ANNUAL REPORT 2015

THE WAREHOUSE GROUP®

Growing strength through diversity

A diverse portfolio of strong brands

This Annual Report is dated 16 October 2015
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 20 November 2015 at 10:00am.

FRIDAY 20 November 2015

Growing brands

Delivering long-term sustainable profitable growth to our shareholders is key to everything we do as we continue to provide a diverse range of offers to New Zealanders and beyond, making the desirable affordable. Over the past year it was very pleasing to receive recognition and also to develop and initiate some fantastic new programmes:

OCTOBER 2014:

- Noel Leeming brings technology learning to Kiwi communities with its Mobile Learning Centre. The mobile centre offers technology learning to New Zealand's most remote and least advantaged communities.
- Torpedo7 – Outdoor Awards – Web Retailer of the Year. Refreshing the website, easier navigation and processes for customers, and having a fantastic offer helped secure this award.

NOVEMBER 2014:

- 2014 Retailworld Retail Employer of the Year – The Warehouse took out the title with its third consecutive win in the large business category, whilst Warehouse Stationery took the title in the medium-sized business category.
- Wares Awards – Noel Leeming won three awards: Specialty Store, Lifestyle Appliances, Wairau Park, Young Retailer of the Year and Retailer of the Year.
- IBM Kenexa Best Workplaces Awards – The Five Year League Award recognised the achievement of Warehouse Stationery as an organisation which consistently ranks as one of New Zealand's best workplaces.

JANUARY 2015:

- Sir Stephen Tindall Chair for the Bachelor of Retail and Business Management Degree at Massey University. This is recognition of retail as a career, with a degree that is specifically tailored to the industry's requirements, with the first intake this year.

FEBRUARY 2015:

- Sir Stephen Tindall named as the Kiwibank 'New Zealander of the Year'.

MARCH 2015:

- The Sir Stephen Tindall Learning Centre is officially opened at the Store Support Office, Northcote, Auckland.

APRIL 2015:

- Noel Leeming was winner of the Roy Morgan Customer Satisfaction Award in the furniture/electrical store of the year category.

MAY 2015:

- The Warehouse, winner of the BACS Good Business Egg Awards – Community Empowerment Award for long-term commitment to sustainability, with a multilevelled approach to inclusion and community empowerment.

JULY 2015:

- Top Shop Awards – Warehouse Stationery Royal Oak won the Overall Regional Supreme Award for the Upper North Island. The team also won the National Multi-Store category and was runner-up in Multi-Store Omnichannel category.

Torpedo7

Torpedo7 is New Zealand's 'go to' retailer for all things outdoor.

2 MILLION
ORDERS DISTRIBUTED PER YEAR

100 THOUSAND
HAPPY AND FIT NO.1 FITNESS CUSTOMERS

1-DAY.CO.NZ OFFERS UP TO
300
HOT DEALS DAILY

warehouse stationery

Warehouse Stationery provides our customers with everything they need to work, study, create, connect.

13.5 MILLION
VISITORS TO OUR STORES

5 MILLION
VISITS TO OUR WEBSITE

ENOUGH PENCILS SOLD TO STRETCH FROM CAPE REINGA TO BLUFF IF LAID END TO END

thewarehouse
where everyone gets a bargain

The Warehouse is New Zealand's leading online retailer.

32%
RED ONLINE BUSINESS GREW BY 32% YEAR-ON-YEAR

737
TEAM MEMBERS
HAVE ACHIEVED A NATIONAL CERTIFICATE IN RETAIL

680,000
PRODUCTS SHIPPED TO NEW ZEALANDERS IN DECEMBER

noel leeming

Noel Leeming is the market leader for its passionate experts and end-to-end service.

100,000
MORE THAN 100,000 PEOPLE HAVE BEEN TRAINED BY NOEL LEEMING'S OPEN LEARNING CENTRE

80,000
APPLIANCES INSTALLED LAST YEAR

90
90 SCHOOLS VISITED BY THE MOBILE LEARNING CENTRE

IF ALL THE TVS SOLD LAST YEAR WERE PUT TOGETHER, THE SCREEN SIZE WOULD COVER MORE THAN
7,500
RUGBY FIELDS

Chairman and CEO's Report

Eduard (Ted) van Arkel
Chairman

Mark Powell
Group Chief Executive Officer

The Group has rebounded strongly from a challenging first half year, with our second half performance delivering a profit improvement of 37.4% year-on-year.

The Group has rebounded strongly from a challenging first half year, with our second half performance delivering a profit improvement of 37.4% year-on-year. This has resulted in an overall Group result of $57.1m adjusted net profit after tax, above our earnings guidance of $52m–$56m given at the half year.

Group result

For the full year, the Group result (for a 53 week period) was 5.9% lower than last year (a 52 week period), which contrasts favourably with the first half where the result was 19.4% down year-on-year. Not only has the second half delivered profit growth, but it has largely offset the shortfall in the first half result. In the core Warehouse business, operating profit was up 3.5% year-on-year, compared to being 10.7% down at the first half.

Same-store retail sales continue to grow, with the Red Sheds reporting 18 consecutive quarters of same-store sales growth and Warehouse Stationery 24 consecutive quarters. Year-on-year retail sales grew 4.6% to $2,770.4m, gross profit margin increased by 0.1% while the cost of doing business as a percentage of sales grew 0.4%.

