028	(2,586)	–	–
Other comprehensive income		(5,216)	6,651	–	–
Total comprehensive income		72,038	151,979	57,569	68,461
Attributable to:					
Shareholders of the Parent		72,534	151,399	57,569	68,461
Minority interest		(496)	580	–	–
Total comprehensive income		72,038	151,979	57,569	68,461
Total comprehensive income attributable to shareholders of the Parent arise from:					
Continuing operations		73,176	155,687	57,569	68,461
Discontinued operations		(642)	(4,288)	–	–
		72,534	151,399	57,569	68,461

The accompanying statement of accounting policies and notes to the financial statements on pages 53 to 85 form an integral part of the financial statements.

Balance Sheets

AS AT 27 JULY 2014

	NOTE	(52 WEEKS) GROUP 2014 $000	(52 WEEKS) GROUP 2013 $000	(52 WEEKS) PARENT 2014 $000	(52 WEEKS) PARENT 2013 $000
ASSETS					
Current assets					
Cash and cash equivalents	19	26,758	22,763	2,511	2,517
Finance business receivables	21	19,036	–	–	–
Trade and other receivables	22	72,217	66,513	–	–
Inventories	20	492,109	458,109	–	–
Derivative financial instruments	23	1,054	2,487	–	–
Taxation receivable	25	3,226	–	489	596
Total current assets		614,400	549,872	3,000	3,113
Non-current assets					
Trade and other receivables	22	–	3,374	–	–
Property, plant and equipment	27	336,805	305,602	–	–
Intangible assets	28	143,691	108,479	–	–
Investments	29	5,541	5,671	42,000	42,000
Derivative financial instruments	23	398	1,315	–	–
Intercompany advances	46	–	–	431,983	317,509
Deferred taxation	26	30,845	21,425	–	–
Total non-current assets		517,280	445,866	473,983	359,509
Total assets	5	1,131,680	995,738	476,983	362,622
LIABILITIES					
Current liabilities					
Borrowings	31	104,896	85,336	99,725	–
Trade and other payables	24	284,319	257,917	868	888
Derivative financial instruments	23	7,587	1,566	–	–
Taxation payable	25	–	3,466	–	–
Provisions	30	48,037	45,449	–	–
Total current liabilities		444,839	393,734	100,593	888
Non-current liabilities					
Borrowings	31	142,740	154,301	–	99,414
Derivative financial instruments	23	1,518	1,866	–	–
Trade and other payables	24	1,986	15,809	–	–
Provisions	30	16,680	18,263	–	–
Total non-current liabilities		162,924	190,239	–	99,414
Total liabilities	5	607,763	583,973	100,593	100,302
Net assets		523,917	411,765	376,390	262,320
EQUITY					
Contributed equity	32	356,810	244,084	365,517	251,445
Reserves	33	(2,071)	2,717	–	–
Retained earnings	35	164,861	153,228	10,873	10,875
Total equity attributable to shareholders		519,600	400,029	376,390	262,320
Minority interest	34	4,317	11,736	–	–
Total equity		523,917	411,765	376,390	262,320

The accompanying statement of accounting policies and notes to the financial statements on pages 53 to 85 form an integral part of the financial statements.

Statements of Cash Flows

FOR THE 52 WEEK PERIOD ENDED 27 JULY 2014

	NOTE	GROUP 2014 (52 WEEKS) $000	GROUP 2013 (52 WEEKS) $000	PARENT 2014 (52 WEEKS) $000	PARENT 2013 (52 WEEKS) $000
Cash flows from operating activities					
Cash received from customers		2,660,562	2,264,573	–	–
Retail business interest income		105	136	7,370	7,370
Dividends received from subsidiary companies		–	–	57,571	68,463
Payments to suppliers and employees		(2,537,407)	(2,117,935)	(3)	(3)
Income tax paid		(37,492)	(40,803)	–	–
Interest paid		(13,351)	(12,270)	(7,370)	(7,370)
		72,417	93,701	57,568	68,460
Loans repaid by finance business customers		36,420	–	–	–
New loans to finance business customers		(32,228)	–	–	–
Net cash flows from operating activities		76,609	93,701	57,568	68,460
Cash flows from investing activities					
Proceeds from sale of property, plant & equipment and computer software		27,544	195,572	–	–
Staff share purchase and other advances repaid		22,505	545	–	–
Advances from/(to) subsidiary companies		–	–	(113,587)	595
Dividend received from associate	29	3,136	4,165	–	–
Purchase of property, plant & equipment and computer software		(91,010)	(93,315)	–	–
Advances received/(paid to) related party		3,000	(3,000)	–	–
Landlord advances		(17,901)	(9,071)	–	–
Refund of staff share purchase advances		(80)	(78)	–	–
Contingent and deferred acquisition consideration	44	(12,401)	–	–	–
Acquisition of minority interest	42	(2,000)	–	–	–
Acquisition of subsidiaries (net of cash acquired)	41, 40	(35,845)	(108,715)	–	–
Net cash flows from investing activities		(103,052)	(13,897)	(113,587)	595
Cash flows from financing activities					
Proceeds from/(Repayment of) short-term borrowings		(110,308)	(573)	–	–
Proceeds from term borrowings		90,000	–	–	–
Repayment of finance leases		(1,903)	(902)	–	–
Proceeds from equity raise	32	114,072	–	114,072	–
Purchase of treasury stock	32	(3,230)	(2,777)	–	–
Treasury stock dividends received	35	237	353	–	–
Dividends paid to Parent shareholders		(58,059)	(69,058)	(58,059)	(69,058)
Dividends paid to minority shareholders	34	(371)	(370)	–	–
Net cash flows from financing activities		30,438	(73,327)	56,013	(69,058)
Net cash flow		3,995	6,477	(6)	(3)
Opening cash position		22,763	16,286	2,517	2,520
Closing cash position	19	26,758	22,763	2,511	2,517

The accompanying statement of accounting policies and notes to the financial statements on pages 53 to 85 form an integral part of the financial statements.

Reconciliation of Operating Cash Flows

FOR THE 52 WEEK PERIOD ENDED 27 JULY 2014

	NOTE	(52 WEEKS) GROUP 2013 $000	(52 WEEKS) GROUP 2012 $000	(52 WEEKS) PARENT 2013 $000	(52 WEEKS) PARENT 2012 $000
Net profit		77,254	145,328	57,569	68,461
Non-cash items					
Depreciation and amortisation expense	5	51,369	44,225	–	–
Share based payment expense	33	2,266	2,545	–	–
Interest capitalisation		524	(322)	311	311
Unrecovered lease incentives on property sales		–	(1,237)	–	–
Movement in deferred tax	26	(4,672)	(13,640)	–	–
Share of profit from associate	29	(3,006)	(3,464)	–	–
Total non-cash items		46,481	28,107	311	311
Items classified as investing or financing activities					
Gain on sale of property, plant and equipment		(14,528)	(73,403)	–	–
Direct costs relating to acquisitions	41, 40	1,617	2,356	–	–
Contingent consideration	44	(5,259)	–	–	–
Supplementary dividend tax credit	25	488	595	488	595
Total investing and financing adjustments		(17,682)	(70,452)	488	595
Changes in assets and liabilities					
Trade and other receivables		(4,270)	(14,134)	–	–
Finance business receivables		2,321	–	–	–
Inventories		(15,484)	(25,303)	–	–
Intercompany advances		–	–	(887)	(894)
Trade and other payables		(5,752)	28,946	(20)	(20)
Provisions		433	2,212	–	–
Income tax		(6,692)	(1,003)	107	7
Total changes in assets and liabilities		(29,444)	(9,282)	(800)	(907)
Net cash flows from operating activities		76,609	93,701	57,568	68,460

The accompanying statement of accounting policies and notes to the financial statements on pages 53 to 85 form an integral part of the financial statements.

Statements of Changes in Equity

FOR THE 52 WEEK PERIOD ENDED 27 JULY 2014

GROUP	SHARE CAPITAL	TREASURY STOCK	CASH FLOW HEDGE RESERVE	EMPLOYEE SHARE BENEFITS RESERVE	RETAINED EARNINGS	MINORITY INTEREST	TOTAL EQUITY
		$000	$000	$000	$000	$000	$000
For the 52 week period ended 27 July 2014							
Balance at the beginning of the period	251,445	(7,361)	(564)	3,281	153,228	11,736	411,765
Net profit for the period	–	–	–	–	77,750	(496)	77,254
Net change in fair value of cash flow hedges	–	–	(5,216)	–	–	–	(5,216)
Total comprehensive income	–	–	(5,216)	–	77,750	(496)	72,038
Contributions by and distributions to owners:							
Proceeds from equity raise	114,072	–	–	–	–	–	114,072
Share based payments charged to the income statement	–	–	–	2,266	–	–	2,266
Share rights exercised	–	1,993	–	(1,838)	(155)	–	–
Dividends paid	–	–	–	–	(57,571)	(371)	(57,942)
Treasury stock dividends received	–	–	–	–	237	–	237
Purchase of treasury stock	–	(3,339)	–	–	–	–	(3,339)
Minority interest acquired	–	–	–	–	(8,628)	(6,552)	(15,180)
Balance at the end of the period	365,517	(8,707)	(5,780)	3,709	164,861	4,317	523,917
	(note: 32)	(note: 32)	(note: 33)	(note: 33)	(note: 35)	(note: 34)	
For the 52 week period ended 28 July 2013							
Balance at the beginning of the period	251,445	(5,739)	(7,215)	2,209	76,434	233	317,367
Profit for the period	–	–	–	–	144,748	580	145,328
Net change in fair value of cash flow hedges	–	–	6,651	–	–	–	6,651
Total comprehensive income	–	–	6,651	–	144,748	580	151,979
Contributions by and distributions to owners:							
Share based payments charged to the income statement	–	–	–	2,545	–	–	2,545
Share rights exercised	–	1,317	–	(1,473)	156	–	–
Dividends paid	–	–	–	–	(68,463)	(370)	(68,833)
Treasury stock dividends received	–	–	–	–	353	–	353
Purchase of treasury stock	–	(2,939)	–	–	–	–	(2,939)
Minority interest arising on acquisition of subsidiaries	–	–	–	–	–	11,293	11,293
Balance at the end of the period	251,445	(7,361)	(564)	3,281	153,228	11,736	411,765
	(note: 32)	(note: 32)	(note: 33)	(note: 33)	(note: 35)	(note: 34)	

PARENT	SHARE CAPITAL	RETAINED EARNINGS	TOTAL EQUITY
	$000	$000	$000
For the 52 week period ended 27 July 2014			
Balance at the beginning of the period	251,445	10,875	262,320
Total comprehensive income	–	57,569	57,569
Proceeds from equity raise	114,072	–	114,072
Dividends paid	–	(57,571)	(57,571)
Balance at the end of the period	365,517	10,873	376,390
	(note: 32)	(note: 35)	
For the 52 week period ended 28 July 2013			
Balance at the beginning of the period	251,445	10,877	262,322
Total comprehensive income	–	68,461	68,461
Dividends paid	–	(68,463)	(68,463)
Balance at the end of the period	251,445	10,875	262,320
	(note: 32)	(note: 35)	

The accompanying statement of accounting policies and notes to the financial statements on pages 53 to 85 form an integral part of the financial statements.

Notes to and forming part of the Financial Statements

FOR THE 52 WEEK PERIOD ENDED 27 JULY 2014

1. SUMMARY OF ACCOUNTING POLICIES

These financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice and New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS). The financial statements also comply with International Financial Reporting Standards (IFRS). The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for The Warehouse Group Limited (the “Parent”) as an individual entity and the consolidated entity consisting of The Warehouse Group Limited and its subsidiaries (together the “Group”).

Reporting entity

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

Functional and presentation currency

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

Reporting period

The Group has reported its full year result on a 52 week basis. The current year represents the 52 week period commencing 29 July 2013 to 27 July 2014. The prior full year comparative represents the 52 week period commencing 30 July 2012 to 28 July 2013.

Historical cost convention

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

(a) Basis of consolidation

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

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

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

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

(b) Associates

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

(c) Statement of Cash Flows

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

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

(d) Revenue recognition

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

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

(e) Property, plant and equipment

Cost

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

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

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

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

Depreciation

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

Estimated useful life of property, plant and equipment:

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

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

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

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current year's taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries and associates where the Parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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

(g) Goods and services tax ("GST")

The Income Statement and Statement of Cash Flows have been prepared so that all components are stated exclusive of GST. All items in the Balance Sheet are stated net of GST with the exception of receivables and payables which include GST invoiced.

(h) Cash and cash equivalents

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

(i) Inventories

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

(j) Investments in subsidiaries

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

(k) Trade and finance receivables

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

Collectibility of trade and finance receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impaired receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the estimated recoverable amount. The amount of the provision is recognised in the Income Statement.

(l) Leases

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

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

(m) Intangible assets

Goodwill

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

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

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

Brand names

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

Computer software

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

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

(n) Impairment of non-financial assets

Assets that have an indefinite useful life such as goodwill and brand names, as well as assets that are subject to amortisation or depreciation are reviewed annually for impairment or whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(o) Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in provisions in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave

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

(iii) Performance based compensation

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

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(iv) Equity settled share-based compensation

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

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

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

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

(v) Employee share purchase plan

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

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

(p) Derivatives

The Group is party to the following financial derivatives:

- forward foreign exchange rate contracts
- interest rate swaps.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

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

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

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions.

The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the cash flow hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement.

Amounts accumulated in equity are recycled in the Income Statement in the periods when the hedged item will affect profit or loss (for instance, when the forecast interest payment that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory), the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Income Statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Income Statement.

(ii) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Income Statement, together with any changes in the fair value of the hedged asset or liability that are attributed to the hedged risk. The Group only applies fair value hedge accounting for hedging fixed interest on borrowings. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings and changes in the fair value of the fixed rate borrowings attributable to interest rate risk are recognised in the Income Statement within net interest expense.

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

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the Income Statement.

(q) Fair value estimation

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

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

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

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

(r) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are normally unsecured and are usually settled within 60 days of recognition.

(s) Borrowings

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

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

(t) Provisions

Provisions are recognised when:

- the Group has a present legal or constructive obligation as a result of past events;
- it is more likely than not that an outflow of resources will be required to settle the obligation;
- the amount can be reliably estimated.

Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(u) Segment reporting

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

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

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(v) Contributed equity

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

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

(w) Dividends

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

(x) Foreign currencies

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

(y) Operating profit

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

(z) Adjusted net profit

Adjusted net profit (refer note 14) represents net profit attributable to shareholders of the Parent adjusted for the after tax effect of unusual items and discontinued operations.

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

The following new accounting standards and amendments to existing standards have been adopted by the Group during the period ended 27 July 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 4.

XRB A1, External Reporting Board Standard A1 Accounting Standards Framework (For-profit Entities Update) establishes a tier structure and outlines which suite of accounting standards entities in different tiers must follow. The Group is a Tier 1 entity. There was no impact on the current or prior year financial statements.

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

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

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

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

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

This standard is not expected to significantly impact the Group.

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

2. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

(a) Taxation (notes 13, 25, 26)

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

(b) Inventories (note 20)

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

(c) Derivative financial instruments (note 23)

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

(d) Intangible assets (note 28)

The Group has assessed if goodwill and indefinite life brand names have suffered any impairment since they were acquired. The recoverable amounts of cash generating units are determined based on value in use calculations. These calculations require the use of estimates and projections of future operating performance. There is significant headroom between the value in use calculations and the carrying value of these intangible assets such that a reasonably possible change in the assumptions and estimates should not result in an impairment.

(e) Business combinations (notes 40, 41)

The Group acquired six (2013: five) businesses during the year. As part of the acquisition accounting for the new businesses the Group was required to determine the fair value of the assets and liabilities acquired. Judgements and estimates were required to determine the fair value of the assets and liabilities acquired. Where it was considered appropriate external advisors were used to assist in determining the fair values.

3. CAPITAL MANAGEMENT

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

The Group has looked to strengthen its capital base over the previous two years to support its growth strategy to reshape the Group through business acquisitions (refer notes 40 and 41) and continued reinvestment into the Group's store modernisation programme. The Group has funded the strategy through the sale and lease back of properties (refer note 27) and an equity raise. The equity raise will largely be used to grow the Group's Financial Services business. In addition to the property sales and equity raise, the Group has also lowered the payout ratio used to determine dividend payments from 90% to between 75% and 85% of adjusted net profit (refer note 36).

(a) Equity raise

The Group raised $114.072 million (net of issuing costs) by issuing 35.647 million new ordinary shares as part of an equity raise (refer note 32) 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. Under the share purchase plan New Zealand shareholders on the share register on 18 March 2014 were offered the opportunity to invest up to $15,000 in new shares.

(b) Externally imposed capital requirements

Borrowings are subject to a negative pledge contained in two separate trust deeds held for the benefit of the Group's banking institutions and bondholders. The trust deeds provide a guarantee that the Parent and its guaranteeing Group companies (refer note 46) will comply with certain quarterly debt ratios and restrictive covenants. The principal covenants, which are the same for both trust deeds are:

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

GROUP	2014	2013
Book gearing ratio		
Total borrowings ($000)	247,636	239,637
Total equity ($000)	523,917	411,765
Gearing ratio (%)	32.1	36.8
Interest cover		
Net interest expense (excluding finance business interest received) ($000)	13,863	11,675
Operating profit ($000)	95,169	111,238
Interest cover (times)	6.9	9.5

4. FINANCIAL RISK MANAGEMENT

Financial risk factors

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

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

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

(a) Liquidity risk

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

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

The Group's liquidity position fluctuates throughout the year. Peak funding requirements typically occur during the three months leading up to the Christmas trading period due to the build up of inventory and payment of the final dividend, conversely the Group's liquidity position is at its strongest immediately after the Christmas trading period. The Group's gearing covenants increase from 50% to 60% for the first quarter of each financial year to allow for the effect of seasonal funding. (The Group's borrowing covenants are detailed in note 3). To accommodate the increased funding requirements during the peak funding period the Group has committed three month seasonal credit facilities commencing in mid September of $50.000 million (2013: $50.000 million) which are in addition to the committed credit facilities detailed below.