Softer seasonal trading over Christmas coupled with the cycling of the Digital Switchover impacted first half trading adversely, particularly in Noel Leeming, and a number of one-off costs impacted the adjusted profit result, including rebranding costs for both Noel Leeming and Torpedo7. Across the Group the brands saw strong trading performances in the second half, both in top line sales growth and profit performance.

At a non-adjusted level, gains on property disposals in Whangarei and Gisborne were offset by a write-down in the carrying value of businesses in the Torpedo7 Group, primarily No.1 Fitness, Shotgun Supplements and R&R Sport. While the core Torpedo7 business has performed well, particularly in the second half as it transitions into a physical store format, the other small businesses have underperformed against projected cash flows, requiring a non cash adjustment in the carrying value on the balance sheet.

As the Group transitions into the next strategic cycle with a new Group CEO, the Directors and Management are continuing their focus on driving results, delivering consistent sales growth, margin improvement and profit leverage.

The Directors are pleased to announce a dividend of 16cps, with dividend policy remaining at 75–85% of retail adjusted net profit after tax. The carve-out of financial services results from the dividend policy reflects the issue that financial services is a long-term investment, which is loss-making in the short term and is expected to reinvest earnings in the early years of its growth as part of growing its capital base.

Strategy

This year, our focus has been on bedding down the businesses that we recently acquired, and delivering profit leverage and return on investment. As a consequence, the 2015 financial year has been outwardly a relatively stable one for the Group, compared to recent years in which a number of acquisitions were completed. Internally a number of key initiatives have been running, focused on sourcing better products at better prices, finding efficiency and cost savings in how we do business, and improving competitiveness. The second half performance is an indication of some of these programmes starting to deliver results, being mindful that our key focus remains to deliver compelling value propositions to our customers that drive sales growth and allow us to drive profit improvement.

Over the past four years, the Group has focused its strategy in several key areas to ensure that it has a sustainable, competitive position in the future.

- **Keeping the Red core strong**
  Recognising that the Red Sheds are still the core earnings base of the business, it is essential to maintain strong sales growth, increase our value and relevance to a changing customer base, grow profitability, and invest in our people. The last four years have seen significant revitalisation of the in-store experience, improvements in product range, availability and price leadership, development of the career retailer wage for our team members and delivering growth of over $200m in sales.
- **Grow 'Non-Red' profit to be as large as Red**
  This has been our retail diversification strategy, the goal of which is to create a portfolio of retail businesses that provide a complementary earnings stream to de-risk our reliance on the Red Sheds business. As a Group, our expertise is in running successful retail businesses. We can bring experience, financial capacity and a long-term vision to businesses that we acquire and help them become more successful. The portfolio has been created to provide exposure to different retail sector risks, but also provides a degree of leverage across the Group through sourcing and specific, market-based opportunities.

  Both Noel Leeming and Torpedo7 have undergone significant change in FY15 to reposition them for market leadership. Noel Leeming continues to grow market share and Torpedo7 has successfully transitioned into a true multichannel business with the online and offline channels supporting each other well.

- **Be the leading multichannel and digital retailer in New Zealand**
  The Group is the leading digital retailer in New Zealand, with online sales now $149m of total Group sales. This represents a dramatic growth since 2011 when online sales were just $18m for the Group. The direct sales transacted online are only part of the multichannel picture, as researching online plays a major role in helping customers to purchase in-store. Our Click and Collect service is also very popular across all brands, enabling customers to buy online and pick up in-store, where many customers then add to their transaction basket. 'Endless Aisles', a new innovation in FY15, allows customers to buy online while they are in-store at checkout, enabling all stores to offer our full product inventory even if they are not large format stores. Independent traffic statistics show that we are New Zealand's largest online retailer, consistently recording more than one million unique visits to our Group sites each month.

  While this is a strong result, we continue to explore ways in which we can be still more relevant to our customers as they embrace mobile and digital channels.
- **Source better products at better prices**
  While always part of our strategy, this key focus area was elevated during FY15 as our sixth Group strategic result area. Our focus to drive sales growth, improve margins and continue improving the customer value proposition is reliant on our ability to source products of the right quality at the right prices, and get them to store at the right time. Commercially, the weakening New Zealand dollar has implications for all importers of product into New Zealand. Our hedging policies and practices are comprehensive, and protect us for short-term volatility; however, structurally lower exchange rates will mean higher unit costs of imports in the longer term. Our Shanghai Representative Office continues to serve more of the business' purchasing needs and, recently, has had a key role in the development and launch of Torpedo7's home branded product.
- **Be a leading NZ Retail Financial Services company**
  A second part of the Group's diversification strategy is the move that we are making into financial services. The acquisition of Noel Leeming in 2012 and its ability to drive credit sales acquisition created the opportunity for us to bring in-house what we had previously provided to our customers through partnerships. Establishing our own retail consumer credit service, and building scale and profits, will take three to five years. This year has seen a good start, with much of the groundwork to build internal capability to deliver products to market having been achieved.
- **Leverage Group competencies and scale**
  The Group's strategy is to move towards a portfolio of businesses that have different risk profiles in retail, rather than to merge and drive synergies across businesses that are fundamentally similar in risk profile. This means that, as a parent, the Group focuses on where it can add value – through capital allocation and financial discipline, strategy execution frameworks, embedding our Way of Working across the Group, and leveraging co-operation or synergy opportunities where they make sense.

Segment performance

Red Sheds

There was a strong second half year performance by Red, with 56.6% profit growth for the half year-on-year. This more than offset the softer first half trading performance, which was impacted by a late start to the summer trading season and cycling of the switchover from analogue to digital television in New Zealand. This meant that, for the full year, Red Sheds had profit growth of 3.5% on same-store sales growth of 1.4%, representing 18 consecutive quarters of same-store sales growth.

Apparel and Home have been standout categories for the Red Sheds in the second half. Throughout the year, we have focused on initiatives to reduce the cost of doing business and these have begun to be delivered, meaning that our cost growth is slowing and creating the operating leverage that we are seeking.

Our focus remains on driving sales growth, margin improvement and profit leverage into FY16. Capex is expected to return to 'normal' (close to depreciation) levels as we exit the major catch-up period of store refits, and move to a more regular asset management schedule.

Warehouse Stationery

Warehouse Stationery delivered operating profit of $12.7m which was up 7.9% on last year, representing another strong result for Warehouse Stationery. Same-store sales were up 1.4% for the year, representing 24 quarters of same-store sales growth for the business, despite a decline in average selling prices in the stationery business, driven by competition in the technology market.

Back to School is a key period for Warehouse Stationery; the business continues to focus on ways to improve our engagement with the education sector and leverage the strengths in other parts of the Group (such as Schooltex in Red, and technology in Noel Leeming) to better meet the market's needs.

Noel Leeming

Noel Leeming sales were $665.6m, a 7.3% growth on FY14 ($620.5m), with same-store sales growing by 1% in the year. Operating profit was down, however, to $6.4m, 43% lower than FY14 ($11.3m). One-off costs in rebranding, investments in Noel Leeming's commercial services offer, and a one-off insurance gain in FY14 make the comparative performance look more unfavourable than it is on an underlying basis. A strong fourth quarter (same-store sales growth of 8.5%) and increasing market share give us cause for confidence in Noel Leeming's outlook for the year ahead.

Torpedo7

Torpedo7 encompasses some businesses that have strong future prospects, Torpedo7 and 1-day, as well as some businesses that haven't performed as expected, No.1 Fitness and Shotgun Supplements. As a consequence, the Group has made a non-cash accounting adjustment to write down the carrying value of the Torpedo7 Group of businesses, reflecting changed future cash flow expectations and some write-downs associated with absorbing the R&R Sport business.

The core Torepdo7 business has had a year of change, most notably being the rebranding and rollout of Torpedo7 into physical stores that were acquired as part of the R&R Sport acquisition. The store formats have been favourably received by customers and have performed very well in the last quarter of the year, with double-digit sales growth month-on-month. The Torpedo7 home brand has also traded strongly, resulting in sales growth and margin improvement.

FY16 will bring a review of No.1 Fitness and Shotgun Supplements to determine their fit and strategies for the future.

Warehouse Financial Services

Financial Services currently has two operating areas: the Diners Club business, and reselling Marble Finance, our personal finance and hire purchase offer in partnership with Finance Now. The other activities are development projects associated with bringing to market new consumer credit services and insurance offers. FY16 is the key launch period for commencing those other services.

Balance Sheet

The Group is focused on driving the performance of the businesses acquired and developed over the past few years, so there was not the M&A activity in FY15 that has been seen in recent years. Balance Sheet management, capital allocation and working capital management are key focus areas for the Group, currently and into the next financial year.
A number of key property projects are still in our plans, particularly our Newmarket site however, these are unlikely to be funded from the Group's balance sheet. Instead, we prefer sale/development/leaseback arrangements that convert the value in the sites into rental advantage for our trading businesses.

In May 2015, the Group replaced its $100m five-year bond with a new $125m five-year bond. The bond is an important part of the Retail Group's core debt programme. It is ring-fenced from the Financial Services balance sheet, which is currently funded by equity and intercompany working capital facilities, but will be funded through a separate securitisation vehicle in FY16.

The bond issuance was conducted under the new Financial Markets Conduct Act rules; it achieved a coupon rate of 5.3% and was heavily oversubscribed in the retail market.

FY15 saw a write-down in the goodwill balance for the Torpedo7 Group, reflecting the changed future cash flow expectations, mainly driven by declines in the performance of No.1 Fitness and Shotgun Supplements.

Dividend

The Directors are pleased to confirm the final dividend for FY15 at 5 cents per share, bringing the total dividend for FY15 to 16 cents per share, consistent with guidance given at the half year.

Future dividend policy is to pay between 75% and 85% of adjusted net profit after tax of the Retail Group. This means that the calculation excludes the Financial Services business, which is currently loss-making, as that business gets established, and where future profits will likely be reinvested to support the growth of the finance book.

Outlook

As our earnings are significantly influenced by Christmas trading performance, it is too early to provide specific earnings guidance for FY16. However, the current business trajectory, coupled with key elements of the Group's strategic plan, should ensure that adjusted NPAT for the retail group in FY16 is above that recorded in FY15.

The New Zealand dollar is expected by commentators to continue to decline; this is likely to translate into price increases in the market by retailers who rely on imported goods or raw materials. The Warehouse Group has a comprehensive hedging policy to mitigate short and medium-term volatility in currencies; however, structural decline in exchange rates will inevitably flow into higher costs of imported product and, consequently, of consumer pricing, to a greater or lesser extent.

Our Financial Services business will continue to operate at a loss while the business builds scale. We see there is potential to grow the book significantly in the first half of FY16, one initiative being to bring our Joint Venture finance business (TWFSL) with Westpac, in-house.