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

GROUP	2014	2013
	$000	$000
ANZ National Bank	113,000	113,000
Bank of New Zealand	40,000	40,000
Bank of Tokyo-Mitsubishi	40,000	20,000
Hong Kong and Shanghai Bank	50,000	30,000
Westpac	85,000	85,000
	328,000	288,000

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Liquidity risk (continued)

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

GROUP	NOTE	DEBT FACILITIES 2014	DEBT FACILITIES 2013	LETTERS OF CREDIT 2014	LETTERS OF CREDIT 2013	TOTAL FACILITIES 2014	TOTAL FACILITIES 2013
		$000	$000	$000	$000	$000	$000
6 months or less		40,000	20,000	10,000	10,000	50,000	30,000
6 to 12 months		110,000	90,000	18,000	18,000	128,000	108,000
1 to 3 years		50,000	40,000	–	–	50,000	40,000
Over 3 years		100,000	110,000	–	–	100,000	110,000
		300,000	260,000	28,000	28,000	328,000	288,000
Facilities utilised	31, 45	143,410	133,830	14,276	14,853	157,686	148,683
Unused facilities available		156,590	126,170	13,724	13,147	170,314	139,317
Percentage utilisation		47.8%	51.5%	51.0%	53.0%	48.1%	51.6%

(i) Contractual maturities

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

GROUP LIABILITY/(ASSET)	NOTE	0 TO 6 MONTHS	7 TO 12 MONTHS	1 TO 2 YEARS	2 TO 3 YEARS	> 3 YEARS	TOTAL
At 27 July 2014		$000	$000	$000	$000	$000	$000
Financial liabilities							
Trade and other payables (excluding contingent consideration)	24	263,989	–	–	–	–	263,989
Contingent and deferred acquisition consideration	24	6,436	13,894	1,986	–	–	22,316
Bank borrowings (excluding finance lease liabilities)	31	143,410	–	–	–	–	143,410
Finance lease liabilities	38	831	792	1,480	1,180	317	4,600
Fixed rate senior bond	31	2,817	103,685	–	–	–	106,502
		417,483	118,371	3,466	1,180	317	540,817
Net derivatives							
Forward currency contracts							
– outflow		178,932	96,791	51,013	–	–	326,736
– inflow		(170,944)	(93,852)	(49,126)	–	–	(313,922)
Interest rate swaps		72	105	349	316	99	941
		8,060	3,044	2,236	316	99	13,755
At 28 July 2013							
Financial liabilities							
Trade and other payables (excluding contingent consideration)	24	251,967	–	–	–	–	251,967
Contingent acquisition consideration	24	4,000	1,950	6,559	6,250	3,000	21,759
Bank borrowings (excluding finance lease liabilities)	31	133,830	–	–	–	–	133,830
Finance lease liabilities	38	953	869	1,470	1,359	1,280	5,931
Fixed rate senior bond	31	2,797	3,685	107,370	–	–	113,852
		393,547	6,504	115,399	7,609	4,280	527,339
Net derivatives							
Forward currency contracts							
– outflow		139,783	60,905	–	–	–	200,688
– inflow		(139,739)	(60,595)	–	–	–	(200,334)
Interest rate swaps		232	106	143	338	395	1,214
		276	416	143	338	395	1,568

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

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

To avoid duplication in the table above the amounts disclosed as due during the next six month period for the fixed rate senior bond is net of a $0.868 million (2013: $0.888 million) interest accrual which is included as part of trade and other payables.

(ii) Maturity analysis based on management's expectation

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

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

The fixed rate senior bond and a portion of bank borrowings are designated as the Group's 'core' borrowings for treasury management purposes. It is the Group's expectation that core borrowings of $150.000 million (2013: $150.000 million) will be maintained at least at the same levels during the next 12 months and that when the senior bond matures in June 2015 it will be replaced by a new bond of similar duration.

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

(b) Market risk

(i) Interest rate risk

The Group's exposure to market interest rates primarily relates to the Group's core borrowings. The Group's Treasury Policy is to manage its finance costs using a mix of fixed and floating rate debt. The Group's policy is to maintain between 50% and 90% of core borrowings at fixed rates. At balance date 73% (2013: 73%) of the Group's core borrowings were at fixed interest rates. The Group uses fixed rate debt and interest rate swaps to manage the fixed interest rate pricing and profile.

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

			+ 100 BASIS POINTS		- 100 BASIS POINTS	
GROUP		CARRYING	HIGHER/(LOWER)		HIGHER/(LOWER)	
ASSET/(LIABILITY)	NOTE	AMOUNT	PROFIT	EQUITY	PROFIT	EQUITY
AT 27 JULY 2014		$000	$000	$000	$000	$000
Cash and cash equivalents	19	26,758	193	193	(193)	(193)
Finance business receivables	21	19,036	137	137	(137)	(137)
Bank borrowings (excluding finance lease liabilities)	31	(143,410)	(1,033)	(1,033)	1,033	1,033
Fixed rate senior bond	31	(100,116)	214	214	(217)	(217)
Derivative financial instruments						
Interest rate swaps – cash flow hedges	23	(1,340)	360	1,293	(360)	(1,322)
Interest rate swaps – fair value hedges	23	455	(288)	(502)	288	505
		(198,617)	(417)	302	414	(331)
At 28 July 2013						
Cash and cash equivalents	19	22,763	164	164	(164)	(164)
Bank borrowings	31	(133,830)	(964)	(964)	964	964
Fixed rate senior bond	31	(100,620)	488	488	(500)	(500)
Derivative financial instruments						
Interest rate swaps – cash flow hedges	23	(2,445)	360	1,608	(360)	(1,664)
Interest rate swaps – fair value hedges	23	1,315	(288)	(776)	288	788
		(212,817)	(240)	520	228	(576)

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

(ii) Foreign exchange risk

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

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

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

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

GROUP		CARRYING AMOUNT		NOTIONAL AMOUNT	
ASSET/(LIABILITY)	NOTE	2014	2013	2014	2013
		$000	$000	NZ $000	NZ $000
Forward currency contracts – cash flow hedges					
Buy US dollars/Sell New Zealand dollars	23	(6,768)	1,500	326,736	200,688

The average exchange rate of US dollar forward contracts at balance date were $0.8214 (2013: $0.8072). The spot rate used to determine the mark-to-market carrying value of the US dollar forward contracts at balance date was $0.8550 (2013: $0.8087).

Throughout the year the Group's US dollar hedge cover levels typically range between 55% to 70% of the forecast annual direct US dollar exposure. At balance date the Group has US dollar hedges in place to cover 71.8% (2013: 64.8%) of the forecast annual direct US dollar exposure. The Group also had additional US dollar hedges in place to cover 22.6% (2013: Nil) of the forecast 13 to 18 month US dollar exposure.

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

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

GROUP	HIGHER/(LOWER)		HIGHER/(LOWER)	
FORWARD CURRENCY CONTRACTS – CASH FLOW HEDGES	2014	2013	2014	2013
	$000	$000	$000	$000
10% appreciation in the New Zealand dollar	–	–	(20,505)	(13,098)
10% depreciation in the New Zealand dollar	–	–	25,068	16,009

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

(c) Credit risk

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

	NOTE	GROUP 2014	GROUP 2013	PARENT 2014	PARENT 2013
		$000	$000	$000	$000
Maximum exposures to credit risk at balance date are:					
Cash and cash equivalents	19	26,758	22,763	2,511	2,517
Finance business receivables	21	19,036	–	–	–
Trade and other receivables	22	72,217	69,887	–	–
Derivative financial instruments	23	1,452	3,802	–	–
Intercompany advances		–	–	431,983	317,509
Investment in associate company	29	5,541	5,671	–	–
		125,004	102,123	434,494	320,026

The Group places cash and short-term investments with high credit quality financial institutions. The Board reviews bank counter-parties and investment limits on an annual basis. The Group's Treasury Policy specifies maximum credit limits for each bank counter-party and requires bank counter-parties to have a minimum Standard & Poor's credit rating of at least A (2013: A).

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

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

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

(d) Fair values

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

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

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

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

GROUP ASSET/(LIABILITY)		NOTE	2014	2013
			$000	$000
Derivatives used for hedging				
Foreign exchange contracts	(Level 2)	23	(6,768)	1,500
Interest rate swaps	(Level 2)	23	(885)	(1,130)
Fixed rate senior bond fair value adjustment relating to effective interest	(Level 2)	31	(391)	(1,206)

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

Specific valuation techniques used to value financial instruments are:

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

Except for the Group's fixed rate senior bond and derivatives, the carrying value of the Group's financial assets and liabilities approximate fair value. The fixed rate senior bond is listed on the NZX and measured at amortised cost. At balance date the closing price of the fixed rate senior bond was $1.02649 (2013: $1.05108) per $1.00 bond (refer note 31), which equates to a total fair value of $102.649 million (a level 1 valuation).

Notes to and forming part of the Financial Statements – continued

FOR THE 52 WEEK PERIOD ENDED 27 JULY 2014

5. SEGMENT INFORMATION

GROUP	REVENUE		OPERATING PROFIT	
	2014	2013	2014	2013
	$000	$000	$000	$000
The Warehouse	1,665,233	1,591,088	76,903	85,186
Warehouse Stationery	250,561	231,838	11,793	10,321
Noel Leeming	620,520	390,667	11,308	11,011
Torpedo7	107,658	24,193	1,085	656
Other Group operations	14,217	9,688	(4,373)	4,064
Inter-segment eliminations	(9,711)	(7,942)	–	–
Retail Group	2,648,478	2,239,532	96,716	111,238
Finance business	2,414	–	(1,547)	–
	2,650,892	2,239,532	95,169	111,238
Unallocated (expenses)/revenue				
Gain on disposal of property			16,810	77,368
Direct costs relating to acquisitions			(1,617)	(2,356)
Contingent consideration			5,259	–
Equity earnings of associate			3,006	3,464
Earnings before interest and tax			118,627	189,714
Net interest expense (excluding finance business interest received)			(13,863)	(11,675)
Income tax expense			(26,868)	(28,423)
Net profit for the period from continuing operations			77,896	149,616
Loss from discontinued operations (net of tax)			(642)	(4,288)
Net profit for the period			77,254	145,328
Operating margin				
The Warehouse			4.6%	5.4%
Warehouse Stationery			4.7%	4.5%
Noel Leeming			1.8%	2.8%
Torpedo7			1.0%	2.7%
Retail Group			3.7%	5.0%

(a) Operating segments

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

The Warehouse

The Warehouse is predominantly a general merchandise and apparel retailer, with 91 (2013: 92) stores located throughout New Zealand.

Warehouse Stationery

Warehouse Stationery is a stationery retailer, with 63 (2013: 61) stores located throughout New Zealand.

Noel Leeming

Noel Leeming is a consumer electronics and home appliances retailer, with 77 (2013: 75) stores located throughout New Zealand. The trading results for the comparative period represent the 8 month trading period following the Group's acquisition of Noel Leeming in December 2012 (refer note 40).

Torpedo7

Torpedo7 is a multi-channel retailer operating both online through a variety of websites and through 10 stores currently trading under the R&R Sport and No1 Fitness brand names. The trading results for the comparative period represent the 4 month trading period since the Group acquired its initial interest in Torpedo7 in April 2013. During the current year Torpedo7 group increased its online retail presence and strengthened its multi-channel capability with the acquisitions of No1 Fitness in September 2013 and Shotgun Supplements and R&R Sport in December 2013 (refer note 41).

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 trading results represent the 5 month trading period following the Group's acquisition of DCNZ in March 2014 (refer note 41).

Other Group operations

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

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

5. SEGMENT INFORMATION (CONTINUED)

(b) Other segment information

GROUP		DEPRECIATION & AMORTISATION		CAPITAL EXPENDITURE	
	NOTE	2014	2013	2014	2013
		$000	$000	$000	$000
The Warehouse		37,512	33,207	56,790	59,090
Warehouse Stationery		6,123	5,455	8,051	12,628
Noel Leeming		4,304	3,040	11,747	4,341
Torpedo7		1,037	321	762	2,751
Finance business		324	–	406	–
Other Group operations		2,049	1,994	16,511	17,996
Continuing operations		51,349	44,017	94,267	96,806
Discontinued operations	39	20	208	–	–
		51,369	44,225	94,267	96,806
Comprising:					
Property, plant and equipment	27	44,858	38,154	86,622	92,703
Intangible assets	28	6,511	6,071	7,645	4,103
		51,369	44,225	94,267	96,806

(c) Balance sheet segment information

GROUP	TOTAL ASSETS		TOTAL LIABILITIES	
	2014	2013	2014	2013
	$000	$000	$000	$000
The Warehouse	491,466	485,569	159,487	171,023
Warehouse Stationery	84,558	76,695	27,031	26,588
Noel Leeming	124,790	107,326	117,827	109,292
Torpedo7	46,883	21,957	28,569	18,182
Finance business	22,339	–	4,849	–
Other Group operations	166,702	154,409	11,198	5,297
Operating assets/liabilities	936,738	845,956	348,961	330,382
Unallocated assets/liabilities				
Discontinued operations	–	693	2,061	7,056
Cash and borrowings	26,758	22,763	247,636	239,637
Derivative financial instruments	1,452	3,802	9,105	3,432
Investments	5,541	5,671	–	–
Intangible goodwill and brands	127,120	95,428	–	–
Taxation assets/liabilities	34,071	21,425	–	3,466
Total	1,131,680	995,738	607,763	583,973

Segment assets and liabilities are disclosed net of intercompany balances.

6. FINANCE BUSINESS REVENUE

GROUP	2014	2013
	$000	$000
Commission	632	–
Interest received	1,131	–
Other	651	–
	2,414	–

The Parent did not receive any Finance Business Revenue.

7. OTHER INCOME

GROUP	2014	2013
	$000	$000
Tenancy rents received	5,242	5,777
Insurance recoveries	1,152	1,415
Other	3,402	3,109
	9,796	10,301

During the year, the Parent received dividends from subsidiaries of $57.571 million (2013: $68.463 million).

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8. LEASE AND OCCUPANCY EXPENSES

GROUP	2014	2013
	$000	$000
Operating lease costs	103,710	84,961
Other occupancy costs	32,786	28,542
	136,496	113,503

The Parent has no lease or occupancy expenses.

9. EMPLOYEE EXPENSES

GROUP	NOTE	2014	2013
		$000	$000
Wages and salaries		410,287	341,097
Directors' fees	15	669	682
Performance based compensation		11,627	11,301
Equity settled share based payments expense	33	2,266	2,545
		424,849	355,625

The Parent has no direct employees.

10. DEPRECIATION AND AMORTISATION EXPENSES

GROUP	NOTE	2014	2013
		$000	$000
Freehold buildings		1,400	1,792
Store fittings and equipment		35,659	29,982
Computer hardware		7,269	5,919
Vehicles		530	461
Property, plant and equipment	27	44,858	38,154
Intangible assets	28	6,511	6,071
Depreciation and amortisation expense		51,369	44,225
From continuing operations		51,349	44,017
From discontinued operations	39	20	208
Depreciation and amortisation expense		51,369	44,225

The Parent has no depreciable assets.

11. OTHER OPERATING EXPENSES

GROUP	2014	2013
	$000	$000
Other operating expenses include:		
Provision for bad and doubtful debts	1,597	908
Loss on disposal of plant and equipment	2,282	3,965
Donations	620	366
Net foreign currency exchange (gain)/loss	32	132
Auditors' fees		
Auditing the Group's financial statements	516	476
Reviewing the half year financial statements	86	84
Other services	43	34
Total fees paid to PricewaterhouseCoopers	645	594

Fees paid to PricewaterhouseCoopers for other services related to limited assurance services provided on aspects of the Group's annual Sustainability Report and Treasury Policy advice. For information on the Group's policies regarding audit governance and independence, refer to the Corporate Governance section of the Group's Annual Report.

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

GROUP	NOTE	2014	2013
		$000	$000
Interest on bank overdrafts		175	92
Interest on bank borrowings		5,697	3,253
Interest on finance leases		338	135
Interest on fixed rate senior bond		7,661	7,661
Fair value interest rate swaps		(840)	(220)
Interest rate swap cash flow hedges transfer from equity	23	1,150	1,189
Interest expense		14,181	12,110
Interest received on bank deposits		105	135
Use of money interest		87	190
Employee share plan and related party advances		126	110
Interest income		318	435
Net interest expense		13,863	11,675

The Parent received intercompany interest of $7.661 million (2013: $7.661 million), fully offsetting interest of the same amount payable in respect of the fixed rate senior bond.

13. INCOME TAX

	NOTE	GROUP 2014	GROUP 2013	PARENT 2014	PARENT 2013
		$000	$000	$000	$000
Profit before tax from continuing operations		104,764	178,039	57,568	68,460
Loss before tax from discontinued operations	39	(892)	(5,956)	–	–
Profit before tax		103,872	172,083	57,568	68,460
Taxation calculated at 28%		29,084	48,183	16,119	19,169
Adjusted for the tax effect of:					
Non taxable dividends		–	–	(16,120)	(19,170)
Direct costs relating to acquisitions		453	660	–	–
Contingent consideration		(1,473)	–	–	–
Entertainment		380	324	–	–
Equity earnings of associate		(842)	(970)	–	–
Share based payments		76	344		
Capital gain on property disposal		–	(12,413)	–	–
Other non deductible expenditure		984	1,022	–	–
Depreciation adjustment on building disposals	14	(1,956)	(10,127)	–	–
Income tax over provided in prior year		(88)	(268)	–	–
Income tax expense		26,618	26,755	(1)	(1)
From continuing operations		26,868	28,423	(1)	(1)
From discontinued operations	39	(250)	(1,668)	–	–
Income tax expense		26,618	26,755	(1)	(1)
Effective tax rate		25.6%	15.5%		
Income tax expense comprises:					
Current year income tax payable	25	31,288	40,395	(1)	(1)
Deferred taxation	26	(4,670)	(13,640)	–	–
		26,618	26,755	(1)	(1)

Notes to and forming part of the Financial Statements – continued

FOR THE 52 WEEK PERIOD ENDED 27 JULY 2014

14. ADJUSTED NET PROFIT RECONCILIATION

GROUP	NOTE	2014	2013
		$000	$000
Net profit attributable to shareholders of the Parent		77,750	144,748
Less: Unusual items			
Gain on disposal of property	27	16,810	77,368
Contingent consideration	44	5,259	–
Direct costs relating to acquisitions	41, 40	(1,617)	(2,356)
		20,452	75,012
Income tax relating to unusual items		(4,707)	(9,800)
Income tax expense related to depreciation adjustment on building disposals	13	1,956	10,127
		17,701	75,339
Add back: Loss from discontinued operations (net of tax)	39	(642)	(4,288)
Adjusted net profit	36	60,691	73,697
Earnings per share based on adjusted net profit			
Basic earnings per share	17	18.8 cents	23.8 cents
Diluted earnings per share	17	18.6 cents	23.7 cents

Certain transactions can make the comparisons of profits between years difficult. The Group monitors adjusted net profit as a key indicator of performance and uses it as the basis for determining dividends and believe it helps improve the understanding of underlying business performance. The Group's Dividend Policy is to pay a dividend of between 75% and 85% (2013: 90%) of adjusted net profit (refer note 36).

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

15. KEY MANAGEMENT PERSONNEL

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

GROUP		DIRECTORS' FEES	
NON-EXECUTIVE DIRECTORS	NOTE	2014	2013
		$000	$000
E K van Arkel (Chairman)		141	84
K R Smith (Deputy Chairman)		115	115
A J Balfour (appointed October 2012)		81	75
G F Evans (retired November 2013)		53	160
J H Ogden		93	86
J L Smith (retired November 2013)		28	83
V C M Stoddart (appointed November 2013)		75	–
Sir Stephen Tindall		83	79
	9	669	682

J W M Journee was appointed as an Executive Director in November 2013. During the current year, he received an annual remuneration of $868,000 in his capacity as team member of the Group, which also included a retention payment related to the acquisition of the Noel Leeming Group. J W M Journee's salary ceased in July 2014 when he became a Non-executive Director and will be compensated from August 2014 in his new role by directors' fees.

GROUP	CHIEF EXECUTIVE OFFICER		OTHER KEY EXECUTIVES	
	2014	2013	2014	2013
	$000	$000	$000	$000
Base salary	1,227	1,200	4,855	4,755
Annual performance based compensation	–	474	540	859
Equity settled share-based compensation	283	295	787	809
Termination benefits	–	–	480	–
	1,510	1,969	6,662	6,423

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

Key management held the following share rights at balance date (refer note 16 for plan details).

15. KEY MANAGEMENT PERSONNEL (CONTINUED)

GROUP	PERFORMANCE SHARES		AWARD SHARES		TOTAL SHARE RIGHTS	
EXPECTED VESTING DATES	2014	2013	2014	2013	2014	2013
	000	000	000	000	000	000
Chief Executive Officer						
October 2013	–	40	–	80	–	120
October 2014	91	91	108	69	199	160
October 2015	102	102	87	47	189	149
October 2016	113	–	53	–	166	–
Outstanding at the end of the year	306	233	248	196	554	429
Other Key Executives						
October 2013	–	80	–	242	–	322
October 2014	213	288	231	221	444	509
October 2015	210	335	178	156	388	491
October 2016	244	–	114	–	358	–
Outstanding at the end of the year	667	703	523	619	1,190	1,322

During the year, the Group's Chief Executive Officer, M D Powell, was granted 272,000 (2013: 244,000) share rights, 81,000 (2013: 98,000) share rights were forfeited and 66,000 (2013: 47,000) share rights vested.

Other key executives were granted 765,000 (2013: 804,000) share rights, 557,000 (2013: 280,000) share rights were forfeited and 190,000 (2013: 113,000) share rights vested. Other key executives comprise the members of The Warehouse Leadership team and the Chief Executive Officers of both Warehouse Stationery and Noel Leeming. At balance date, this represented 10 (2013: 12) executives.

16. EXECUTIVE LONG TERM INCENTIVE PLAN (LTIP)

Share rights are granted to senior executives, who are selected by the Group's Remuneration Committee and elect to participate in the Group's LTIP. The plan is designed to align participants' interests with those of shareholders by providing participants with an incentive for delivering results and growing the value of the Group, as measured by the Group's annual performance and share price performance. At balance date, the plan had 63 (2013: 50) participants.

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

(a) Award shares

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

(b) Performance shares

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

Total shareholder return

The target total shareholder return represents the increase in Group's share price over the period between the grant date and the vesting date, inflated from the grant date using the Group's cost of equity. The target shareholder return for the performance shares vesting in October 2014, October 2015 and October 2016 is $0.75, $0.96 and $1.26 respectively. The measurement of the actual total shareholder return will be calculated as the increase in the Group's share price over the vesting period plus the aggregate value of dividends paid during the period reinvested at the Group's cost of equity.

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

(c) Summary of share rights granted under LTIP arrangements

GROUP		PERFORMANCE SHARES		AWARD SHARES		TOTAL SHARE RIGHTS	
	NOTE	2014	2013	2014	2013	2014	2013
		000	000	000	000	000	000
Outstanding at the beginning of the year		1,910	1,404	1,651	1,376	3,561	2,780
Granted during the year		559	871	1,312	1,219	1,871	2,090
Vested during the year	32	–	–	(535)	(355)	(535)	(355)
Forfeited during the year		(529)	(365)	(622)	(589)	(1,151)	(954)
Outstanding at the end of the year		1,940	1,910	1,806	1,651	3,746	3,561
Expected vesting dates							
October 2013		–	310	–	662	–	972
October 2014		696	739	786	583	1,482	1,322
October 2015		760	861	620	406	1,380	1,267
October 2016		484	–	400	–	884	–
Outstanding at the end of the year		1,940	1,910	1,806	1,651	3,746	3,561

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

16. EXECUTIVE LONG TERM INCENTIVE PLAN (LTIP) (CONTINUED)

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

(d) Fair values

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

PERFORMANCE SHARES

Date granted	October 2013	October 2012	April 2012
Vesting date	October 2016	October 2015	October 2014
Risk free interest rate (%)	3.40	2.66	3.28
Average expected volatility (%)	22.50	20.00	22.50
Average share price at measurement date ($)	3.77	2.95	2.74
Estimated fair value at grant date ($)	1.15	0.71	0.76

AWARD SHARES

Date granted	October 2013	October 2012	April 2012
First vesting date (then annually on the next two anniversaries)	October 2014	October 2013	October 2012
Weighted average cost of equity capital (%)	10.10	9.90	10.10
Average share price at measurement date ($)	3.77	2.95	2.74
Average estimated fair values at grant date ($)	3.38	2.56	2.44

17. EARNINGS PER SHARE

(a) Basic earnings per share

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

GROUP	NOTE	2014	2013
Profit from continuing operations attributable to shareholders of the Parent ($000s)		78,392	149,036
Profit from discontinued operations attributable to shareholders of the Parent ($000s)		(642)	(4,288)
Net profit attributable to shareholders of the Parent ($000s)		77,750	144,748
Adjusted net profit attributable to shareholders of the Parent ($000s)	14	60,691	73,697
Basic			
Weighted average number of ordinary shares on issue (000s)		324,200	311,196
Adjustment for treasury stock (000s)		(1,887)	(1,517)
Weighted average number of ordinary shares outstanding (000s)		322,313	309,679
Basic earnings per share from continuing operations (cents)		24.3	48.1
Basic earnings per share from discontinued operations (cents)		(0.2)	(1.4)
Basic earnings per share (cents)		24.1	46.7
Adjusted basic earnings per share (cents)	14	18.8	23.8

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group has two types of dilutive potential ordinary share (performance share rights and award share rights – refer note 16).

Share rights

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

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

17. EARNINGS PER SHARE (CONTINUED)

GROUP	NOTE	2014	2013
Diluted			
Weighted average number of ordinary shares outstanding (000s)		322,313	309,679
Shares deemed to be issued for no consideration in respect of share rights (000s)		3,208	1,742
Weighted average number of ordinary shares for diluted earnings per share (000s)		325,521	311,421
Diluted earnings per share from continuing operations (cents)		24.1	47.9
Diluted earnings per share from discontinued operations (cents)		(0.2)	(1.4)
Diluted earnings per share (cents)		23.9	46.5
Adjusted diluted earnings per share (cents)	14	18.6	23.7

18. NET ASSETS PER SHARE

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

GROUP	NOTE	2014	2013
Net assets ($000s)		523,917	411,765
Basic			
Number of ordinary shares on issue (000s)	32	346,843	311,196
Adjustment for treasury stock (000s)	32	(2,379)	(1,878)
Number of ordinary shares outstanding (000s)		344,464	309,318
Net assets per share (cents)		152.1	133.1

19. CASH AND CASH EQUIVALENTS

	GROUP	GROUP	PARENT	PARENT
	2014	2013	2014	2013
	$000	$000	$000	$000
Cash on hand and at bank	26,758	22,763	2,511	2,517

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

20. INVENTORIES

GROUP	2014	2013
	$000	$000
Finished goods	464,926	423,995
Inventory adjustments	(16,718)	(15,710)
Retail stock	448,208	408,285
Goods in transit from overseas	43,901	49,824
	492,109	458,109

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

Goods in transit from overseas

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

The Parent has no inventories.

21. FINANCE BUSINESS RECEIVABLES

GROUP	2014	2013
	$000	$000
Finance business receivables	21,381	–
Allowance for impairment	(2,345)	–
	19,036	–

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

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

GROUP	TOTAL	0 TO 30 DAYS	31 TO 60 DAYS	61 TO 90 DAYS	> 90 DAYS
At 27 July 2014	$000	$000	$000	$000	$000
Finance business receivables	21,381	18,567	754	346	1,714
Allowance for impairment	(2,345)	(539)	(144)	(114)	(1,548)
	19,036	18,028	610	232	166

22. TRADE AND OTHER RECEIVABLES

GROUP	CURRENT		NON-CURRENT		TOTAL	
	2014	2013	2014	2013	2014	2013
	$000	$000	$000	$000	$000	$000
Trade receivables	44,408	42,865	–	–	44,408	42,865
Allowance for impairment	(1,812)	(1,078)	–	–	(1,812)	(1,078)
	42,596	41,787	–	–	42,596	41,787
Other debtors and prepayments	19,237	15,159	–	–	19,237	15,159
Property advances	10,000	9,071	–	–	10,000	9,071
Advances to related parties	–	10	–	3,000	–	3,010
Employee share purchase plan loans	384	486	–	374	384	860
	72,217	66,513	–	3,374	72,217	69,887

(a) Trade receivables

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

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

GROUP	TOTAL	0 TO 30 DAYS	31 TO 60 DAYS	61 TO 90 DAYS	> 90 DAYS
At 27 July 2014	$000	$000	$000	$000	$000
Trade receivables	**44,408**	**31,175**	**8,221**	**2,795**	**2,217**
Allowance for impairment	**(1,812)**	**(42)**	**(200)**	**(124)**	**(1,446)**
	42,596	**31,133**	**8,021**	**2,671**	**771**
At 28 July 2013					
Trade receivables	42,865	33,823	4,753	1,451	2,838
Allowance for impairment	(1,078)	(110)	(20)	(135)	(813)
	41,787	33,713	4,733	1,316	2,025

(b) Property advances

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

(c) Advances to related parties

An advance was provided to certain minority shareholders of Torpedo7 as a prepayment of contingent consideration related to the sale and purchase (refer note 40). The advance had a principal of $3.000 million with a quarterly 4.0% interest rate and was secured over the vendors' minority shares held in the Torpedo7 group. The contingent consideration was settled in March 2014 (refer note 44) and the advance repaid in full.

22. TRADE AND OTHER RECEIVABLES (CONTINUED)

(d) Employee share purchase plan

GROUP	NOTE	ORDINARY SHARES 2014	2013
		000	000
Opening balance		794	859
Shares redeemed		(39)	(11)
Shares forfeited	32	(36)	(54)
Closing balance		719	794

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

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

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

The Warehouse Management Trustee Company acts as trustee for the share purchase plan. Any repurchased shares are held by the Trustee for any future allocations under the employee share purchase plan. Dividends paid on the allocated shares during the qualifying period are paid to team members. Voting rights on the shares are exercisable by the Trustee. Trustees for the plan are appointed by the Group. (The current Trustees are detailed in note 32.)

At balance date, the Trustees of the share purchase plan and LTIP (refer note 16) held the following shares:

GROUP	NOTE	ORDINARY SHARES 2014	2013
		000	000
Allocated to employee share purchase plan		719	794
Unallocated treasury stock	32	2,379	1,878
Total ordinary shares held by the Group's Trustees		3,098	2,672
Percentage of share capital		0.89%	0.86%

The Parent has no trade or other receivables.

23. DERIVATIVE FINANCIAL INSTRUMENTS

GROUP ASSET/(LIABILITY)	CURRENCY CONTRACTS	INTEREST RATE SWAPS	TOTAL DERIVATIVES
At 27 July 2014	$000	$000	$000
Current assets	599	455	1,054
Non-current assets	242	156	398
Current liabilities	(7,587)	–	(7,587)
Non-current liabilities	(22)	(1,496)	(1,518)
	(6,768)	(885)	(7,653)
At 28 July 2013			
Current assets	2,487	–	2,487
Non-current assets	–	1,315	1,315
Current liabilities	(987)	(579)	(1,566)
Non-current liabilities	–	(1,866)	(1,866)
	1,500	(1,130)	370

Derivative financial instruments are used by the Group to hedge financial risks (refer note 4). The fair value of a derivative financial instrument is classified as a non-current asset or liability if the maturity of the derivative is more than 12 months and, as a current asset or liability, if the maturity is less than 12 months.

(a) Forward currency contracts – cash flow hedges

The Group purchases inventory directly from overseas suppliers, primarily priced in US dollars. In order to protect against exchange rate movements and to manage the inventory costing process, the Group has entered into forward currency contracts to purchase foreign currencies. These contracts are hedging highly probable forecasted purchases timed to mature when the payments are scheduled to be made. The cash flows are expected to occur during the next 18 months and the gain/loss within cost of sales will be affected over the following year as the inventory is sold.

At balance date, the details of the outstanding contracts are:

GROUP FORWARD CURRENCY CONTRACTS – CASH FLOW HEDGES	NOTIONAL AMOUNT 2014	2013	AVERAGE EXCHANGE RATE 2014	2013
Buy US dollars/Sell New Zealand dollars	NZ$000	NZ$000	$	$
Maturity 0 to 6 months	178,932	139,783	0.8168	0.8084
Maturity 7 to 12 months	96,791	60,905	0.8290	0.8045
Maturity 13 to 18 months	51,013	–	0.8233	–

23. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

(b) Interest rate swaps

GROUP	2014	2013
	$000	$000
Cash flow hedges	(1,340)	(2,445)
Fair value hedges	455	1,315
	(885)	(1,130)

(i) Interest rate swaps – cash flow hedges

The Group's core bank borrowings bear an interest rate priced 1.00% (2013: 1.00%) above the bank bill mid rate (BKBM). In order to protect against rising interest rates, the Group has entered interest rate swap contracts which it has a right to receive interest at variable rates and to pay interest at fixed rates.

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

GROUP	NOTIONAL AMOUNT		AVERAGE FIXED RATE	
INTEREST RATE SWAPS – CASH FLOW HEDGES	2014	2013	2014	2013
Maturity	$000	$000	%	%
2 – 3 Years	30,000	–	4.99	–
3 – 4 Years	20,000	30,000	5.87	4.91
4 – 5 Years	–	20,000	-	5.93
	50,000	50,000	5.35	5.29

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

These interest rate swaps are settled on a net basis every 90 days matched to the same dates which interest is payable on bank borrowings. The interest rate swaps and bank borrowings re-price based on BKBM. All swaps are matched directly against an appropriate proportion of bank borrowings and interest expense, and as such, are considered highly effective. The interest rate swaps are measured at fair value and all gains and losses attributable to the hedged risk are taken directly to equity and reclassified to the income statement when the interest expense is recognised.

(ii) Interest rate swaps – fair value hedges

At balance date, the Group held interest rate swaps where it receives a fixed rate of interest and pays a variable rate on a notional amount of $40.000 million (2013: $40.000 million). These interest rate swaps are designated as fair value hedges and transform a series of known future fixed interest cash flows on the fixed rate senior bond to variable interest cash flows, so as to mitigate exposure to fair value changes in the fixed rate senior bond resulting from movements in interest rates. These interest rate swaps also spread the exposure to fixed rate repricing risk at the maturity of the Group's fixed rate senior bond.

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

GROUP	2014	2013
	$000	$000
Gains/(losses) on fixed rate senior bond	815	467
Gains/(losses) on interest rate swaps	(815)	(467)

(c) Cash flow hedge reserve

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

GROUP	NOTE	CURRENCY CONTRACTS	INTEREST RATE SWAPS	DEFERRED TAXATION	HEDGE RESERVE
For the 52 week period ended 27 July 2014		$000	$000	$000	$000
Opening balance		1,500	(2,283)	219	(564)
Transferred to inventory		9,170	–	(2,568)	6,602
Transferred to interest expense	12	–	1,150	(322)	828
Transferred to equity		(17,438)	(126)	4,918	(12,646)
Closing balance		(6,768)	(1,259)	2,247	(5,780)
				(note: 26)	(note: 33)
For the 52 week period ended 28 July 2013					
Opening balance		(5,358)	(4,662)	2,805	(7,215)
Transferred to inventory		10,373	–	(2,904)	7,469
Transferred to interest expense	12	–	1,189	(333)	856
Transferred to equity		(3,515)	1,190	651	(1,674)
Closing balance		1,500	(2,283)	219	(564)
				(note: 26)	(note: 33)

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

The Parent does not have any derivative financial instruments.

Notes to and forming part of the Financial Statements – continued

FOR THE 52 WEEK PERIOD ENDED 27 JULY 2014

24. TRADE AND OTHER PAYABLES

GROUP	NOTE	2014	2013
		$000	$000
Trade creditors		191,118	192,047
Goods in transit creditors		14,909	18,423
Capital expenditure creditors		12,607	4,841
Goods and services tax		15,512	12,471
Unearned income and Reward Schemes (includes laybys, gift vouchers, BizReward points and Christmas club deposits)		15,478	11,262
Contingent and deferred acquisition consideration	44	22,316	21,759
Interest accruals		1,273	1,180
Payroll accruals		13,092	11,743
		286,305	273,726
Less: Non-current contingent and deferred acquisition consideration		(1,986)	(15,809)
Current trade and other payables		284,319	257,917

Trade payables are normally unsecured and non-interest bearing and are usually settled within 60 days of recognition. Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value. Contingent and deferred acquisition consideration is payable over the next two years (the timing of these payments is disclosed in notes 4(a)). With the exception of an interest accrual for $0.868 million (2013: $0.888 million) relating to interest payable on the fixed rate senior bond the Parent has no other payables.

25. CURRENT TAXATION

The movement in income tax receivable is set out below:

		GROUP	GROUP	PARENT	PARENT
ASSET/(LIABILITY)	NOTE	2014	2013	2014	2013
		$000	$000	$000	$000
Opening balance		(3,466)	(5,248)	596	603
Acquisition of subsidiaries	40	–	779	–	–
Current year income tax payable	13	(31,288)	(40,395)	1	1
Net taxation paid		37,492	40,803	–	–
Supplementary dividend tax credit		488	595	488	595
Use of money interest and other adjustments		–	–	(596)	(603)
Closing balance		3,226	(3,466)	489	596

26. DEFERRED TAXATION

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

GROUP ASSET/(LIABILITY)	NOTE	OPENING BALANCE	CHARGED TO PROFIT	CHARGED TO EQUITY	ACQUISITION OF SUBSIDIARY	CLOSING BALANCE
For the 52 week period ended 27 July 2014		$000	$000	$000	$000	$000
Gross deferred tax assets						
Inventory		9,076	1,026	–	184	10,286
Deferred income		1,093	377	–	648	2,118
Employee benefit provisions		10,683	1,030	–	79	11,792
Impaired receivables		302	127	–	1,936	2,365
Other provisions		4,593	(509)	–	34	4,118
Plant and equipment depreciation and software amortisation		7,289	702	–	(161)	7,830
Derivatives – cash flow hedges	23	219	–	2,028	–	2,247
Other		286	(263)	–	–	23
		33,541	2,490	2,028	2,720	40,779
Gross deferred tax liabilities						
Building depreciation		(11,965)	2,382	–	–	(9,583)
Other		(151)	(200)	–	–	(351)
		(12,116)	2,182	–	–	(9,934)
Net deferred tax assets/(liabilities)		21,425	4,672	2,028	2,720	30,845
			(note: 13)		(note: 41)	
For the 52 week period ended 28 July 2013						
Gross deferred tax assets						
Inventory		7,287	671	–	1,118	9,076
Deferred income		603	342	–	148	1,093
Employee benefit provisions		8,996	362	–	1,325	10,683
Impaired receivables		199	26	–	77	302
Other provisions		2,254	(326)	–	2,665	4,593
Plant and equipment depreciation and software amortisation		4,525	192	–	2,572	7,289
Derivatives – cash flow hedges	23	2,805	–	(2,586)	–	219
Other		14	231	–	41	286
		26,683	1,498	(2,586)	7,946	33,541
Gross deferred tax liabilities						
Building depreciation		(24,131)	12,166	–	–	(11,965)
Other		(127)	(24)	–	–	(151)
		(24,258)	12,142	–	–	(12,116)
Net deferred tax assets		2,425	13,640	(2,586)	7,946	21,425
			(note: 13)		(note: 40)	

The Parent has no deferred income tax assets/liabilities.