Debt levels are expected to increase in the retail group, as net debt is currently benefiting from around $70m that relates to the residual of capital raised to fund the Financial Services business, which is yet to be committed.

The Group is in the process of recruiting a new Group Chief Executive Officer. Once that appointment is made, there may be changes in strategic emphasis and priorities for the Group.

EDUARD (TED) VAN ARKEL
Chairman

MARK POWELL
Group Chief Executive Officer

The Board

① Eduard (Ted) van Arkel FNZIM

Chairman and Independent Non-Executive Director

TERM OF OFFICE:

Appointed Director 1 July 2011, last re-elected 2014 Annual Meeting

BOARD COMMITTEES:

Member of the Audit Committee, Member of the Disclosure Committee, Member of the Corporate Governance Committee and the Member of 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 a Director of Abano Healthcare Group Limited, AWF Madison Group Limited and several other private companies. Prior to becoming a professional director, Ted was Managing Director of Progressive Enterprises Limited.

② 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 more than 100 New Zealand export-oriented technology companies, with a goal to help New Zealand businesses thrive on the world stage. As further acknowledgement, in 2015 Sir Stephen was named the Kiwibank 'New Zealander of the Year'.

Sir Stephen appointed Robert Tindall to be his alternate Director, effective 1 July 2011.

③ Keith Smith BCom, FCA

Deputy Chairman and Independent Non-Executive Director

TERM OF OFFICE:

Appointed Director 10 June 1994, last re-elected 2014 Annual Meeting

BOARD COMMITTEES:

Chairman of the Disclosure Committee and the Corporate Governance 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 Co-operative Dairy Limited and several other private companies. Keith is a past President of the New Zealand Institute of Chartered Accountants.

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 eCommerce 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 eCommerce 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 11 years, six years as Country Manager for Macquarie Bank and five years as a director of Credit Suisse First Boston. Also, James has 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 Alliance 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 was 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 Institutes of Directors, an honorary fellow of HRINZ and a companion of IPENZ. Vanessa is an independent director for The New Zealand Refinery Company, Alliance Group and Paymark. She is a member of the Tertiary Education Commission, the Global Women Board and King's College Board, and a member of the Audit and Risk Committees for MBIE and DOC.

⑦ John Journee BCom, CMInstD

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. 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 Chief Executive Officer. He is also Chairman of online electricity retailer Powershop, fashion retailer Max Fashions and equipment distributor Southern Hospitality. Previously, John has been a non-executive director of multichannel retailer Ezibuy.

We would like to thank Bindi Norwell for her participation and contribution in the Future Directors initiative.

The Group have found this invaluable and will look to offer a further opportunity to another aspiring Future Director in 2016.

Annual 5 Year Summary

	(53 WEEKS) 2015 $000	(52 WEEKS) 2014 $000	(52 WEEKS) 2013 $000	(52 WEEKS) 2012 $000	(52 WEEKS) 2011 $000
SUMMARY INCOME STATEMENTS					
The Warehouse	**1,718,307**	1,665,233	1,591,088	1,524,102	1,462,912
Warehouse Stationery	**262,780**	250,561	231,838	206,639	201,453
Noel Leeming	**665,628**	620,520	390,667	–	–
Torpedo7	**131,231**	107,658	24,193	–	–
Other Group operations	**9,276**	14,217	9,688	8,664	8,320
Inter-segment eliminations	**(16,801)**	(9,711)	(7,942)	(7,237)	(4,908)
Retail sales	**2,770,421**	2,648,478	2,239,532	1,732,168	1,667,777
Finance business revenue	**5,617**	2,414	–	–	–
Total revenue	**2,776,038**	2,650,892	2,656,138	1,732,168	1,667,777
The Warehouse	**79,600**	76,903	85,186	80,874	98,777
Warehouse Stationery	**12,723**	11,793	10,321	9,844	10,103
Noel Leeming	**6,424**	11,308	11,011	–	–
Torpedo7	**34**	1,085	656	–	–
Other Group operations	**(5,555)**	(4,373)	4,064	5,744	5,256
Retail operating profit	**93,226**	96,716	111,238	96,462	114,136
Finance business	**(1,793)**	(1,547)	–	–	–
Equity earnings of associate	**2,802**	3,006	3,464	3,197	3,575
Gain on disposal of property	**5,533**	16,810	77,368	18,230	1,470
Direct costs relating to acquisitions	**–**	(1,617)	(2,356)	–	–
Contingent consideration	**(977)**	5,259	–	–	–
Goodwill impairment	**(11,302)**	–	–	–	–
Release of warranty provisions	**–**	–	–	7,355	–
Changes in fair value of financial instruments	**–**	–	–	–	194
Earnings before interest and tax	**87,489**	118,627	189,714	125,244	119,375
Net interest expense	**(16,207)**	(13,863)	(11,675)	(10,308)	(9,845)
Profit before tax	**71,282**	104,764	178,039	114,936	109,530
Income tax expense	**(20,345)**	(26,868)	(28,423)	(24,776)	(31,385)
Profit after tax	**50,937**	77,896	149,616	90,160	78,145
Discontinued operations (net of tax)	**–**	(642)	(4,288)	–	–
Minority interests	**1,496**	496	(580)	(312)	(316)
Profit attributable to shareholders	**52,433**	77,750	144,748	89,848	77,829
ADJUSTED PROFIT RECONCILIATION					
Unusual items (detailed above)	**6,746**	(20,452)	(75,012)	(25,585)	(1,664)
Income tax relating to unusual items	**(941)**	2,751	(327)	888	(138)
Minority interests	**(1,104)**	–	–	–	–
Discontinued operations (net of tax)	**–**	642	4,288	–	–
Adjusted net profit	**57,134**	60,691	73,697	65,151	76,027
THE WAREHOUSE					
Operating margin (%)	**4.6**	4.6	5.4	5.3	6.8
Same-store sales growth (%)	**1.4**	3.2	2.0	2.6	(0.9)
Number of stores	**92**	91	92	89	88
Store footprint (square metres)	**497,702**	494,847	500,769	482,802	476,115
WAREHOUSE STATIONERY					
Operating margin (%)	**4.8**	4.7	4.5	4.8	5.0
Same-store sales growth (%)	**1.4**	5.3	2.8	3.0	4.6
Number of stores	**65**	63	61	56	51
Store footprint (square metres)	**70,445**	68,194	67,230	64,616	58,307
NOEL LEEMING					
Operating margin (%)	**1.0**	1.8	2.8	–	–
Same-store sales growth (%)	**1.0**	5.6	–	–	–
Number of stores	**78**	77	75	–	–
Store footprint (square metres)	**70,999**	69,391	67,972	–	–