27. PROPERTY, PLANT AND EQUIPMENT

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

GROUP	NOTE	FREEHOLD LAND	FREEHOLD BUILDINGS	STORE FITTINGS AND EQUIPMENT	COMPUTER HARDWARE	VEHICLES	WORK IN PROGRESS	TOTAL
		$000	$000	$000	$000	$000	$000	$000
For the 52 week period ended 27 July 2014								
Opening carrying amount		78,556	69,207	123,131	19,818	2,038	12,852	305,602
Acquisition of subsidiaries	41	–	–	1,558	328	132	–	2,018
Additions	5	4,726	449	61,292	9,726	111	10,318	86,622
Disposals		(1,972)	(8,074)	(2,430)	(57)	(46)	–	(12,579)
Depreciation	5, 10	–	(1,400)	(35,659)	(7,269)	(530)	–	(44,858)
Closing carrying amount		81,310	60,182	147,892	22,546	1,705	23,170	336,805
At 27 July 2014								
Cost		81,310	73,105	416,678	102,538	3,188	23,170	699,989
Accumulated depreciation		–	(12,923)	(268,786)	(79,992)	(1,483)	–	(363,184)
Net carrying amount		81,310	60,182	147,892	22,546	1,705	23,170	336,805
For the 52 week period ended 28 July 2013								
Opening carrying amount		83,916	100,384	95,068	11,825	1,379	62,655	355,227
Acquisition of subsidiaries	40	–	–	9,548	4,363	243	748	14,902
Additions	5	6,485	72,619	52,244	10,286	1,620	(50,551)	92,703
Disposals		(11,845)	(102,004)	(3,747)	(737)	(743)	–	(119,076)
Depreciation	5, 10	–	(1,792)	(29,982)	(5,919)	(461)	–	(38,154)
Closing carrying amount		78,556	69,207	123,131	19,818	2,038	12,852	305,602
At 28 July 2013								
Cost		78,556	82,224	385,760	93,707	3,072	12,852	656,171
Accumulated depreciation		–	(13,017)	(262,629)	(73,889)	(1,034)	–	(350,569)
Net carrying amount		78,556	69,207	123,131	19,818	2,038	12,852	305,602
At 29 July 2012								
Cost		83,916	125,959	354,166	86,358	2,653	62,655	715,707
Accumulated depreciation		–	(25,575)	(259,098)	(74,533)	(1,274)	–	(360,480)
Net carrying amount		83,916	100,384	95,068	11,825	1,379	62,655	355,227

(a) Property valuations

The Directors, having taken into consideration purchase offers, independent and government valuations and other known factors, have assessed the fair value of freehold land and buildings to be $177.086 million (2013: $183.814 million). The Directors' valuation was approved by the Board on 11 September 2014. Independent property valuations are sought at least every three years, unless other factors indicate there may have been a significant change in fair value which would necessitate a revaluation being undertaken earlier.

GROUP	CARRYING AMOUNT 2014	CARRYING AMOUNT 2013	DIRECTORS' VALUATION 2014	DIRECTORS' VALUATION 2013
	$000	$000	$000	$000
Freehold land and buildings				
Support office	9,585	9,951	23,000	23,000
Stores	106,874	114,604	119,934	128,776
Development assets	25,033	23,208	34,152	32,038
Total freehold land and buildings	141,492	147,763	177,086	183,814

Stores comprise seven (2013: eight) store sites located throughout New Zealand. Development assets include three (2013: five) Auckland properties and properties in Timaru, Hamilton, Kaitaia and Rolleston.

(b) Property disposals

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

In the comparative year, the Group sold a number of properties on sale and lease back terms. The property disposals included three stores (located in Queenstown, Snells Beach and Palmerston North), the Group's distribution centre located in Wiri (Auckland) and a Retail Centre in Silverdale. The disposals generated net sale proceeds of $194.182 million and realised pre-tax profits of $77.368 million (including disposal related costs).

(c) Work in progress

Work in progress at balance date includes expenditure of $8.457 million to renovate and extend the Group's head office in Auckland. The project is planned to be completed in December 2014.

The Parent has no property, plant and equipment.

28. INTANGIBLE ASSETS

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

GROUP	NOTE	GOODWILL	BRAND NAMES	COMPUTER SOFTWARE	TOTAL
		$000	$000	$000	$000
For the 52 week period ended 27 July 2014					
Opening carrying amount		71,905	23,523	13,051	108,479
Acquisition of subsidiaries	41	31,692	–	3,014	34,706
Additions	5	–	–	7,645	7,645
Disposals		–	–	(628)	(628)
Amortisation	5, 10	–	–	(6,511)	(6,511)
Closing carrying amount		103,597	23,523	16,571	143,691
At 27 July 2014					
Cost		103,597	23,523	89,566	216,686
Accumulated amortisation		–	–	(72,995)	(72,995)
Net carrying amount		103,597	23,523	16,571	143,691
For the 52 week period ended 28 July 2013					
Opening carrying amount		–	–	13,379	13,379
Acquisition of subsidiaries	40	71,905	23,523	1,769	97,197
Additions	5	–	–	4,103	4,103
Disposals		–	–	(129)	(129)
Amortisation	5, 10	–	–	(6,071)	(6,071)
Closing carrying amount		71,905	23,523	13,051	108,479
At 28 July 2013					
Cost		71,905	23,523	79,665	175,093
Accumulated amortisation		–	–	(66,614)	(66,614)
Net carrying amount		71,905	23,523	13,051	108,479
At 29 July 2012					
Cost		–	–	74,194	74,194
Accumulated amortisation		–	–	(60,815)	(60,815)
Net carrying amount		–	–	13,379	13,379

The Parent has no intangible assets.

(a) Impairment tests for intangible assets with indefinite lives

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

GROUP	GOODWILL		BRAND NAMES	
	2014	2013	2014	2013
	$000	$000	$000	$000
Noel Leeming	27,436	25,888	15,500	15,500
Torpedo7 Group	36,991	22,091	8,023	8,023
Diners Club (NZ)	11,014	–	–	–
Other acquisitions	28,156	23,926	–	–
Net carrying amount	103,597	71,905	23,523	23,523

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

(b) Key assumptions

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

GROUP	NOEL LEEMING	TORPEDO7	REMAINING CGU'S
At 27 July 2014			
EBIT Margin	3.1%	10.5%	5 to 11%
Growth rate	2.5%	3.0%	2.5%
Post-tax discount rate	12.0%	12.8%	13.7%
At 28 July 2013			
EBIT Margin	3.0%	8.0%	7 to 12%
Growth rate	2.5%	3.0%	2.5%
Post-tax discount rate	11.8%	12.7%	13.5%

The weighted average growth rates used are consistent with the forecasts in market and industry reports. The discount rates used are post-tax and reflect specific risks relating to the relevant operating segments. The Group does not expect a reasonably possible change in the key assumptions would reduce the recoverable amount below the carrying amount. Due to the recent timing of the Schooltex and Diners Club (NZ) acquisitions, goodwill was not tested for impairment as there were no indicators of impairment from the transaction values.

29. INVESTMENTS

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

GROUP	2014	2013
	$000	$000
Opening balance	5,671	6,372
Share of associates profit before taxation	4,177	4,812
Less taxation	(1,171)	(1,348)
Equity earnings of associate	3,006	3,464
Distributions received	(3,136)	(4,165)
Closing balance	5,541	5,671

(a) Investment details

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

The balance date of The Warehouse Financial Services Limited is 30 September. The share of associate earnings is based on both audited financial statements for the year ended 30 September 2013 and unaudited management accounts for the 10-month period ended 31 July 2014.

(b) Summarised financial information

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

	2014	2013
	$000	$000
Extract from the associates Balance Sheet		
Loans	62,649	66,303
Other assets	15,622	15,499
	78,271	81,802
Liabilities	(66,963)	(70,229)
Net assets	11,308	11,573
Share of associates net assets	5,541	5,671
Extract from associates Income Statement		
Operating income	14,543	15,501
Net profit after tax	6,134	7,070

The Parent has an investment in subsidiaries at cost of $42.000 million (2013: $42.000 million). The value of the Parent's investment represents a 100% (2013: 100%) shareholding in The Warehouse Limited.

A list of the Group's companies are detailed in note 46.

30. PROVISIONS

GROUP	CURRENT		NON-CURRENT		TOTAL	
	2014	2013	2014	2013	2014	2013
	$000	$000	$000	$000	$000	$000
Performance based compensation	7,895	9,024	–	–	7,895	9,024
Annual leave	28,338	25,244	–	–	28,338	25,244
Long service leave	–	–	7,365	7,178	7,365	7,178
Other employee benefits	4,323	3,997	2,088	1,738	6,411	5,735
Employee benefits	40,556	38,265	9,453	8,916	50,009	47,181
Make good provision	1,536	1,064	4,671	5,088	6,207	6,152
Sales returns provision	3,581	3,229	–	–	3,581	3,229
Onerous lease	2,364	2,891	2,556	4,259	4,920	7,150
	48,037	45,449	16,680	18,263	64,717	63,712

(a) Movements in provisions

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

GROUP	MAKE GOOD		SALES RETURN		ONEROUS LEASE	
	2014	2013	2014	2013	2014	2013
	$000	$000	$000	$000	$000	$000
Opening balance	6,152	2,990	3,229	2,554	7,150	2,507
Acquisition of subsidiaries	83	1,435	186	509	–	7,573
Arising during the year	1,384	2,950	3,581	3,229	1,339	19
Net settlements	(1,412)	(1,223)	(3,415)	(3,063)	(3,569)	(2,949)
Closing balance	6,207	6,152	3,581	3,229	4,920	7,150

30. PROVISIONS (CONTINUED)

(b) Employee benefit provisions

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

(i) Annual performance based compensation

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

(ii) Annual leave

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

(iii) Long service leave

The Warehouse and Warehouse Stationery employees are entitled to four weeks' additional paid leave after 10 years of continuous employment with the Group. This provision represents the present value of expected future payments to be made in respect of services provided by employees at balance date.

(iv) Other employee benefits

The Group's employees are in general entitled to a minimum of eight days' annual sick leave with any unused days up to a maximum of 15 days carried over to the next year and added to the annual entitlement. A provision for sick leave has been recognised for employees with entitlements in excess of one year, where it is likely that the entitlement will be taken. This provision also includes an estimate of the Group's outstanding ACC (Accident Compensation Corporation) liabilities.

(c) Make good provision

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

(d) Sales return

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

(e) Onerous lease

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

The Parent has no provisions.

31. BORROWINGS

		GROUP	GROUP	PARENT	PARENT
	NOTE	2014	2013	2014	2013
		$000	$000	$000	$000
Bank borrowings at call – interest rate: 4.25% (2013: 3.58%)		3,410	83,830	–	–
Finance leases	38	1,370	1,506	–	–
Fixed rate senior bond (coupon: 7.37%)		100,000	–	100,000	–
Fair value adjustment relating to senior bond effective interest		391	–	–	–
Unamortised capitalised costs on senior bond		(275)	–	(275)	–
Current borrowings		104,896	85,336	99,725	–
Bank borrowings – interest rate: 4.56% (2013: 3.62%)		140,000	50,000	–	–
Finance leases	38	2,740	3,681	–	–
Fixed rate senior bond (coupon: 7.37%)		–	100,000	–	100,000
Fair value adjustment relating to senior bond effective interest		–	1,206	–	–
Unamortised capitalised costs on senior bond		–	(586)	–	(586)
Non-current borrowings		142,740	154,301	–	99,414
	4	247,636	239,637	99,725	99,414

Cash balances have been netted off against bank overdrafts where the Group has a 'set off' arrangement with a bank counter party. The average bank overdraft interest rate incurred for the year was 9.00% (2013: 8.80%).

(a) Fair values

The fair value of the fixed rate senior bond at balance date was $102.649 million (2013: $105.108 million) based on the last price traded on the New Zealand stock exchange and a market yield of 5.30% (2013: 5.00%).

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

(b) Borrowing covenants

Bank borrowings and the fixed rate senior bond are subject to a negative pledge. Details regarding the negative pledge and restrictive covenants is disclosed in note 3.

(c) Interest rate and liquidity risk

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

(d) Fixed rate senior bond

The Group issued a $100.000 million fixed rate senior bond in April 2010 bearing a fixed interest rate of 7.37% per annum. Interest is payable every six months on 15 June and 15 December and the bond has a final maturity in June 2015. The Group incurred costs of $1.600 million in connection with the issuance of the bond which were capitalised. These costs are being amortised equally over the term of the bond. An amortisation expense of $0.311 million (2013: $0.311 million) has been recognised as part of the interest expense during the year.

32. CONTRIBUTED EQUITY

	GROUP 2014 $000	GROUP 2013 $000	PARENT 2014 $000	PARENT 2013 $000
Share capital	365,517	251,445	365,517	251,445
Treasury stock	(8,707)	(7,361)	–	–
	356,810	244,084	365,517	251,445

(a) Share capital

GROUP AND PARENT	NOTE	SHARE CAPITAL 2014 $000	SHARE CAPITAL 2013 $000	ORDINARY SHARES 2014 000	ORDINARY SHARES 2013 000
Opening balance		251,445	251,445	311,196	311,196
Share placement shares issued (issue price $3.23)	3	100,000	–	30,960	–
Share purchase plan shares issued (issue price $3.20)	3	14,998	–	4,687	–
Cost of issuing new shares	3	(926)	–	–	–
Closing balance		365,517	251,445	346,843	311,196

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

(b) Treasury stock

GROUP	NOTE	TREASURY STOCK 2014 $000	TREASURY STOCK 2013 $000	ORDINARY SHARES 2014 000	ORDINARY SHARES 2013 000
Opening balance		7,361	5,739	1,878	1,400
Ordinary shares issued to settle share plan obligations	33, 16	(1,993)	(1,317)	(535)	(355)
Ordinary shares purchased		3,230	2,777	1,000	779
Ordinary shares forfeited under the staff share purchase plan	22	109	162	36	54
Closing balance		8,707	7,361	2,379	1,878
Percentage of share capital				0.69%	0.60%

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

The Warehouse Management Trustee Company Limited	K R Smith (Director) and M D Powell (Chief Executive Officer)
The Warehouse Management Trustee Company No.2 Limited	E K van Arkel (Director) and K R Smith (Director)

33. RESERVES

GROUP	NOTE	2014 $000	2013 $000
Cash flow hedge reserve	23	(5,780)	(564)
Share based payments reserve		3,709	3,281
		(2,071)	2,717

(a) Cash flow hedge reserve

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

(b) Share based payments reserve

The Group currently has an employee share right plan (refer note 16) and an employee share purchase plan (refer note 22). This reserve is used to record the accumulated value of unvested shares rights and employee share purchase plan discount (net of the fair value adjustment on the employee loans), which have been recognised in the Income Statement.

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

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

GROUP	NOTE	2014 $000	2013 $000
Opening balance		3,281	2,209
Share based payments expense	9	2,266	2,545
Transfer from treasury stock	32	(1,993)	(1,317)
Transferred to retained earnings	35	155	(156)
Closing balance		3,709	3,281

The Parent has no reserves.

Notes to and forming part of the Financial Statements – continued

FOR THE 52 WEEK PERIOD ENDED 27 JULY 2014

34. MINORITY INTEREST

GROUP	NOTE	2014	2013
		$000	$000
Opening balance		11,736	233
Acquisition of subsidiaries	40	–	11,293
Purchase of minority interest	42	(6,552)	–
Net profit/(loss) attributable to minority interest		(496)	580
Dividends paid to minority shareholders		(371)	(370)
Closing balance		4,317	11,736

Minority interests relate to minority shareholdings held in Waikato Valley Chocolates (50%), Torpedo7 (20% – 2013: 49%) and ShopHQ (50%). The 50% minority shareholding in ShopHQ was acquired in July 2013 (refer note 40). The initial 49% minority shareholding in Torpedo7 group was acquired in April 2013 and reduced to 20% in March 2014 (refer notes 40 and 42 respectively).

35. RETAINED EARNINGS

		GROUP	GROUP	PARENT	PARENT
	NOTE	2014	2013	2014	2013
		$000	$000	$000	$000
Opening balance		153,228	76,434	10,875	10,877
Net profit attributable to shareholders		77,750	144,748	57,569	68,461
Dividends paid to shareholders	36	(57,571)	(68,463)	(57,571)	(68,463)
Treasury stock dividends received		237	353	–	–
Purchase of minority interest	42	(8,628)	–	–	–
Transferred from share-based payments reserve	33	(155)	156	–	–
Closing balance		164,861	153,228	10,873	10,875

36. DIVIDENDS

GROUP AND PARENT		DIVIDENDS PAID		CENTS PER SHARE	
	NOTE	2014	2013	2014	2013
		$000	$000		
Prior year final dividend		17,116	20,228	5.5	6.5
Interim dividend		40,455	48,235	13.0	15.5
Total dividends paid	35	57,571	68,463	18.5	22.0

All dividends paid were fully imputed. Supplementary dividends of $0.488 million (2013: $0.595 million) were paid.

Dividend Policy

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

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

GROUP AND PARENT		DIVIDENDS PAID AND DECLARED		CENTS PER SHARE	
	NOTE	2014	2013	2014	2013
		$000	$000		
Interim dividend		40,455	48,235	13.0	15.5
Final dividend (declared after balance date)		20,811	17,116	6.0	5.5
Total dividends paid and declared		61,266	65,351	19.0	21.0
Adjusted net profit	14	60,691	73,697		
Payout ratio (%)		100.9%	88.7%		

On 11 September 2014 the Board declared a final fully imputed ordinary dividend of 6.0 cents per share to be paid on 11 December 2014 to all shareholders on the Group's share register at the close of business on 28 November 2014.

37. IMPUTATION CREDIT ACCOUNT

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

IMPUTATION CREDIT ACCOUNT	GROUP	GROUP	PARENT	PARENT
	2014	2013	2014	2013
	$000	$000	$000	$000
Closing balance	94,168	80,438	20,276	19,788

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

38. COMMITMENTS

(a) Finance leases

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

GROUP	2014	2013
	$000	$000
Future minimum rentals payable		
0 – 1 Years	1,623	1,822
1 – 2 Years	1,480	1,470
2 – 5 Years	1,497	2,639
	4,600	5,931
Less future finance charges	(490)	(744)
Present value of finance leases	4,110	5,187
Current	1,370	1,506
Non-current	2,740	3,681
	4,110	5,187

(b) Operating leases

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

GROUP	2014	2013
	$000	$000
0 – 1 Years	103,584	92,297
1 – 2 Years	85,914	70,924
2 – 5 Years	207,305	123,272
5+ Years	268,668	178,513
	665,471	465,006

(c) Capital commitments

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

GROUP	2014	2013
	$000	$000
Within one year	11,714	8,505

Capital commitments at balance date includes expenditure of $9.103 million to complete the renovation and expansion of the Group's head office in Auckland. The project is planned to be completed in December 2014.

The Parent has no capital or lease commitments.

39. 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 15 stores were closed. The operating activities associated with these stores are classified as discontinued operations. The Income Statement, Comprehensive Income Statement and related notes distinguish discontinued operations from continuing operations.

The results from discontinued operations were as follows:

GROUP	NOTE	2014	2013
		$000	$000
Retail sales		3,262	25,046
Cost of retail goods sold		(2,975)	(23,837)
Gross Profit		287	1,209
Other income		38	316
Employee expense		(412)	(2,523)
Lease and occupancy expense		(546)	(1,919)
Depreciation and amortisation expense	10	(20)	(208)
Other operating expenses		(239)	(2,831)
Net profit before tax for the period from discontinued operations		(892)	(5,956)
Income tax expense	13	250	1,668
Net profit after tax for the period from discontinued operations		(642)	(4,288)
Operating cash flows from discontinued operations		(5,174)	(4,551)
Total assets		–	693
Total liabilities		(2,061)	(7,056)

40. BUSINESS COMBINATIONS – 2013

During the previous year, the Group acquired five 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.

GROUP	NOTE	NOEL LEEMING	TORPEDO7	OTHER ACQUISITIONS	TOTAL
		$000	$000	$000	$000
For the 52 week period ended 28 July 2013					
Cash and cash equivalents		876	426	51	**1,353**
Trade and other receivables		15,433	142	170	**15,745**
Inventories		101,865	14,702	6,818	**123,385**
Property, plant and equipment	27	11,590	2,546	766	**14,902**
Computer software (included in intangibles)	28	285	901	583	**1,769**
Brand names (included in intangibles)	28	15,500	8,023	–	**23,523**
Tax receivable		807	–	–	**807**
Deferred taxation	26	7,499	443	4	**7,946**
		153,855	27,183	8,392	**189,430**
Trade and other payables		(92,278)	(5,010)	(182)	**(97,470)**
Make good (included in provisions)	30	(1,400)	(608)	–	**(2,008)**
Onerous lease (included in provisions)	30	(7,574)	–	–	**(7,574)**
Other provisions		(5,558)	–	–	**(5,558)**
Tax payable		–	(28)	–	**(28)**
Borrowings (including finance leases)		(7,933)	–	–	**(7,933)**
Fair value of identifiable net assets		39,112	21,537	8,210	**68,859**
Minority interests	34	–	(10,769)	(524)	**(11,293)**
Goodwill arising on acquisition	28	25,888	22,091	23,926	**71,905**
		65,000	32,859	31,612	**129,471**
The acquisition consideration is as follows:					
Cash		65,000	20,000	22,712	**107,712**
Contingent consideration	44	–	12,859	8,900	**21,759**
		65,000	32,859	31,612	**129,471**
The cash outflow on acquisitions is as follows:					
Cash and cash equivalents in subsidiary acquired		(876)	(426)	(51)	**(1,353)**
Direct costs relating to the acquisition		1,217	703	410	**2,330**
Purchase consideration settled in cash		65,000	20,000	22,712	**107,712**
		65,341	20,277	23,071	**108,689**
Direct costs relating to post balance date acquisitions					**26**
Net consolidated cash outflow					**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 increased its presence in the Consumer Electronics and Home Appliances markets. The goodwill arising from the acquisition was 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 5).

(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 multichannel strategy and provided another platform to increase the Group's online retail presence.

The remaining 49% of the shares of Torpedo7 Limited were held by the pre-acquisition shareholders. The Group 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 was originally expected to be paid over the following three financial years. During the current year, the Group negotiated an early settlement of the contingent consideration for $5.359 million (refer note 44).

The acquisition 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 in August 2013 resulting in the payment of $1.5 million. The net asset adjustment was fully provided at July 2013.

The Torpedo7 group operates as a separate trading division and is reported separately for both management and segment reporting (refer note 5).

40. 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 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 $7.500 million was payable conditional upon certain specified sales and gross profit targets being achieved. The first two targets have been exceeded with contingent consideration of $2.500 million paid on the first anniversary of the acquisition in October 2013 and a second payment of contingent consideration ($1.250 million) paid in March 2014. Three further contingent consideration tranches of $1.250 million are payable at six monthly intervals thereafter if the specified targets are achieved.

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

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 capability and provided cost savings across the Group. CES has capability in sourcing, inventory management, distribution and online fulfilment. The goodwill ($9.700 million) arising from the acquisition was largely attributable to the specialised knowledge acquired and economies of scale by 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 paid next year 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 5).

ShopHQ acquisition

The Group acquired a controlling 50% interest in the shares of ShopHQ 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 was largely attributable to the specialised knowledge acquired and economies of scale by combining the operations within the Group.

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

41. BUSINESS COMBINATIONS – 2014

During the year, the Group acquired six 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.

GROUP	NOTE	TORPEDO7 ACQUISITIONS	DINERS CLUB (NZ)	OTHER ACQUISITIONS	TOTAL
		$000	$000	$000	$000
For the 52 week period ended 27 July 2014					
Cash and cash equivalents		88	18	–	**106**
Finance business receivables		–	21,357	–	**21,357**
Trade and other receivables		433	163	21	**617**
Inventories		13,747	–	4,769	**18,516**
Property, plant and equipment	27	1,758	260	–	**2,018**
Computer software (included in intangibles)	28	166	2,848	–	**3,014**
Deferred taxation	26	342	2,378	–	**2,720**
		16,534	27,024	4,790	**48,348**
Trade and other payables		(5,169)	(4,668)	(418)	**(10,255)**
Provisions		(479)	–	–	**(479)**
Borrowings (including finance leases)		–	(29,935)	–	**(29,935)**
Fair value of identifiable net assets		10,886	(7,579)	4,372	**7,679**
Goodwill arising on acquisition	28	14,900	11,014	5,778	**31,692**
		25,786	3,435	10,150	**39,371**
The acquisition consideration is as follows:					
Cash		21,186	3,435	9,713	**34,334**
Contingent consideration	44	4,600	–	437	**5,037**
		25,786	3,435	10,150	**39,371**
The cash outflow on acquisitions is as follows:					
Cash and cash equivalents in subsidiary acquired		(88)	(18)	–	**(106)**
Direct costs relating to the acquisition		694	666	257	**1,617**
Purchase consideration settled in cash		21,186	3,435	9,713	**34,334**
Net consolidated cash outflow		21,792	4,083	9,970	**35,845**

41. BUSINESS COMBINATIONS – 2014 (CONTINUED)

(a) Torpedo7 acquisitions

As part of the Group's multichannel strategy to increase its online retail presence and strengthen the Group's multichannel 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 by 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 5).

(i) No1 Fitness

In September 2013, the Group acquired all the operations and business assets of No1 Fitness, an unlisted private company engaged in the online retail of fitness equipment with two showrooms located in Auckland and Christchurch.

(ii) Shotgun Supplements

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 seven New Zealand stores as well as an online store.

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

(b) Diners Club (NZ)

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

The consideration for the share purchase was $3.435 million.

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

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

(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 customer services proposition.

The consideration for the purchase was $1.547 million, which included estimated contingent consideration of $0.437 million payable within 12 months subject to the achievement of specified earnings targets.

Schooltex

In February 2014 the Group acquired the operations and business assets of Schooltex from Postie Plus Group Limited (PPG). PPG has since changed its name to Retva Limited and was placed into administration in June 2014. 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.

42. MINORITY INTEREST ACQUISITION

Torpedo7 minority interest

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

Detailed information in respect of the Group's initial 51% acquisition of share capital in Torpedo7 Limited is provided in note 40.

43. SUBSEQUENT EVENTS

On 15 August 2014 discount electrical goods retailer Good Guys closed its five Auckland stores after deciding to leave the New Zealand market. The Group has agreed to take over the leases of the five Good Guys stores at Albany, Wairau Park, Manukau, Botany and Sylvia Park and while the Group is not acquiring the Good Guys business, the Group will work with Good Guys to offer as many as possible of their former employees alternative employment.

44. CONTINGENT AND DEFERRED ACQUISITION CONSIDERATION

GROUP	NOTE	2014	2013
		$000	$000
Balance at the beginning of the period		21,759	–
Acquisition of businesses	41, 40	5,037	21,759
Acquisition of minority interest	42	13,180	–
Reassessment of consideration payable		(5,259)	–
Cash settlements		(12,401)	–
Balance at the end of the period		22,316	21,759

44. CONTINGENT AND DEFERRED ACQUISITION CONSIDERATION (CONTINUED)

Contingent consideration represents the portion of the purchase price for an acquisition withheld from a vendor to help ensure future operating performance or completion of other post acquisition deliverables. The contingent consideration is payable once the 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.

An early settlement of contingent consideration in respect of the initial 51% share purchase of Torpedo7 (acquired in April 2013, refer note 40) was negotiated in March 2014. The settlement was $5.359 million less than the obligation originally estimated at the time of the acquisition and is treated as a gain in the Income Statement. With the exception of the contingent consideration paid for the Maclean Technology acquisition ($0.073 million higher) the remaining payments of contingent consideration settled during the year were in line with the original estimates. The Group reassesses 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. These adjustments are treated as a gains or losses in the Income Statement.

45. CONTINGENT LIABILITIES

GROUP	2014	2013
	$000	$000
Bank letters of credit issued to secure future purchasing requirements	14,276	14,853
Less included as a goods in transit creditor	(1,159)	(2,781)
	13,117	12,072
Bank guarantees provided to landlords and the New Zealand Stock Exchange Limited	1,021	1,021
Total contingent liabilities	14,138	13,093

Letters of credit

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

Bank guarantees

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

The Parent had no contingent liabilities.

46. RELATED PARTIES

During the period, the Group has not entered into any material contracts involving related parties or Directors' interests which are not disclosed. No amounts owed by related parties have been written off or forgiven during the period. Advances provided to related parties are disclosed in note 22.

(a) Shareholdings

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

(i) Sir Stephen Tindall (Director) has a beneficial shareholding of 93,687,096 shares (2013: 84,058,283 shares) which carry the normal entitlement to dividends. Dividends of $15.551 million (2013: $18.493 million) were received on these shares during the year.

(ii) The Group's other Directors collectively had beneficial shareholdings of 221,066 shares (2013: 79,642 shares) at balance date which carry the normal entitlement to dividends.

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

(iv) Other key executives (as detailed in note 14) collectively held 346,956 shares (2013: 287,707 shares) at balance date which carry the normal entitlement to dividends. The Group's Chief Executive Officer, M D Powell, held 186,498 shares (2013: 114,779 shares) at balance date.

(v) The Tindall Foundation – Sir Stephen Tindall (Director) and R J Tindall (alternate Director) are Trustees of The Tindall Foundation. The Tindall Foundation is an incorporated charitable trust and as such it is recognised as having a separate legal existence. This differs from unincorporated trusts, which have no separate legal existence apart from their trustees. For the purposes of stock exchange disclosures, the Trustees of The Tindall Foundation do not have a disclosable interest in the shares held by The Tindall Foundation. At balance date The Tindall Foundation held and received dividends on 73,920,496 shares (2013: 66,323,220 shares) in the Group. Dividends of $12.270 million (2013: $14.591 million) were received on these shares during the year.

(vi) As part of the Group's equity raising in March 2014 and April 2014 (refer note 3) Sir Stephen Tindall and The Tindall Foundation both increased their shareholdings by 9,628,813 shares and 7,597,276 shares respectively to enable them to maintain the same percentage ownership in the Group. These shares were purchased at an average share price of $3.22 per share.

(b) Parent

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

The Parent entered into certain transactions with its subsidiaries as follows:

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

(i) Loans from the Parent to subsidiaries $431.983 million (2013: $317.509 million).

Material transactions between the Parent and its subsidiaries were:

(ii) The Parent entered a $100.000 million loan agreement in April 2010 with a subsidiary on terms aligned to finance the interest and principal commitments of the Group's fixed rate senior bond (refer note 31).

(iii) Interest received by the Parent from its subsidiaries $7.661 million (2013: $7.661 million).

(iv) Dividends received by the Parent from its subsidiaries $57.571 million (2013: $68.463 million).

Notes to and forming part of the Financial Statements – continued

FOR THE 52 WEEK PERIOD ENDED 27 JULY 2014

46. RELATED PARTIES (continued)

(c) Subsidiaries

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

		PRINCIPAL ACTIVITY	EQUITY HOLDING 2014	2013
			%	%
Guaranteeing subsidiaries				
New Zealand subsidiaries				
1-Day Limited	Acquired April 2013	Online retail	80	51
Boye Developments Limited		Investment	100	100
Diners Club (NZ) Limited	Acquired March 2014	Financial services	100	–
Eldamos Investments Limited		Property owner	100	100
Noel Leeming Group Limited	Acquired December 2012	Retail	100	100
RRS 2013 Limited	Acquired December 2013	Retail	80	–
The Warehouse Limited		Retail	100	100
The Warehouse Nominees Limited		Investment	100	100
Torpedo 7 Limited	Acquired April 2013	Online retail	80	51
Torpedo 7 Fitness Limited	Acquired September 2013	Online retail	80	–
Torpedo 7 Supplements Limited	Acquired December 2013	Online retail	80	–
TWP No. 3 Limited	Commenced October 2012	Retail	100	100
TWP No. 4 Limited	Commenced December 2012	Investment	100	100
TWP No. 5 Limited	Commenced April 2013	Investment	100	100
TWP No. 6 Limited	Commenced March 2014	Investment	100	–
Urbandaddy Limited	Acquired April 2013	Amalgamated	–	51
Waikato Valley Chocolates Limited[1]		Chocolate factory	50	50
Warehouse Stationery Limited		Retail	100	100
New Zealand employee share plan trustees				
The Warehouse Management Trustee Company Limited[1]		Share plan trustee	100	100
The Warehouse Management Trustee Company No. 2 Limited[1]		Share plan trustee	100	100
New Zealand non-trading subsidiaries				
The Warehouse Card Limited			100	100
The Warehouse Cellars Limited			100	100
Eldamos Nominees Limited[1]			100	100
Non-trading Australian subsidiaries				
TWGA Pty Limited[1]			100	100
TWL Australia Pty Limited[1]			100	100
Non-guaranteeing subsidiaries				
New Zealand subsidiaries				
ShopHQ Limited	Acquired July 2013	Online retail	50	50
TWNL Projects Limited		Store development	50	50
TWP No. 2 Limited		Wholesale	100	100
New Zealand non-trading subsidiaries and joint ventures				
1-Day Liquor Limited	Acquired April 2013		80	51
Bond and Bond Limited	Acquired December 2012		100	100
The Book Depot Limited	Acquired February 2013		100	100
Farran Nine Limited			50	50
Lincoln West Limited			50	50
Noel Leeming Finance Limited	Acquired December 2012		100	100
Noel Leeming Financial Services Limited	Acquired December 2012		100	100
Noel Leeming Furniture Limited	Acquired December 2012		100	100
Noel Leeming Limited	Acquired December 2012		100	100
The Warehouse Investments Limited			100	100
TW Money Limited	Set up July 2014		100	–
TW Financial Services Operations Limited	Set up July 2014		100	–
TWP No. 1 Limited			100	100

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

Independent Auditors' Report

TO THE SHAREHOLDERS OF THE WAREHOUSE GROUP LIMITED

Report on the Financial Statements

We have audited the financial statements of The Warehouse Group Limited ("the Company") on pages 48 to 85, which comprise the balance sheets as at 27 July 2014, the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for the 52 week period then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for both the Company and the Group. The Group comprises the Company and the entities it controlled at 27 July 2014 or from time to time during the financial year.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Company and the Group's preparation of financial statements that give a true and fair view of the matters to which they relate, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We have no relationship with, or interests in, The Warehouse Group Limited or any of its subsidiaries other than in our capacities as auditors of the financial statements and providers of other assurance services and treasury policy advice. These services have not impaired our independence as auditors of the Company and the Group.

Opinion

In our opinion, the financial statements on pages 48 to 85:

(i) comply with generally accepted accounting practice in New Zealand;

(ii) comply with International Financial Reporting Standards; and

(iii) give a true and fair view of the financial position of the Company and the Group as at 27 July 2014, and their financial performance and cash flows for the 52 week period then ended.

Report on Other Legal and Regulatory Requirements

We also report in accordance with Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the 52 week period ended 27 July 2014:

(i) we have obtained all the information and explanations that we have required; and

(ii) in our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

Restriction on Use of our Report

This report is made solely to the Company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

PricewaterhouseCoopers

Chartered Accountants, Auckland

11 September 2014

Corporate Governance

At The Warehouse Group, we believe that success requires the highest standard of corporate behaviour towards everyone with whom we work, the communities we touch, and the environment on which we have an impact. This is our road to creating sustainable long-term value for our shareholders.

The Board is committed to conducting the company's business ethically and in accordance with high standards of corporate governance. The primary objective of the Board is to build long-term shareholder value with due regard to other stakeholder interests. It does this by guiding strategic direction and focusing on issues critical for its successful execution.

This governance statement outlines the company's main corporate governance practices as at 12 September 2014. During the year, the Board reviewed and assessed the company's governance structure to ensure that it is consistent, both in form and substance, with best practice.

Compliance

The ordinary shares of The Warehouse Group Limited (the "Group" or "company") are listed on the New Zealand stock exchange ("NZX"). The company seeks to follow the best-practice recommendations for listed companies to the extent that it is appropriate to the size and nature of The Warehouse's operations.

The company considers its governance practices complied with the NZX Corporate Governance Best Practice Code in its entirety for the year ended 27 July 2014. The structure of this section of the Annual Report reflects the requirements of the New Zealand Securities Commission's Governance Principles and Guidelines.

The company's constitution, the Board and committee charters, codes and policies referred to in this section are available to view at www.twg.co.nz.

Principle 1 – Ethical Standards

Directors observe and foster high ethical standards.

Code of Ethics and Code of General Business Principles

The Group expects its Directors, officers, employees and contractors ("Team Members") to act legally, ethically and with integrity in a manner consistent with the Group's policies, guiding principles and values.

The Group's Code of Ethics and Code of General Business Principles set out clear expectations of ethical decision-making and personal behaviour by Team Members in relation to situations where their or the Group's integrity could be compromised.

The Codes apply to all companies of The Warehouse Group Limited. Both Codes address, amongst other things:

- confidentiality;
- trading in company securities;
- receipt of gifts and entertainment;
- transparency and avoiding conflicts;
- use of company information and assets;
- delegations of authority;
- processes for reporting and resolving ethical issues;
- workplace responsibilities (diversity, employment practices, health and safety);
- doing business in an environmentally responsible manner;
- interaction with customers and suppliers; and
- fair competition in all the markets in which the company operates.

Team Members are encouraged to anonymously disclose inappropriate, unethical or unsafe activities within the company through a confidential freephone line.

Trading in The Warehouse Group's Securities

The Group is committed to transparency and fairness in dealing with all of its stakeholders and to ensuring adherence to all applicable laws and regulations.

The company has a detailed securities trading policy governing trading in the Group's ordinary shares or any other listed or unlisted securities or derivatives (together, "Restricted Securities").

No Team Member may use his or her position of confidential knowledge of the company or its business to engage in securities trading for personal benefit or to provide benefit to any third party.

Specific and stringent rules apply to trading in Restricted Securities by Directors and senior management. All Team Members must notify the Company Secretary (or in the case of Directors, the Chairman of the Board and, in the Chairman's case, the Chairman of the Corporate Governance Committee) of their intention to trade in securities, and seek prior consent confirming that they do not hold material information.

Short-term trading in The Warehouse Group's shares and buying or selling while in possession of unpublished, price-sensitive information are strictly prohibited. The company monitors trading by Directors and senior Team Members of the company and reports any share movements to the Board each month.

Principle 2 – Board Composition and Performance

There is a balance of independence, skills, knowledge, experience and perspective among Directors that allows the Board to work effectively.

Board Size and Composition

The current Board comprises of Directors with a mix of qualifications, skills and experience appropriate to the company's existing operations and strategic directions.