	2015	2014	2013	2012	2011
	$000	$000	$000	$000	$000
DIVIDEND DISTRIBUTIONS					
Interim (cents per share)	**11.0**	13.0	15.5	13.5	15.5
Final (cents per share)	**5.0**	6.0	5.5	6.5	6.5
Ordinary dividends declared (cents per share)	**16.0**	19.0	21.0	20.0	22.0
Ordinary dividend payout ratio (%)	**93.7**	98.8	88.7	95.5	90.1
Basic earnings per share (cents)	**15.1**	24.1	46.7	29.0	25.1
Basic adjusted earnings per share (cents)	**16.6**	18.8	23.8	21.0	24.6
SUMMARY BALANCE SHEETS					
Inventories	**510,461**	492,109	458,109	309,421	262,663
Trade and other receivables	**86,361**	91,253	69,887	28,455	25,791
Creditors and provisions	**(315,565)**	(328,706)	(315,679)	(171,506)	(177,781)
Working capital	**281,257**	254,656	212,317	166,370	110,673
Fixed assets	**386,709**	353,376	318,653	368,606	316,098
Investments	**2,778**	5,541	5,671	6,372	7,585
Funds employed	**670,744**	613,573	536,641	541,348	434,356
Taxation (liabilities)/assets	**25,185**	34,071	17,959	(2,823)	(3,370)
Contingent and deferred consideration	**(3,250)**	(22,316)	(21,759)	–	–
Goodwill and brand names	**115,818**	127,120	95,428	–	–
Derivative financial instruments	**35,358**	(7,653)	370	(8,465)	(33,333)
Capital employed	**843,855**	744,795	628,639	530,060	397,653
Net debt	**299,573**	220,878	216,874	212,693	126,113
Equity attributable to shareholders	**541,857**	519,600	400,029	317,134	271,215
Minority interest	**2,425**	4,317	11,736	233	325
Sources of funds	**843,855**	744,795	628,639	530,060	397,653
SUMMARY CASH FLOW					
Continuing operating profit	**91,433**	95,169	111,238	96,462	114,136
Continuing depreciation and amortisation	**58,634**	51,349	44,017	41,630	39,772
Continuing operating EBITDA	**150,067**	146,518	155,255	138,092	153,908
Change in trade working capital	**(35,343)**	(22,742)	(9,243)	(53,757)	(13,474)
Income tax paid	**(22,398)**	(37,492)	(40,803)	(31,291)	(36,235)
Net interest paid	**(18,662)**	(13,351)	(12,270)	(11,714)	(9,937)
Share-based payment expense	**2,114**	2,266	2,545	1,616	1,640
Discontinued EBITDA	**–**	(872)	(5,748)	–	–
Loss on sale of plant and equipment	**691**	2,282	3,965	1,538	1,008
Operating cash flow	**76,469**	76,609	93,701	44,484	96,910
Capital expenditure	**(109,345)**	(91,010)	(93,315)	(101,392)	(65,896)
Advances	**–**	(17,901)	(12,071)	–	–
Advances repaid	**–**	25,013	–	–	–
Proceeds from divestments	**31,120**	27,544	195,572	30,318	5,567
Proceeds from equity raise	**–**	114,072	–	–	–
Dividend from associate	**5,565**	3,136	4,165	4,410	1,911
Net dividends paid	**(59,640)**	(58,193)	(69,075)	(62,989)	(91,194)
Employee share schemes	**(2,455)**	(2,818)	(2,310)	236	(449)
Acquisition of subsidiaries and minorities	**(20,043)**	(80,181)	(116,648)	–	–
Other items	**(366)**	(275)	(4,200)	(1,647)	(545)
Net cash flow	**(78,695)**	(4,004)	(4,181)	(86,580)	(53,696)
Opening debt	**(220,878)**	(216,874)	(212,693)	(126,113)	(72,417)
Closing debt	**(299,573)**	(220,878)	(216,874)	(212,693)	(126,113)
FINANCIAL RATIOS					
Operating margin (%)	**3.4**	3.7	5.0	5.6	6.8
Interest cover (times)	**5.9**	7.2	9.8	9.7	12.0
Fixed charge cover (times)	**2.1**	2.2	2.5	2.8	3.1
Net debt/EBITDA (times)	**1.4**	1.1	1.1	1.3	0.7
Net debt/Net debt plus equity (%)	**35.5**	29.7	34.5	40.1	31.7
Return on funds employed (%)	**15.0**	17.3	21.3	20.4	28.3
Capex/Depreciation (times)	**2.0**	1.8	2.2	2.6	1.7

thewarehouse
where everyone gets a bargain

Positive progress with more to do

The 'Red Sheds' have delivered, to date, 18 consecutive quarters of positive same-store sales. This result is an outcome of the substantial investment in our stores, our people and our products as well as of the progress made to date in delivering our key result areas:

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.