The Board has a majority of independent Directors and the roles of Chairman and Group Chief Executive Officer (CEO) are not exercised by the same person. The Chairman is an independent director, as is the Deputy Chairman. The Board currently consists of seven Directors, five of whom are independent non-executive Directors, one non-executive director is not deemed to be independent by virtue of his recent employment with the company and one non-executive director who is not deemed to be independent by virtue of his shareholding in the company.

Director Independence

A non-executive director is considered to be 'independent', providing that director:

- is not a substantial shareholder of the company holding more than 5% of the company's class of listed voting securities;
- has not, within the last three years, been employed in an executive capacity by the company or been a director after leaving to hold any such employment;
- is not a principal or employee of a professional advisor to the company and its entities whose billings exceed 10% of the advisor's total revenues;
- is not a significant supplier or customer of the company – a significant supplier is defined as one whose revenues from the company exceed 10% of the supplier's total revenue;
- has no material contractual relationship with the company;
- has no other interest or relationship that could interfere with the director's ability to act in the best interests of the company and independently of management;
- is not a member of management of The Warehouse Group Limited or its subsidiaries; and
- the corporate governance committee and Board determines the director is independent in character and judgement.

On appointment, each Director is required to provide information to the Board to assess and confirm their independence as part of their consent to act as a director. Directors have undertaken to inform the Board as soon as practicable if they think their status as an independent director has or may have changed.

The Board does not believe that any director has served on the Board for a period which could, or could reasonably be perceived to materially interfere with the director's ability to act in the best interests of the company. The Board considers that Directors retain independence of character and judgement regardless of length of service. Qualifications and experience of individual Directors are detailed on pages 8 and 9.

Board Role and Responsibility

The Board Charter regulates Board procedures and describes its role and responsibilities. The Board of the company is elected by the shareholders to supervise the management of the company and is accountable to shareholders for the company's performance. The Board's responsibilities include:

- strategy – providing strategic direction and approving corporate strategic initiatives;
- leadership selection – evaluating the performance of and selecting the CEO and Group Chief Financial Officer (CFO);
- Board performance and composition – evaluating the performance of non-executive Directors, determining the size and composition of the Board as well as making recommendations for the appointment and removal of Directors;
- remuneration – setting CEO and senior executive remuneration and setting non-executive Director remuneration within shareholder-approved limits;

Corporate Governance – continued

- succession planning – planning Board and executive succession;
- financial performance – approving the annual budget, monitoring management and financial performance as well as the achievement of company strategic goals and objectives;
- financial reporting – considering and approving the half-year and annual financial reports;
- audit – selecting and recommending to shareholders the appointment of the external auditors. Maintaining a direct and ongoing dialogue with the external auditors;
- risk management – approving the company's risk management strategy and monitoring its effectiveness;
- health and safety – approving the company's health and safety strategy and monitoring its effectiveness;
- social responsibility – setting business standards and promoting ethical and responsible decision-making by the company; and
- relationship with regulators, exchanges and continuous disclosure – maintaining direct and ongoing dialogue with the NZX and ensuring that the market and shareholders are continually informed of material developments.

Delegation

The Board is responsible for guiding the corporate strategy and direction of the Group and has overall responsibility for decision-making. The Board delegates to the CEO responsibility for implementing the agreed strategy and for managing operations.

While the day-to-day responsibility for the operation of the business is delegated to the executive management, there are a number of matters which are required to be, or that in the interests of the company should be, decided only by the Board of Directors as a whole. The Board has therefore formally adopted a list of 'Matters Reserved for the Board' for which no delegation is permitted. The delegation to the CEO is reviewed annually.

Avoiding Conflicts of Interest

The Board is conscious of its obligations to ensure that Directors avoid conflicts of interest between their duty to the Group and their own interests. Where conflicts of interest do exist at law then the Director must disclose their interest. Directors and Team Members are required to minimise any potential conflicts in line with the company's Code of Ethics and Code of General Business Principles.

Board Access to Information and Advice

The Board has established a procedure whereby Directors and Board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the company's expense.

Independent professional advice includes legal advice and the advice of accountants and other professional advisors on matters of law, accounting and other regulatory matters but excludes advice concerning the personal interests of the Director concerned (such as service contracts with the company or dealings in the company's securities or disputes with the company). Any advice obtained under this procedure will be made available to the other members of the Board.

The Board has complete access to company Team Members via the CEO. The Board encourages management to schedule presentations at Board meetings by managers who can provide additional insight into the items being discussed, because of their personal involvement, or have future potential that management believes should be demonstrated to the Board.

Nomination and Appointment of Directors

Procedures for the appointment and removal of Directors are governed by the company's constitution. The People and Remuneration Committee is delegated with the responsibility of identifying and nominating, for the approval of the Board, candidates to fill Board vacancies as and when they arise.

The Board's procedure when selecting and appointing Directors varies depending upon the circumstances of the company at the particular time. The Board believes that its membership should comprise Directors with an appropriate mix of skills, experience and personal attributes that allow the Directors individually, and the Board collectively, to:

- discharge their responsibilities and duties under the law effectively and efficiently;
- understand the business of the company and the environment in which the company operates so as to be able to agree with management on the objectives, goals and strategic direction which will maximise shareholder value; and
- assess the performance of management in meeting those objectives and goals.

While recognising that each Director will not necessarily fulfil all criteria, the People and Remuneration Committee has identified the existence of certain personal characteristics as relevant to the selection and appointment of Directors.

The committee believes that a potential Director should:

- be outstanding in capability and have extensive and senior commercial experience;
- be a cultural 'fit' with existing Board members and have empathy with the company's culture;
- have a high level of personal integrity;
- be a team player;
- have an independent state of mind;
- be free of conflicts as identified by the company; and
- have the time available to meeting the commitment required.

In addition, specific functional skills will be identified from time to time to complement the overall mix of functional skills of Board members and to continue the implementation of the Board succession plan.

The Board has recently approved the appointment of a Future Director for one year as part of the Future Directors initiative administered by the Institute of Directors in New Zealand to develop the next generation of directors for New Zealand.

Letter of appointment

The terms and conditions of appointment are set out in a letter of appointment which details the director's duties, term of appointment (subject to shareholder approval), expectations of the role and remuneration.

Directors' Induction and Education

When appointed to the Board, all new Directors undergo an induction programme appropriate to their experience to familiarise them with the Group's business and strategy. A detailed induction programme, including a familiarisation programme for non-executive Directors, has been developed and approved by the Board.

As part of each annual strategic planning review, Directors are formally briefed by senior management on relevant industry and competitive issues. During the course of the year additional strategy session are held to brief Directors on strategic key result areas.

Retirement and Re-election of Directors

In each year, one third of the Directors, or if their number is not a multiple of three then the nearest number to one third, shall retire from office and may offer themselves for re-election at the annual meeting of shareholders. Directors to retire are those who have been longest in office since they were last elected or deemed elected.

While the constitution provides for the payment of retirement benefits to Directors, the company has not paid retirement benefit to any Directors since listing in 1994.

Board Performance Review

The Chairman, with the assistance of appropriate internal and external advisors, assesses the performance of individual Directors whilst Directors also assess the collective performance of the Board and the performance of the Chairman. A formal evaluation is currently being conducted with assistance from an outside facilitator and will be completed ahead of the 2014 Annual Meeting.

Corporate Governance – continued

Principle 3 – Board Committees

The Board uses committees where this enhances effectiveness in key areas while retaining Board responsibility.

Committees established by the Board review and analyse policies and strategies, usually developed by management, and operate under specific charters. The committees assist the Board in the conduct of its responsibilities and report to the full Board on all material matters and issues requiring Board decisions.

The current committees of the Board are:

- Audit Committee;
- People and Remuneration Committee;
- Corporate Governance Committee; and
- Disclosure Committee.

From time to time, the Board may create ad hoc committees to examine specific issues on its behalf. Each year, the committee charters are reviewed and where appropriate updated to take account of changes and other developments in each committee's area of responsibility.

Audit Committee

Membership is restricted to non-executive Directors, and the majority must be independent. The Chairman of the committee must also be independent and must not be the Chairman of the Board. The committee includes members who have appropriate financial experience and an understanding of the industry in which the Group operates.

The members of the Audit Committee are:

James Ogden (Chairman)

Ted van Arkel

Keith Smith

John Journee (since August 2014)

James Ogden and Keith Smith are Fellows of the New Zealand Institute of Chartered Accountants.

This committee meets a minimum of four times each year. Its main responsibilities are to:

- exercise oversight of the integrity and completeness of the financial statements (Annual Report and the half-year financial report);
- assist the Board to review the effectiveness of the organisation's internal control environment covering:
  – effectiveness and efficiency of operations;
  – reliability of financial reporting; and
  – compliance with applicable laws and regulations;
- determine the scope of the internal audit function, its authority, resources and scope of work including co-ordination with external auditors;
- oversee the effective operation of the risk management framework;
- review the company's tax position, compliance and any exposures;
- recommend to the Board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement and the scope and quality of the audit; and
- review and approve, within established procedures and before commencement, the nature and scope of non-audit services being provided by the external auditors.

In fulfilling its responsibilities, the Audit Committee receives regular reports from management and the internal and external auditors.

During the year, the committee also held private sessions with the internal and external auditors. The internal and external auditors have a clear line of direct communication at any time with either the Chairman of the Audit Committee or the Chairman of the Board, both of whom are independent non-executive Directors.

The Audit Committee relies on information provided by management and the external auditor. Management determines and makes representations to the Board that The Warehouse financial statements and disclosures are complete and accurate.

The external auditor has the duty to plan and conduct audits.

People and Remuneration Committee

People and Remuneration Committee membership is restricted to non-executive Directors and the majority on the committee must be independent. The Chair of the committee is an independent director.

The members of the People and Remuneration Committee are:

Vanessa Stoddart (Chair)

Ted van Arkel

Keith Smith

Sir Stephen Tindall

Tony Balfour

The committee is responsible for determining and reviewing compensation arrangements for the Directors, CEO and the executive management team, ensuring appropriate performance management, talent identification and succession planning frameworks are in place. The committee is also responsible for reviewing the structure, size and composition of the Board and identifying and nominating candidates for the approval of the Board. Its role also includes oversight of the Group's Health and Safety strategy and Diversity Policy.

Corporate Governance Committee

Membership of the committee is restricted to independent Directors.

The members of the Corporate Governance Committee are:

Keith Smith (Chair)

Ted van Arkel

The committee was established to ensure that the company maintains a high level of corporate governance through continuous monitoring of international corporate governance best practice as promulgated by the relevant authoritative bodies.

The committee is responsible for developing recommendations to the Board on corporate governance matters, undertaking an annual review of the alignment of the Board's governance systems with best practice, determining and monitoring independence of Directors, reviewing ethical guidelines and reviewing the company's disclosure policy.

Disclosure Committee

The Disclosure Committee is a committee of the Board of Directors and management and comprises of the following members:

Keith Smith (Chairman)

Ted van Arkel

James Ogden

Sir Stephen Tindall

CEO, CFO and Company Secretary

The committee is responsible for ensuring the company meets its disclosure obligations under the NZX listing rules. To achieve and maintain high standards of disclosure, the Board has approved a Market Disclosure Policy which is designed to ensure compliance with continuous disclosure requirements.

Board and Committee Meetings

The Board normally meets at least nine times a year and whenever necessary to deal with specific matters. The Board committees either meet quarterly or are convened as necessary. Each committee is entitled to the resources and information it requires to operate effectively.

All Directors can attend any committee meeting at the invitation of the relevant committee, with the CEO and the CFO attending the Audit Committee by standing invitation. Senior management is also available to address queries, and to assist in the understanding of issues facing the company.

The Board formally met 12 times during the year. In addition, Directors met throughout the year on matters of strategy, planning and committee business, and to attend to other business between meetings. The table below shows Director attendance at the formal Board meetings and committee member attendance at committee meetings during the year ended 27 July 2014.

	BOARD	AUDIT	PEOPLE AND REMUNERATION	CORPORATE GOVERNANCE	DISCLOSURE
NUMBER OF MEETINGS	**12**	**4**	**4**	**1**	**1**
Tony Balfour	12		1		
Graham Evans[1]	4	2	3		
John Journee[2]	10	2[3]	3		
James Ogden	12	4	4[3]		1
Janine Smith[1]	4		3		
Keith Smith	12	4	4		1
Vanessa Soddart[2]	10		1		
Sir Stephen Tidnall	11		3		
Ted van Arkel	11	3	3		

1 Retired as a Director 22 November 2013.

2 Appointed as a Director 7 October 2013.

3 Non-committee member in attendance.

Corporate Governance – continued

Principle 4 – Reporting and Disclosure

The Board demands integrity both in financial reporting and in the timeliness and balance of disclosures on entity affairs.

Financial Reporting

The Audit Committee oversees the quality and integrity of external financial reporting including the accuracy, completeness and timeliness of financial statements.

It reviews half-yearly and annual financial statements and makes recommendations to the Board concerning accounting policies, areas of judgement, compliance with accounting standards, stock exchange and legal requirements, and the results of the external and internal audit.

Management accountability for the integrity of the company's financial reporting is reinforced by certification from the CEO and, for this year senior finance officers (in the absence of a CFO). The CEO and senior finance officers provided the Board with written confirmation that the company's financial report presents a true and fair view, in all material respects, of the company's financial position for the year ended 27 July 2014, and that operational results are in accordance with relevant accounting standards.

Timely and Balanced Disclosure

The Warehouse considers that shareholders and the investment market generally should be promptly informed of all major business events that influence the company. To achieve and maintain high standards of disclosure, the Board has approved a Market Disclosure Policy which is designed to ensure compliance with NZX continuous disclosure requirements.

To assist the company with its Market Disclosure Policy, the Board has appointed a Disclosure Committee. The committee is responsible for making decisions on what should be disclosed publicly under the Market Disclosure Policy.

The Company Secretary is the Disclosure Officer of the company and has responsibility for ensuring compliance with the continuous disclosure requirements, and overseeing and co-ordinating disclosure to the market.

Principle 5 – Remuneration

The remuneration of Directors and executives is transparent, fair and reasonable.

Making sure Team Members receive the rewards they deserve is the responsibility of the People and Remuneration Committee, a committee of the Board. The committee makes recommendations to the Board on salaries and incentive programmes and more generally on Group issues, plans and policies relating to people management. The committee is assisted by the Chief People Officer, and by external remuneration advisors.

Non-Executive Directors' Remuneration

The fees payable to non-executive Directors are determined by the Board within the aggregate amount approved by shareholders.

The Board considers the advice of independent remuneration consultants when setting remuneration levels. The current Directors' fee pool limit is $900,000 which was approved by the shareholders at the 22 November 2013 Annual Meeting of shareholders.

Details of the remuneration paid to Directors and other benefits provided by way of salaries, bonus and exercising share rights are disclosed in note 16 to the Financial Statements.

Senior Executive Remuneration

The objective of the senior managerial remuneration strategy is to provide competitive remuneration aimed at:

- aligning managers' rewards with shareholders' value;
- achieving business plans and corporate strategies;
- rewarding performance improvement; and
- retaining key skills and competencies.

The composition of senior executive remuneration is made up as follows:

- **Base or fixed remuneration** – determined by the scope of the role and the level of knowledge, skill and experience required by the individual. The main reference point is the salary at the median of this group although the company is prepared to pay more to secure and retain the right people to deliver what the business needs.
- **Short-term incentive plan** – this comprises an annual incentive, based on percentage of the fixed remuneration, dependent on the achievement of key performance and operating result objectives. For the Executive Team the bonus is generally up to 50% of base salary for 'On Target' performance and is based on a combination of the Group reported earnings and each executive's specific objectives.
- **Long-term incentive plan** – a reward for the achievement of long-term shareholder return. Under the share rights plan that has been approved by shareholders, participants may be entitled to ordinary shares in the company if certain targets are met. Details of the plan, and the targets, are contained in note 16 to the financial statements.

Senior executives' objectives are set annually, with formal reviews in March and August each year. The CEO's objectives are set with the Chairman and tabled to the Board annually.

Senior management remuneration is detailed in the wider disclosure made by the company in the Team Members' remuneration section of the statutory disclosures. Collective disclosure of remuneration paid to key executives is disclosed in note 15 to the Financial Statements.

Principle 6 – Risk Management

The Board regularly verifies that the entity has appropriate processes that identify and manage potential and relevant risks.

Approach to Managing Risk

Risk is the chance of something happening that will have an impact on business objectives. Having established an acceptable risk tolerance, the Group's approach is to identify, analyse, evaluate and appropriately manage risk in the business.

The company recognises three main types of risk:

- **Operational risk** – risk to earnings and reputation arising from inadequate or failed internal processes, people and systems or from external events;
- **Business risk** – risk to earnings and reputation from business event risk, legal, compliance or regulatory risk; and
- **Market risk** – risk to earnings and reputation arising from competitor activity, product risk and risk associated with changes in financial markets (such as interest rate, foreign exchange and liquidity risk).

Risk Management Roles and Responsibilities

The Board is responsible for reviewing and approving the Group's risk management strategy. The Board delegates day-to-day management of risk to the CEO who may further delegate such responsibilities to executive and other officers. Inherent in this delegation is the belief that responsibility for managing risks in the business is the domain of the business unit.

CEO and Management Assurance

The CEO and, for this year, senior finance officers (in the absence of a CFO) have provided the Board with written confirmation that the company's 2014 Financial Statements are founded on a sound system of risk management and internal compliance and control, and that such systems are operating efficiently and effectively in all material respects.

Risk Monitoring and Evaluation

While the Board of Directors is ultimately responsible for the risk management of the company, the Audit Committee reviews the reports of management and the external and internal auditors on the effectiveness of systems for internal control, financial reporting and risk management. To assist in discharging this responsibility, the Board has in place a number of strategies designed to safeguard the company's assets and interests and ensure the integrity of reporting. These reports included quarterly reviews of store audit results and quarterly reports on internal audit findings.

Insurance

The company maintains insurance coverage with reputable insurers for relevant insurable risks on terms which are appropriate having regard to the company's recent claims history and the current insurance market. In order to reduce insurance premiums, the company has increased its insurance deductible for non-earthquake material damage. The company continues to maintain insurance cover for earthquake related losses.

The Warehouse Limited and Warehouse Stationery Limited are accredited employers under the ACC Partnership Programme for workers' compensation insurance. The company's partnership programme continues to have tertiary accreditation status, the highest level available. This status clearly recognises our commitment to workplace safety.

This programme encourages eligible employers to take responsibility for their own workplace health and safety and injury management. This includes rehabilitation and claims management of employees' work injuries.

As a partnership employer, the company self-insures the costs and compensation arising from workplace injuries.

Noel Leeming Group Limited participates in the ACC Workplace Safety Management Practices Programme and currently has tertiary level status.

Other businesses in the Group are currently supported by the general ACC workers' compensation insurance process. We are working to enhance their internal systems and process to attain tertiary status as currently held by The Warehouse Limited, Warehouse Stationery Limited and Noel Leeming Group.

Corporate Governance – continued

Principle 7 – Auditors

The Board ensures the quality and independence of the external audit process.

Approach to audit governance

The independence of the external auditor is of particular importance to shareholders and the Board. The Audit Committee is responsible for overseeing the external audit of the company. Accordingly, it monitors developments in the areas of audit and threats to audit independence, to ensure its policies and practices are consistent with emerging best practice in these areas.