Our customers have told us that product quality and range is improving as is store experience, driven by product availability and improvements to stores. Also, they have said we still have more work to do in delivering consistent value through price to make the desirable truly affordable.

Trading performance starting to bear fruit

Trading for the 2015 financial year has been mixed with the negative impact of unusual weather patterns during the first half, which required additional promotion and discounting, and the impact of cycling the Digital Switchover in 2014, which affected the Entertainment and Consumer Electronics categories.

The second half of 2015 has shown material improvement with stronger trading in most categories, especially Apparel, Home and our first full back-to-school season with Schooltex (acquired in March 2014). This, coupled with effective cost management and underlying productivity gains across the board, resulted in significant operating leverage for the balance of the year.

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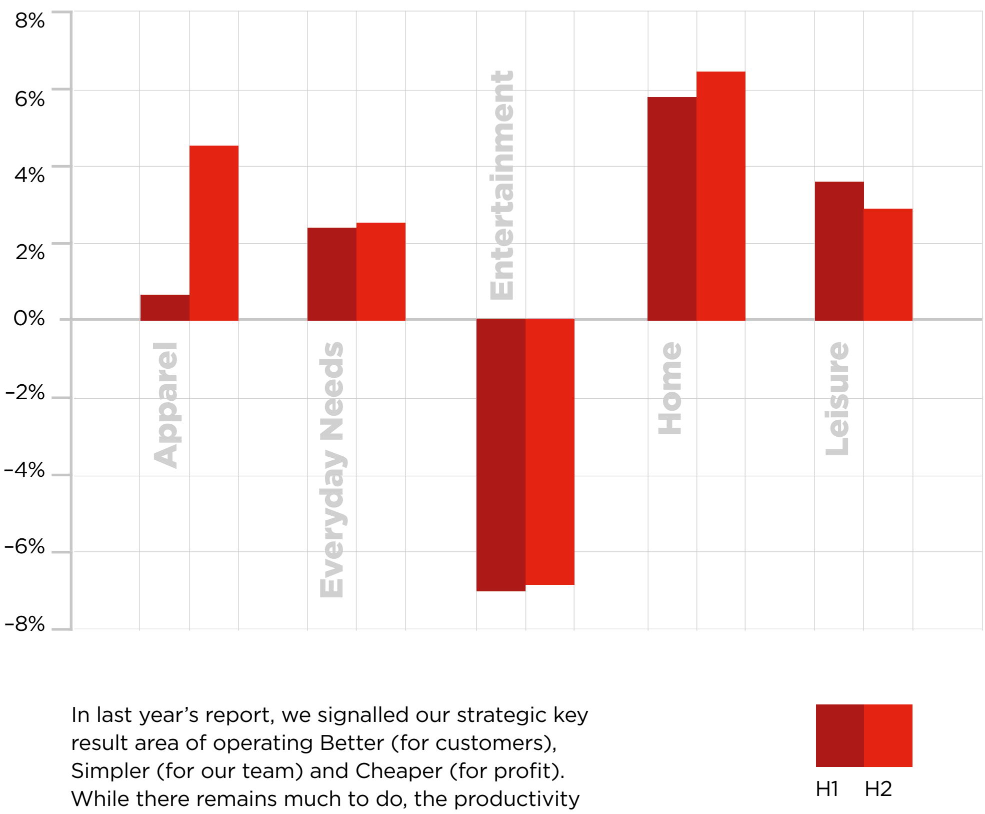
CONSECUTIVE QUARTERS OF POSITIVE SAME-STORE SALES

SALES BY QUARTER $M

Sales growth by category H1 and H2 FY15



In last year's report, we signalled our strategic key result area of operating Better (for customers), Simpler (for our team) and Cheaper (for profit). While there remains much to do, the productivity gains and cost-management results, particularly in the second half of 2015, have been the start of a process to reshape the cost base of the business. This will ensure we deliver EBIT and lift our capacity to invest in key strategic areas, such as Digital and Sourcing in 2016 and beyond, as we continue to build a sustainable business.

$1.7 BILLION SALES

92 'RED SHED' STORES

'House of Bargains' and 'Home of Essentials'

The Warehouse has built momentum through our focus on delivering the 'House of Bargains' and the 'Home of Essentials' to consumers. In response to feedback from our customers, we have continued to expand our Essentials ranges, especially in the Home and Apparel categories. Sales performance from this change has been encouraging as we become a more regular destination for our customers for their everyday shopping needs. We have had significant success with many of our own brands, including Veon, which became the largest-selling television brand in New Zealand earlier in 2015, and also our Necessities brand, which has experienced sales growth of more than 15% during the year.