The Board has adopted a policy on audit independence, the key elements of which are:

- the external auditor must remain independent of the company at all times and comply with the New Zealand Institute of Chartered Accountants' (NZICA) Code of Ethics;
- the external auditor must monitor its independence and report to the Board that it has remained independent;
- guidelines in relation to the provision of non-audit services by the external auditor are in place, in order that the provision of such services does not impair the external auditor's independence or objectivity;
- the audit firm may be permitted to provide non-audit services that are not considered to be in conflict with the preservation of the independence of the auditor subject to the approval of the company's Audit Committee; and
- the Audit Committee must approve significant permissible non-audit work assignments that are awarded to an external auditor, and the value of non-audit work must be reported at every Board meeting.

Engagement of the external auditor

The Warehouse's external auditor is PricewaterhouseCoopers ("PwC"). PwC was appointed by shareholders at the 2004 Annual Meeting in accordance with the provisions of the Companies Act 1993 (Act). PwC is automatically reappointed as auditor under section 200 of the Act.

Attendance at the Annual Meeting

PwC, as auditor of the 2014 Financial Statements, has been invited to attend this year's Annual Meeting and will be available to answer questions about the conduct of the audit, preparation and content of the auditors' report, accounting policies adopted by The Warehouse Group Limited and the independence of the auditor in relation to the conduct of the audit.

Internal Audit

The company has an internal audit function which is independent of the company's external auditors. The internal audit function of the company is undertaken in conjunction with EY. The respective internal audit teams report to and are directed by the Audit Committee.

Each year, the internal audit programme is approved by the Audit Committee. The programme of audit work considers the most significant areas of business risk in the company and is developed following discussions with senior management, review of the business process model of the company and consideration of the findings of the strategic risk assessment. The programme considers risks also in relation to major projects that are planned or currently under way.

The role of internal audit is to:

- assess the design and operating effectiveness of controls governing key operations, processes and business risks;
- provide the Board with an assessment, independent of management, as to the adequacy of the company's internal operating and financial controls, business processes, systems and practices; and
- assist the Board in meeting its corporate governance and regulatory responsibilities.

Store audits are conducted by the company's internal auditors. For the year ended 27 July 2014, 196 store audits were conducted by the company's internal auditors (2013: 259 audits). The store audit programme has continued to evolve with more time allocated to lower performing stores which resulted in an reduction in the number of audits completed.

Principle 8 – Shareholder Relations

The Board fosters constructive relationships with shareholders that encourage them to engage with the company.

The company values its dialogue with institutional and private investors and is committed to giving all shareholders comprehensive, timely and equal access to information about its activities.

The Board aims to ensure that shareholders are informed of all information necessary to assess the Board's performance. They do so through a communication strategy which includes:

- periodic and continuous disclosure to NZX;
- information provided to analysts and media;
- half-yearly and annual reports;
- the Annual Meeting of shareholders and any other meetings called to obtain approval for Board actions as appropriate; and
- the company's website.

In accordance with the New Zealand Companies Act and NZSX Listing Rules, the company is no longer required to automatically mail a hard copy of its half-yearly or Annual Reports to shareholders.

The Board has moved to electronic reporting. Even though interim and annual reports are available electronically, any shareholder can request a hard copy of the report to be mailed to them free of charge.

The Notice of Meeting is circulated at least 10 days before the meeting and is also posted on the company's website.

Shareholders are provided with notes on all the resolutions proposed through the notice of meeting each year. Directors and the company's external auditor are available to answer shareholder questions. The Board encourages full participation of shareholders to ensure a high level of accountability and identification with the company's strategies and goals.

In addition, web-casting and teleconferencing facilities are provided for market briefings to encourage participation from all stakeholders, regardless of their location.

Principle 9 – Stakeholder Interests

The Board respects the interests of stakeholders within the context of the company's ownership type and its fundamental purpose.

The Group aims to manage its businesses in a way that will produce positive outcomes for all stakeholders including the public, customers, Team Members, suppliers and shareholders.

We monitor progress in business sustainability as we seek to actively improve the social and environmental characteristics of the business. This is a goal to which the businesses are strategically committed and which it incorporates in its day-to-day operations.

The Warehouse Group Limited is listed on the FTSE4Good Index which identifies companies that meet globally recognised corporate responsibility standards.

Diversity and inclusion

The Warehouse Group remains committed to providing an inclusive work environment where we recognise and value different skills, ability and experiences and where people are treated fairly in order to attract and retain talented people who will contribute to the achievement of the company's strategic objectives.

We encourage a working environment in which individual diversity is recognised and where equal employment opportunities are offered to all potential and existing Team Members on the basis of relevant merit. As part of our ongoing commitment to our Diversity Policy, in February 2012 we became one of the first companies in New Zealand to commit to the United Nations Women's Empowerment Principles, which help empower women in the workplace, the market and the community. In 2013 the company entered into a two year commitment to support Diverse NZ Inc develop a programme to address diversity issues in New Zealand. We have been involved in organisational assessments, workshops, forums and C-level panel discussions regarding strategic direction, frameworks, recruitment approaches and inclusive leadership.

As a result, we have established a Diversity Working Party to determine the approach and understanding of The Warehouse Group in this area and to focus activity across the Group addressing diversity and inclusion. The objective being to establish a strategy not limited to recruitment and development of a diverse workforce representative of our customer base, but also to ensure all voices are heard and valued at all levels in the Group.

The gender composition of Directors, Officers and all Team Members at balance date is provided below:

	MALE		FEMALE	
	2013	2014	2013	2014
Directors	6	6	1	1
Officers*	14	10	3	3
All Team Members	40%	40%	60%	60%

* excludes CFO, vacant position

The Warehouse Group's commitment to Communities and Environment is further demonstrated on pages 34 – 43.

Annual 5 Year Summary

	(52 WEEKS) 2014 $000	(52 WEEKS) 2013 $000	(52 WEEKS) 2012 $000	(52 WEEKS) 2011 $000	(52 WEEKS) 2010 $000
SUMMARY INCOME STATEMENTS					
The Warehouse	**1,665,233**	1,591,088	1,524,102	1,462,912	1,476,219
Warehouse Stationery	**250,561**	231,838	206,639	201,453	193,599
Noel Leeming	**620,520**	390,667	–	–	–
Torpedo7	**107,658**	24,193	–	–	–
Other Group operations	**14,217**	9,688	8,664	8,320	8,107
Inter-segment eliminations	**(9,711)**	(7,942)	(7,237)	(4,908)	(5,230)
Retail sales	**2,648,478**	2,239,532	1,732,168	1,667,777	1,672,695
Finance business revenue	**2,414**	–	–	–	–
Total revenue	**2,650,892**	2,656,138	1,732,168	1,667,777	1,672,695
The Warehouse	**76,903**	85,186	80,874	98,777	112,664
Warehouse Stationery	**11,793**	10,321	9,844	10,103	8,044
Noel Leeming	**11,308**	11,011	–	–	–
Torpedo7	**1,085**	656	–	–	–
Other Group operations	**(4,373)**	4,064	5,744	5,256	3,341
Retail operating profit	**96,716**	111,238	96,462	114,136	124,049
Finance business	**(1,547)**	–	–	–	–
Equity earnings of associate	**3,006**	3,464	3,197	3,575	2,808
Gain on disposal of property	**16,810**	77,368	18,230	1,470	–
Direct costs relating to acquisitions	**(1,617)**	(2,356)	–	–	–
Contingent consideration	**5,259**				
Release of warranty provisions	**–**	–	7,355	–	–
Changes in fair value of financial instruments	**–**	–	–	194	(282)
Earnings before interest and tax	**118,627**	189,714	125,244	119,375	126,575
Net interest expense	**(13,863)**	(11,675)	(10,308)	(9,845)	(7,409)
Profit before tax	**104,764**	178,039	114,936	109,530	119,166
Income tax expense	**(26,868)**	(28,423)	(24,776)	(31,385)	(58,626)
Profit after tax	**77,896**	149,616	90,160	78,145	60,540
Discontinued operations (net of tax)	**(642)**	(4,288)	–	–	–
Minority interests	**496**	(580)	(312)	(316)	(355)
Profit attributable to shareholders	**77,750**	144,748	89,848	77,829	60,185
ADJUSTED PROFIT RECONCILIATION					
Unusual items (detailed above)	**(20,452)**	(75,012)	(25,585)	(1,664)	282
Income tax relating to unusual items	**2,751**	(327)	888	(138)	22,951
Discontinued operations (net of tax)	**642**	4,288	–	–	–
Adjusted net profit	**60,691**	73,697	65,151	76,027	83,418
THE WAREHOUSE					
Operating margin (%)	**4.6**	5.4	5.3	6.8	7.6
Same-store sales growth (%)	**3.2**	2.0	2.6	(0.9)	(2.2)
Number of stores	**91**	92	89	88	87
Store footprint (square metres)	**494,847**	500,769	482,802	476,115	470,156
WAREHOUSE STATIONERY					
Operating margin (%)	**4.7**	4.5	4.8	5.0	4.2
Same-store sales growth (%)	**5.3**	2.8	3.0	4.6	7.8
Number of stores	**63**	61	56	51	47
Store footprint (square metres)	**68,194**	67,230	64,616	58,307	56,101
NOEL LEEMING					
Operating margin (%)	**1.8**	2.8	–	–	–
Same-store sales growth (%)	**5.6**	–	–	–	–
Number of stores	**77**	75	–	–	–
Store footprint (square metres)	**69,391**	67,972	–	–	–
DIVIDEND DISTRIBUTIONS					
Interim (cents per share)	**13.0**	15.5	13.5	15.5	15.5
Final (cents per share)	**6.0**	5.5	6.5	6.5	8.5
Ordinary dividends declared (cents per share)	**19.0**	21.0	20.0	22.0	24.0
Ordinary dividend payout ratio (%)	**100.9**	88.7	95.5	90.1	89.5
Basic earnings per share (cents)	**24.1**	46.7	29.0	25.1	19.5
Basic adjusted earnings per share (cents)	**18.8**	23.8	21.0	24.6	27.0

Annual 5 Year Summary – continued

	2014	2013	2012	2011	2010
	$000	$000	$000	$000	$000
SUMMARY BALANCE SHEETS					
Inventories	492,109	458,109	309,421	262,663	254,606
Trade and other receivables	91,253	69,887	28,455	25,791	19,021
Creditors and provisions	(328,706)	(315,679)	(171,506)	(177,781)	(174,341)
Working capital	254,656	212,317	166,370	110,673	99,286
Fixed assets	353,376	318,653	368,606	316,098	293,385
Investments	5,541	5,671	6,372	7,585	5,921
Funds employed	613,573	536,641	541,348	434,356	398,592
Taxation (liabilities)/assets	34,071	17,959	(2,823)	(3,370)	(16,947)
Contingent and deferred consideration	(22,316)	(21,759)	–	–	–
Goodwill and brand names	127,120	95,428	–	–	–
Derivative financial instruments	(7,653)	370	(8,465)	(33,333)	(5,982)
Capital employed	744,795	628,639	530,060	397,653	375,663
Net debt	220,878	216,874	212,693	126,113	72,417
Equity attributable to shareholders	519,600	400,029	317,134	271,215	302,906
Minority interest	4,317	11,736	233	325	340
Sources of funds	744,795	628,639	530,060	397,653	375,663
SUMMARY CASH FLOW					
Continuing operating profit	95,169	111,238	96,462	114,136	124,049
Continuing depreciation and amortisation	51,349	44,017	41,630	39,772	40,937
Continuing Operating EBITDA	146,518	155,255	138,092	153,908	164,986
Change in trade working capital	(22,742)	(9,243)	(53,757)	(13,474)	(10,864)
Income tax paid	(37,492)	(40,803)	(31,291)	(36,235)	(22,181)
Net interest paid	(13,351)	(12,270)	(11,714)	(9,937)	(7,023)
Share based payment expense	2,266	2,545	1,616	1,640	2,609
Discontinued EBITDA	(872)	(5,748)	–	–	–
Loss on sale of plant and equipment	2,282	3,965	1,538	1,008	1,624
Operating cash flow	76,609	93,701	44,484	96,910	129,151
Capital expenditure	(91,010)	(93,315)	(101,392)	(65,896)	(57,280)
Advances	(17,901)	(12,071)	–	–	–
Advances repaid	25,013	–	–	–	–
Proceeds from divestments	27,544	195,572	30,318	5,567	401
Proceeds from equity raise	114,072	–	–	–	–
Dividend from associate	3,136	4,165	4,410	1,911	4,263
Net dividends paid	(58,193)	(69,075)	(62,989)	(91,194)	(101,543)
Employee share schemes	(2,818)	(2,310)	236	(449)	82
Acquisition of subsidiaries and minorities	(80,181)	(116,648)	–	–	–
Other items	(275)	(4,200)	(1,647)	(545)	(243)
Net cash flow	(4,004)	(4,181)	(86,580)	(53,696)	(25,169)
Opening debt	(216,874)	(212,693)	(126,113)	(72,417)	(47,248)
Closing debt	(220,878)	(216,874)	(212,693)	(126,113)	(72,417)
FINANCIAL RATIOS					
Operating margin (%)	3.7	5.0	5.6	6.8	7.4
Interest cover (times)	7.2	9.8	9.7	12.0	17.1
Fixed charge cover (times)	2.2	2.5	2.8	3.1	3.4
Net debt/EBITDA (times)	1.1	1.1	1.3	0.7	0.4
Net debt/net debt plus equity (%)	29.7	34.5	40.1	31.7	19.3
Return on funds employed (%)	17.3	21.3	20.4	28.3	32.9
Capex/depreciation (times)	1.8	2.2	2.6	1.7	1.4

Statutory Disclosures

Disclosures of Interests by Directors

General disclosures

The following are particulars of general disclosures of interest given by the Directors of the Company pursuant to section 140(2) of the Companies Act 1993:

Antony (Tony) Balfour

Director, Joy Ice Cream Limited

Director, Les Mills international Limited

Director, Silver Fern Farms Limited

Director, WilliamsWarn Holdings Limited and associated companies

John Journee

Chairman, Powershop NZ Limited

Chairman. Max Fashions Holdings Limited and subsidiary

Director, Vanishing Point Limited

James Ogden

Director, MTA Group Investments Limited and associated companies

Director, Ogden Consulting Limited

Director, Petone Investments Limited

Director, Seaworks Limited and associated companies

Director, Summerset Group Holdings Limited and associated companies

Director, Vehicle Testing Group Limited

Director, Vista Group International Limited

Independent Member, AMP Capital Property Portfolio Fund (Governance Committee)

Chair, Value for Money Advisory Board of the Ministry of Social Development

Member, Finance and Risk Committee of Crown Forestry Rental Trust

Member, Investment Committee of Pencarrow Private Equity Fund

Member of the New Zealand Markets Disciplinary Tribunal

Keith Smith

Chairman, Goodman (NZ) Limited

Chairman, Healthcare Holdings Limited and subsidiaries

Chairman, HJ Asmuss & Co Limited

Chairman, Mobile Surgical Services Limited

Director, Electronic Navigation Limited

Director, Enterprise Motor Group Limited and subsidiaries

Director, Gwendoline Holdings Limited (non-trading)

Director, James Raymond Holdings Limited (non-trading)

Director, Mighty River Power Limited

Director, Sheppard Industries and subsidiary

Director, Westland Dairy Limited

Member, Advisory Board NZ Tax Trading Company Limited

Trustee, Cornwall Park Trust Board

Vanessa Stoddart

Director, The New Zealand Refining Company Limited

Director, Paymark Limited

Director, Alliance Group Limited

Commissioner, Tertiary Education Commission

Member, Advisory Board on Better Public Services

Member, MBIE Audit and Risk Committee

Member, Otago University Business School Advisory Board

Member, King's College Board

Sir Stephen Tindall

Founding Director, KEA New Zealand

Director, Branches Station Limited

Director, Byron Corporation Limited

Director, Foundation Services Limited

Director, Highland Resorts Limited

Director, K One W One Limited

Director, K One W One (No.2) Limited

Director, K One W One (No.3) Limited

Director, Norwood Investments Limited

Director, Team New Zealand Limited

Director, Team New Zealand A C35 Challenge Limited

Trustee, The Tindall Foundation

Eduard (Ted) van Arkel

Chairman, Health Benefits Limited

Chairman, Restaurant Brands NZ Limited

Director, Abano Healthcare Group Limited

Director, Auckland Regional Chamber of Commerce & Industry Limited

Director, AWF Group Limited

Director, Danske Mobler Limited

Director, Lang Properties Limited

Director, Philip Yates Securities Limited and subsidiary

Director, Van Arkel & Co Limited

Robert Tindall (Alternate Director)**

Trustee, The Tindall Foundation

Director, Foundation Services Limited

Director, Franklin Smith Limited

** Alternate to Sir Stephen Tindall

Indemnity and Insurance

In accordance with section 162 of the Companies Act 1993 and the constitution of the company, the company has provided insurance for, and indemnities to, Directors and employees of the Group and its subsidiaries for losses from actions undertaken in the course of their legitimate duties. The insurance includes indemnity costs and expenses incurred to defend an action that falls outside the scope of the indemnity.