The competitive landscape continues to evolve, with our competitors promoting more heavily and those retailers with 'everyday low prices' building their presence in the market. This will require the Red Sheds to accelerate its response to delivering more great products, at great prices, across its much wider product range.

30% of our online sales take advantage of the Click & Collect option.

Digital transformation under way

'Digital' has permeated our way of life, impacting a great deal on how we work, live and play. The retail experience is no exception. Nearly one-third of the sales growth recorded for the business for the current financial year was from our digital channels.

We delivered on our strategic key result area of delivering your Warehouse, your way through the introduction of Endless Aisles (the ability to shop across our whole range from any store) and Click & Collect (pick-up of online orders in-store) across the network, and trading successfully in five pop-up stores. These initiatives have been well received by customers, with 30% of our online sales now taking advantage of the Click & Collect option. This sales performance is the result of a growing commitment to digital initiatives and will be accelerated into the 2016 financial year as we continue to expand our capability and competency as a truly digital retailer.

Our customers and our people continue to be at the heart of what we do.

A strong community is important to us

The Warehouse remains synonymous with community. A great example of the significant contribution made by The Warehouse to New Zealand communities was the Pedal for Plunket earlier in 2015. The ride, from Cape Reinga to Bluff, involved several hundred team members and interacted with stores, distribution centres and our customers. It raised $297,693 to support the great work Plunket does. While this was a very public event, there were numerous examples of community engagement throughout the country with countless organisations, large and small, that are the recipients of much-needed funds. To read more about our community involvement, please see pages 39 to 43.

Investing in our people is important

Both our customers and our people continue to be at the heart of what we do. The Career Retailer Wage, which has bolstered materially the wages of more than half of our team members in-store over the last two years, recognises the productivity of our employees and the commitment to a career in retailing that many of the team members have made. This investment is supported by comprehensive learning pathways that support our people to be the best that they can be. Our unique ‘Way of Working’ remains a core strength across the business and is used to assist us to make better decisions every day. We have expanded our investment in training across our merchandise teams through comprehensive ‘Winning at Retail’ programmes, thus leveraging strong commercial skills into the function.

Health and Safety is a major focus for the organisation – our *Take Time to Think* programme is reminding team members to look out for each other and our customers and contractors every day in every way. The programme is seeing positive results already as this initiative is becoming more embedded in our culture.

Looking forward

As we move into the 2016 financial year, we have a strong plan to deliver our dual 'House of Bargains' and 'Home of Essentials' strategy. Whilst we are cognisant of the underlying market pressures (from lower consumer confidence, rural economies, the impact of lower dairy prices, the impact of a declining currency and increasing demands on family discretionary income), we believe our goal to help Kiwi families flourish is even more relevant. In these increasingly challenging times, we are focused on sourcing the best products from around the world, at the lowest prices to deliver excellent value to our customers.

We are nearing the completion of a period of significant capital investment in our stores and are returning to a more regular cycle of modest renewal of the key elements of our store environments. We plan to maintain a compelling and contemporary discount shopping experience (across all of our channels: bricks and clicks) and are investing in our capability and competency as a digital retailer.

Over the next five years, our strategy aims to deliver continued sales growth and also improved profitability. The lower level of investment required, along with strong cost and working capital management, will, we believe, result in improving profit leverage.

Lastly, I would acknowledge and thank all our Red Shed team members sincerely for their ongoing enthusiastic contribution to the brand, along with our suppliers and customers who, collectively, truly make us the 'House of Bargains' and 'Home of Essentials'.

Simon Turner
Chief Executive Officer
The Warehouse Limited

We have a strong plan to deliver our dual 'House of Bargains' and 'Home of Essentials' strategy.

A blueprint for growth

This has been yet another great year for Warehouse Stationery, proving our commitment to providing our customers with everything they need to work, study, create, connect. We are proud to have achieved 24 consecutive quarters of same-store sales growth in a challenging and changing market.

Key initiatives that have helped to deliver this success have been:

- Product range, assortment and innovation, better aligned to our customers
- Great improvement in our Furniture, Art, Craft and core Stationery categories
- A rejuvenated house-brand product programme
- Continued growth in Print and Copy Centres, assisted by our extended service offer
- A challenging but successful Back to School campaign.

Changes in the technology market have led to a reduction in the average selling price of items in our business, which, despite an increase in units sold, has resulted in a reduction in total revenue this year. Adding to this challenge has been the competitiveness of the stationery market and a shift in business confidence, which has been in decline throughout the year.

Our teams remain highly engaged, ensuring that we can respond to the changes our customers demand due to their ever-evolving lives. Customers now have increased demands for connectivity and requirements for portability. The demand for personalisation and the need to engage in personalised communication online is expanding. Along with this comes the requirement for our business to move into a digital world and still deliver a fulfilling, physical bricks-and-mortar experience.

We have continued to build on our rebranding, showcasing product and service innovation, along with gaining a greater understanding of our customers and their desires and needs. This has resulted in enhanced customer engagement and increased foot traffic to our stores.

SALES BY QUARTER $M

1ST QUARTER:	2ND QUARTER:	3RD QUARTER:	4TH QUARTER:
$58.3	$66.1	$70.3	$68.2

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CONSECUTIVE QUARTERS OF SAME-STORE SALES

Product and Service innovation

In Products and Services, our focus has been on range leadership and authority aligned to work, study, create, connect. We have maintained our focused approach to products, based on HOTO (Heart of the Office), Fashionery and Stationery, and Art and Craft segments. During the year, this has included introducing new technology brands, extending our range of technology accessories and adding contemporary products to our furniture range. In stationery, we have seen the launch of new fashionery ranges 'Kookie' and 'UNITI', and we have continued to inspire and excite our creative customers with an extended Art and Craft range.