Statutory Disclosures – continued

Directors' Security Participation

Directors' Shareholdings as at 27 July 2014

At 27 July 2014 the following Directors, or entities related to them, held interests in the company shares:

	BENEFICIAL INTEREST 2014	BENEFICIAL INTEREST 2013	NON-BENEFICIAL INTEREST 2014	NON-BENEFICIAL INTEREST 2013	RELATED PARTY 2014	RELATED PARTY 2013
J W M Journee	172,000	170,000	–	–	–	–
J H Ogden	16,088	11,400	–	–	43,771	39,083
K R Smith	13,250	12,000	8,911,793	7,957,030	32,800	32,800
R J Tindall[1]	4,800	4,800	7,233,252	6,489,844	94,444,644	84,738,511
Sir Stephen Tindall	93,687,096	84,058,283	7,986,050	7,165,272	9,600	9,600
E K van Arkel	14,928	10,240	–	–	750	750

[1] *Alternate Director*

Major shareholdings in which more than one Director has an interest in the same parcel of shares are as follows:

- Sir Stephen Tindall and Robert Tindall both hold an interest in 93,687,096 shares and other smaller parcels by virtue of their family relationship.
- Sir Stephen Tindall and K R Smith both hold an interest in 4,530,947 shares as Trustees of the Merani Trust and SRT Family Trust

Share Dealings by Directors

During the year, the Directors disclosed in respect of section 148(2) of the Companies Act 1993 that they acquired or disposed of a relevant interest in shares as follows:

SHARE TRANSACTION	DATE OF TRANSACTION	NUMBER OF ORDINARY SHARES ACQUIRED/(DISPOSED)	CONSIDERATION
K R Smith as a trustee of The Warehouse Management Trustee Company Limited	various dates	(40,264)	To Team Members under the staff share schemes
G F Evans and K R Smith as trustees of The Warehouse Management Trustee Company No. 2 Limited	various dates	(502,171)	Settlement of obligations under the executive share scheme
E K van Arkel and K R Smith as trustees of The Warehouse Management Trustee Company No. 2 Limited	July 2014	(32,637)	Settlement of obligations under the executive share scheme
E K van Arkel and K R Smith as trustees of The Warehouse Management Trustee Company No. 2 Limited	March 2014	1,000,000	Allocation of shares under Private Placement at $3.23 per share
K R Smith as a trustee of Sir John Logan Campbell Residuary Estate	December 2013	20,000	On-market purchase of shares at $3.70 per share
K R Smith as a trustee of The Pines No. 2 Trust	February 2014	7000	On-market purchase of shares at $3.27 per share
K R Smith as a trustee of Gwendoline Holdings	March 2014	7,000	Allocation of shares under Private Placement at $3.23 per share
K R Smith as a trustee of Selwyn Trust	March 2014	10,000	Allocation of shares under Private Placement at $3.23 per share
K R Smith as a trustee of Merani Trust and SRT Family Trust	March 2014	404,440	Allocation of shares under Private Placement at $3.23 per share
Sir Stephen Tindall as a trustee of Merani Trust, R & G Tindall Trust and SRT Family Trust	March 2014	712,848	Allocation of shares under Private Placement at $3.23 per share
Sir Stephen Tindall	March 2014	8,362,655	Allocation of shares under Private Placement at $3.23 per share
K R Smith as a trustee of Sycamore Settlement Trust	March 2014	(4,000)	On-market sale of shares at $2.23 per share
J W M Journee	March 2014	2.000	On-market purchase of shares at $3.20 per share
E K van Arkel	April 2014	4,688	Allotment of shares under Share Purchase Plan at $3.20 per share
J H Ogden	April 2014	4,688	Allotment of shares under Share Purchase Plan at $3.20 per share
J H Ogden	April 2014	4,688	Allotment of shares to related party under Share Purchase Plan at $3.20 per share
K R Smith	April 2014	1,250	Allotment of shares under Share Purchase Plan at $3.20 per share
Sir Stephen Tindall	April 2014	4,688	Allotment of shares under Share Purchase Plan at $3.20 per share
K R Smith as a trustee of Merani Trust and SRT Family Trust	April 2014	9,376	Allotment of shares under Share Purchase Plan at $3.20 per share
Sir Stephen Tindall as a trustee of Merani Trust, R&G Tindall Trust and SRT Family Trust	April 2014	14,064	Allotment of shares under Share Purchase Plan at $3.20 per share
K R Smith as trustee of Sir Logan Campbell Residiary Estate	April 2014	4,688	Allotment of shares under Share Purchase Plan at $3.20 per share
K R Smith as a trustee of Merani Trust and SRT Family Trust	April 2014	51,859	Off-market acquisition of shares at an average price of $3.22 per share
Sir Stephen Tindall as a trustee of Merani Trust, R & G Tindall Trust and SRT Family Trust	April 2014	93,866	Off-market acquisition of shares at an average price of $3.22 per share

Statutory Disclosures – continued

Remuneration of Directors

On 22 November 2013 the shareholders approved the Directors' fee pool limit of $900,000 per annum.

The fees paid to non-executive directors for services in their capacity as directors during the year ended 27 July 2014 was as follows:

	2014	2013
	$	$
A J Balfour	81,000	75,000
G F Evans *(retired 22 November 2013)*	53,000	160,000
J H Ogden	93,000	86,000
J L Smith *(retired 22 November 2013)*	28,000	83,000
K R Smith *(Deputy Chairman)*	115,000	115,000
Sir Stephen Tindall	83,000	79,000
V C M Stoddart *(appointed November 2013)*	75,000	–
E K van Arkel (Chairman)	141,000	84,000
Total	669,000	682,000

J W M Journee, appointed November 2013, was an executive Director and received no remuneration in his capacity as Director during the year ended 27 July 2014.

Subsidiary Company Directors

The following people held office as directors of subsidiary companies at 27 July 2014. Those who retired during the year are indicated with an (R).

Company	**Directors**
1-day Limited	G Howard-Willis (R), L Howard-Willis
1-day Liquor Limited	G Howard-Willis (R), L Howard-Willis
Bond and Bond Limited	B Moors, M Powell, S Small (R), K Nickels
Boye Developments Limited	M Powell, S Small (R), K Nickels
Diners Club (NZ) Limited	M Powell, S Small (R), K Nickels
Eldamos Investments Limited	P Judd, P Okhovat, M Powell, S Small (R), K Nickels
Eldamos Nominees Limited	P Judd, M Powell
Noel Leeming Finance Limited	B Moors, M Powell, S Small (R)
Noel Leeming Financial Services Limited	B Moors, M Powell, S Small (R), K Nickels
Noel Leeming Furniture Limited	B Moors, M Powell, S Small (R), K Nickels
Noel Leeming Group Limited	B Moors, M Powell, S Small (R), K Nickels
RRS 2103 Limited	G Horward-Willis (R), S Small (R), A Greene, P Okhovat
ShopHQ Limited	S Bradley, R Berman (R), A Buxton (R), S Small (R), A Trippe-Smith (R), T Benyon
The Book Depot Limited	S Small (R), K Nickels
The Warehouse Card Limited	M Powell, S Small (R)
The Warehouse Cellars Limited	P Judd, S Small (R), K Nickels
The Warehouse Investments Limited	M Powell, S Small (R), K Nickels
The Warehouse Limited	P Judd, S Small (R), K Smith, M Powell, M Conelly
The Warehouse Nominees Limited	M Powell, S Small (R), K Nickels
Torpedo7 Limited	G Horward-Willis, L Howard-Willis, R Hewitt (R), J Journee (R), A Buxton (R), S Small (R), P Okhovat, M Powell
Torpedo7 Fitness Limited	G Howard-Willis (R), S Small (R), A Greene, P Okhovat
Torpedo7 Supplements Limited	G Howard-Willis (R), S Small (R), A Greene, P Okhovat
TW Money Limited	M Powell, K Nickels
TW Financial Services Operations Limited	M Powell, K Nickels
TWGA Pty Ltd	I McGill, B Moors, K Smith, Sir Stephen Tindall
TWL Australia Pty Limited	I McGill, B Moors, K Smith, Sir Stephen Tindall
TWL Products Limited	M Powell
TWP No.1 Limited	P Judd, N Tuck
TWP No.2 Limited	P Judd, S Small (R), N Tuck, K Nickels
TWP No.3 Limited	P Judd, S Small (R), N Tuck, K Nickels
TWP No.4 Limited	B Moors, M Powell, S Small (R), K Nickels
TWP No.5 Limited	B Moors, M Powell, S Small (R), P Okhovat
TWP No.6 Limited	B Moors, S Small (R), K Nickels
Waikato Valley Chocolates Limited	T Benyon, N Craig, P Judd, M Razey, H Vetsch
Warehouse Stationery Limited	M Powell, P Judd, S Small (R), P Okhovat

Statutory Disclosures – continued

Team Members’ Remuneration

Grouped below, in accordance with section 211(1)(g) of the Companies Act 1993, are the number of Team Members or former Team Members, not being directors or former directors, who received remuneration and other benefits valued at or exceeding $100,000 during the year under review.

Remuneration includes redundancy payments and termination payments made during the year to Team Members whose remuneration would not otherwise have been included in the table reported below.

Team Members also received share based remuneration during the year as part of the Group’s long term incentive plans (refer note 16 to the Financial Statements). The amount attributed to share based remuneration presented in the table below represents the value to the employee of the compensation determined using the share price on the date when share options were exercised by the Team Member and/or the share price on the date when share rights vested.

REMUNERATION ($000)	NUMBER OF TEAM MEMBERS EXCLUDING SHARE BASED REMUNERATION	NUMBER OF TEAM MEMBERS INCLUDING SHARE BASED REMUNERATION
100 – 110	78	78
110 – 120	63	63
120 – 130	39	39
130 – 140	37	37
140 – 150	30	30
150 – 160	17	14
160 – 170	17	20
170 – 180	10	6
180 – 190	9	10
190 – 200	8	8
200 – 210	6	5
210 – 220	4	4
220 – 230	9	8
230 – 240	5	3
240 – 250	1	3
250 – 260	3	4
260 – 270	5	4
270 – 280	1	1
280 – 290	1	2
290 – 300	1	3
300 – 310	3	2
310 – 320	1	–
330 – 340	–	2
340 – 350	–	1

REMUNERATION ($000)	NUMBER OF TEAM MEMBERS EXCLUDING SHARE BASED REMUNERATION	NUMBER OF TEAM MEMBERS INCLUDING SHARE BASED REMUNERATION
360 – 370	4	1
380 – 390	2	1
400 – 410	–	2
410 – 420	2	1
420 – 430	–	1
440 – 450	1	1
450 – 460	–	2
460 – 470	1	1
470 – 480	1	1
510 – 520	–	1
530 – 540	1	–
570 – 580	1	–
580 – 590	1	–
590 – 600	1	1
600 – 610	–	1
650 – 660	–	1
660 – 670	–	1
740 – 750	1	1
880 – 890	1	–
940 – 950	–	1
990 – 1000	1	–
1060 – 1070	–	1
1700 – 1710	1	–
1940 – 1950	–	1

Substantial Security Holders

According to notices given to the company under the Securities Markets Act 1988, as at 12 September 2014, the substantial security holders in the company and their relevant interests are noted below:

	RELEVANT INTEREST	DATE OF NOTICE
James Pascoe Limited	17,848,870	24 June 2014
General Distributors Limited (an indirect, wholly-owned subsidiary of Woolworths Limited)	30,548,887	29 May 2007
Wardell Bros & Coy Limited, Cash Wholesalers Limited and Foodstuffs (Auckland) Nominees Limited	31,120,089	23 March 2007
Sir Stephen Tindall	84,141,524	19 March 2004
The Tindall Foundation	66,323,220	19 March 2004

Statutory Disclosures – continued

Twenty Largest Registered Shareholders as at 12 September 2014

	NUMBER OF ORDINARY SHARES	PERCENTAGE OF ORDINARY SHARES
Sir Stephen Tindall	93,687,096	27.01%
The Tindall Foundation	73,920,496	21.31%
General Distributors Limited	30,548,887	8.80%
Cash Wholesalers Limited	10,373,363	2.99%
Foodstuffs (Auckland) Nominees Limited	10,373,363	2.99%
Wardell Bros & Coy Limited	10,373,363	2.99%
J B Were (NZ) Nominees Limited	9,702,782	2.79%
J B Were (NZ) Nominees Limited	5,640,282	1.62%
J B Were (NZ) Nominees Limited	4,678,150	1.34%
Sir Stephen Tindall & K R Smith & J R Avery (as trustees)	3,778,149	1.08%
Citibank Nominees (New Zealand) Limited – NZCSD A/c[1]	3,753,640	1.08%
Custodial Services Limited	3,553,590	1.02%
R G Tindall & G M Tindall, Sir Stephen Tindall & S A Kerr (as trustees)	3,455,103	0.99%
JP Morgan Chase Bank NA – NZCSD A/c[1]	3,203,209	0.92%
HSBC Nominees (New Zealand) Limited – NZCSD A/c[1]	2,914,047	0.84%
Accident Compensation Corporation – NZCSD A/c[1]	2,513,950	0.72%
HSBC Nominees (New Zealand) Limited – NZCSD A/c[1]	2,482,922	0.71%
Custodial Services Limited	1,568,850	0.45%
The Warehouse Management Trustee Company No.2 Limited	1,398,227	0.40%
Westpac NZ Shares 2002 Wholesale Trust – NZCSD A/c[1]	1,272,394	0.36%
	279,191,863	80.41%

1 *New Zealand Central Securities Depository Limited (NZCSD) is a depository system which allows electronic trading of securities to members. As at 12 September 2014, total holdings in NZCSD were 18,877,539 or 5.0% of shares on issue.*

Distribution of Shareholders and Holdings as at 12 September 2014

SIZE OF SHAREHOLDING	NUMBER OF SHAREHOLDERS	PERCENTAGE	NUMBER OF SHARES	PERCENTAGE
1 – 1,000	4,477	38.40%	2,399,295	0.69%
1,001 – 5,000	4,881	41.87%	12,668,381	3.65%
5,001 – 10,000	1,293	11.09%	9,679,185	2.79%
10,001 – 100,000	928	7.96%	22,625,847	6.52%
100,000 and over	79	0.68%	299,470,412	86.35%
	11,658	100.00%	346,843,120	100.00%
Geographic Distribution				
Auckland and Northland	4,465	38.30%	274,863,423	79.25%
Waikato and Central North Island	2,092	17.94%	15,788,084	4.55%
Lower North Island and Wellington	2,020	17.33%	28,878,343	8.33%
Canterbury, Marlborough and Westland	1,186	10.17%	15,608,652	4.50%
Otago and Southland	930	7.98%	4,315,190	1.24%
Australia	808	6.93%	5,441,786	1.57%
Other Overseas	157	1.35%	1,947,642	0.56%
	11,658	100.00%	346,843,120	100.00%

Statutory Disclosures – continued

Distribution of Bondholders and Holdings as at 12 September 2014

SIZE OF BONDHOLDING	NUMBER OF BONDHOLDERS	PERCENTAGE	NUMBER OF BONDS	PERCENTAGE
5,000 – 9,999	270	14.78%	1,478,000	1.48%
10,000 – 49,999	1,249	68.36%	22,797,000	22.81%
50,000 – 99,999	180	9.85%	10,162,000	10.16%
100,000 – 499,999	105	5.75%	15,073,000	15.07%
500,000 – 999,999	11	0.60%	6,678,000	6.68%
1,000,000 and over	12	0.66%	43,812,000	43.80%
	1,827	100.00%	100,000,000	100.00%
Geographic Distribution				
Auckland and Northland	627	34.32%	25,975,000	25.98%
Waikato and Central North Island	329	18.01%	27,340,000	27.34%
Lower North Island and Wellington	388	21.23%	21,232,000	21.23%
Canterbury, Marlborough and Westland	253	13.85%	6,699,000	6.70%
Otago and Southland	207	11.33%	16,554,000	16.55%
Australia	8	0.44%	1,340,000	1.34%
Other Overseas	15	0.82%	860,000	0.86%
	1,827	100.00%	100,000,000	100.00%

Stock Exchange Listing
The ordinary shares of The Warehouse Group Limited are listed on the New Zealand stock exchange (NZX).

Ordinary Shares
The total number of voting securities of the company on issue on 12 September 2014 was 346,843,120 fully paid ordinary shares.

Holders of each class of equity security as at 12 September 2014

CLASS OF EQUITY SECURITY	NUMBER OF HOLDERS	NUMBER OF SHARES OR RIGHTS
Ordinary Shares	11,658	346,843,120
Share Rights		
– Executive share scheme	63	3,746,000

Rights Attaching to Shares
Clauses 20-22 of the company's constitution set out the voting rights of shareholders. Ordinary shares in the company each carry a right to vote on a poll at any general meeting of shareholders on any resolution. Holders of ordinary shares may vote at a meeting in person or by proxy, representative or attorney. Voting may be conducted by voice, a show of hands or a poll. Each of the company's ordinary shares entitles the holder to one vote.

On–market Share Buy–backs
The company is not, at the date of this Annual Report, undertaking any on-market share buy-backs.

Escrow
Apart from the shares held under the Staff Purchase Plan, the company has no securities subject to an escrow agreement.

Statutory Disclosures – continued

Dividends on Ordinary Shares

The Warehouse Group Limited has paid dividends on its ordinary shares every year without interruption since listing on the NZX in 1994. The Group's current dividend policy was approved by the Board in March 2014. The Group's dividend policy is to distribute between 75% and 85% of adjusted net profit to shareholders. To provide shareholders with certainty around the level of dividends which are expected to be paid during the year ended 27 July 2014 and the following financial year, the company has indicated it would target a minimum annual dividend of 19.0 cents per share (subject to no significant change in trading and market conditions).

On 11 September 2014 the Directors declared a fully imputed final dividend of 6.0 cents per share bringing the total dividend for the year to 19.0 cents per share. The dividends will be fully imputed at a rate of 28% and will be paid on 11 December 2014 to all shareholders on the share register at the close of business on 28 November 2014.

Cents per share

DIVIDENDS	2014	2013	2012	2011	2010
Interim	**13.0**	15.5	13.5	15.5	15.5
Final	**6.0**	5.5	6.5	6.5	8.5
Subtotal	**19.0**	21.0	20.0	22.0	24.0
Special	**–**	–	–	–	6.5
Total	**19.0**	21.0	20.0	22.0	30.5

Auditor

PricewaterhouseCoopers have continued to act as auditors of the company, and have undertaken the audit of the financial statements for the 27 July 2014 year.

Disciplinary action

The NZX has taken no disciplinary action against the company during the period under review.

Donations

In accordance with section 211(1)(h) of the Companies Act 1993, the company records that it donated $620,000 (2013: $366,000) to various charities during the year. In line with board policy, no political contributions were made during the year.

NZX waivers

Details of all waivers granted and published by NZX within or relied upon by The Warehouse in the 12 months immediately preceding the date two months before the date of publication of this Annual Report are available on the company's website www.twg.co.nz.

Material differences

There are no material differences between NZX Appendix 1 issued by the company on 12 September 2014 for the year ended 27 July 2014 and this Annual Report.

DIRECTORY

Board of Directors
Eduard (Ted) van Arkel (Chairman)
Keith Smith (Deputy Chairman)
Sir Stephen Tindall
Tony Balfour
John Journee
James Ogden
Vanessa Stoddart

Group Chief Executive Officer
Mark Powell

Company Secretary
Kerry Nickels

Place of Business
26 The Warehouse Way
Northcote, Auckland 0627
PO Box 33470, Takapuna
Auckland 0740, New Zealand

Telephone: +64 9 489 7000
Facsimile: +64 9 489 7444

Registered Office
C/– BDO
Level 8, 120 Albert Street
PO Box 2219
Auckland 1140, New Zealand

Auditor
PricewaterhouseCoopers
Private Bag 92162
Auckland 1142, New Zealand

Shareholder Enquiries

Shareholders with enquiries regarding share transactions, changes of address or dividend payments should contact the Share Registrar.

You can also manage your shareholding electronically by using Computershare's secure website, www.computershare.co.nz/investorcentre, whereby you can view your share balance, change your address, view payment and tax information, update your payment instructions and update your report options.

Share Registrar
Computershare Investor Services Limited
Level 2, 159 Hurstmere Road, Takapuna
Private Bag 92119, Auckland 1142
New Zealand
Telephone: +64 9 488 8777
Facsimile: +64 9 488 8787
Email: enquiry@computershare.co.nz
Website: www.computershare.co.nz/investorcentre

Direct Crediting of Dividends
To minimise the risk of fraud and misplacement of dividend cheques, shareholders are strongly recommended to have all payments made by way of direct credit to their nominated bank account in New Zealand or Australia.

Investor Relations
For investor relations enquiries, **email** investor@twl.co.nz

Stock Exchange Listing
NZSX trading code: WHS

Company Number
New Zealand Incorporation: AK/611207

Website
www.twg.co.nz

The company is a member of the Sustainable Business Council ("SBC").

The SBC is a coalition of leading businesses united by a shared commitment to sustainable development via the three pillars of: economic growth, ecological balance and social progress.
Its mission is to provide business leadership as a catalyst for change toward sustainable development and to promote eco-efficiency, innovation and responsible entrepreneurship.

CEMARS® . A world-leading greenhouse gas (GHG) certification programme and the first to be accredited under ISO 14065. It ensures consistency of emissions measurement and reduction claims. CEMARS certification was developed at one of New Zealand's leading Crown Research Institutes, Landcare Research. It recognises and rewards the actions of businesses that measure their GHG emissions and puts in place strategies to reduce those emissions.

The Warehouse is a constituent company in the FTSE4Good Index Series.

The FTSE4Good Index Series has been designed to objectively measure the performance of companies that meet globally recognised corporate responsibility standards.

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