Further expansion of products in our Print and Copy Centres has added extra value to our business customers with the introduction of banners, design assistance and personalised products. In addition, we have added consumer-focused services with innovative products and services; these make it easy for customers to create their own artworks.

Listening to our business customers, we have added new business services and have expanded the BizRewards scheme to be more than just an account; this allows customers to choose the way in which they want to pay while still earning reward points.

Education

A key focus for us has been on education. Our annual quest to find 'New Zealand's Most Inspiring Teachers' received unprecedented exposure and feedback. It was an honour to be part of recognising the great work that teachers do.

Our congratulations this year go out to our fantastic winner, Melanie Wihongi-Popham, from Maeroa Intermediate School, and to our nine runners-up.

Another highlight was our 'Get New Zealand Writing' campaign, which was about bringing some excitement back into writing in New Zealand, which has started to be overrun by technology. There is nothing nicer than receiving a handwritten letter or note from a loved one. We had 1,700 classrooms take part, with more than 20,000 students joining in. In excess of 80,000 postcards were sent and the winners have been judged recently. Very shortly, a five, a six and a seven-year-old are going to be presented with their prizes.

65
STORES NATIONWIDE

8
STORES MODERNISED

Store network and our people

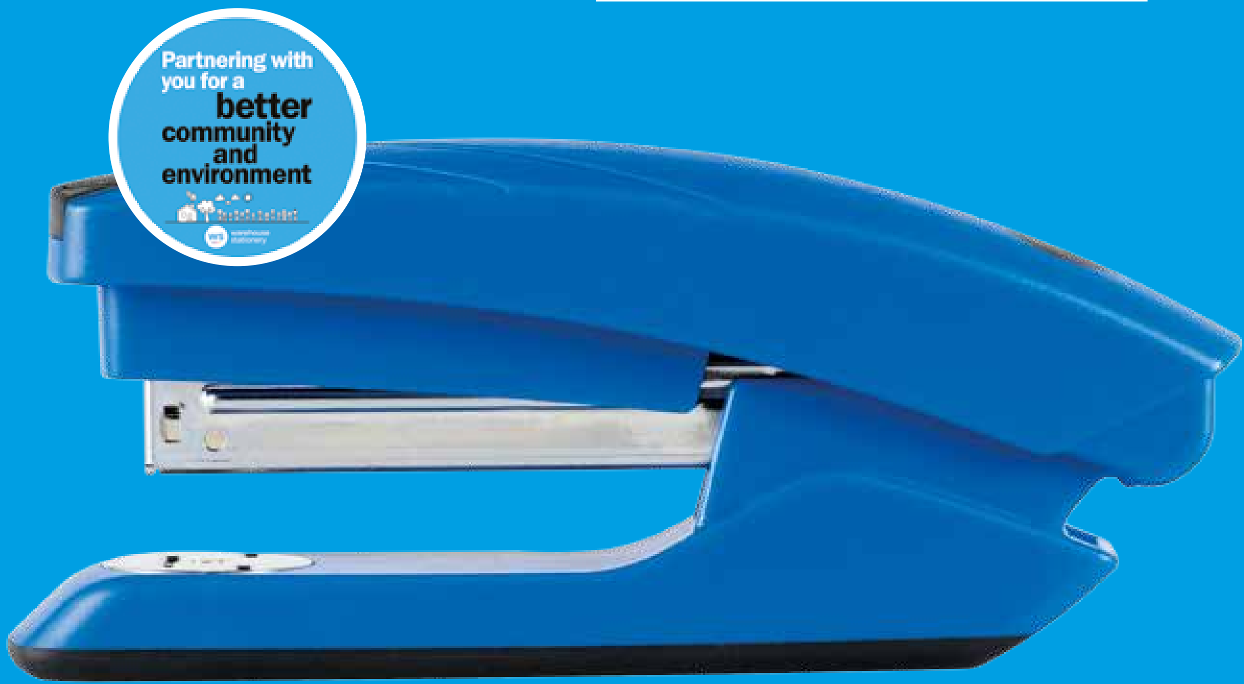
We have continued to invest in our physical network, opening two new stores in Auckland, one in the city and the other at Sylvia Park mall, taking our network to 65 bricks-and-mortar stores. In addition, we have right-sized and refreshed eight of our existing stores and relocated two stores, one in Wellington and the other in Christchurch.

At Warehouse Stationery, we recognise that our biggest asset, and the key to our success, is our team. We have continued to invest in our team members with specific technical and product knowledge training to ensure we deliver a high-quality experience for our customers.

A very proud moment this year was when we were inducted into the IBM Kenexa Best Workplaces 'Hall of Fame', recognising our fantastic engagement results for the last five years.

Our biggest asset, and the key to our success, is our team.

We are focused on sourcing the best products from around the world, at the lowest cost price, to deliver excellent value to our customers.



Working with our community

Our commitment to and support for our local communities and partners (The Salvation Army, CanTeen and six regional partners) has grown from strength to strength, and we have raised more than $230,000 for them. See page 45 for a more detailed update.

Looking forward

Going forward, we will maintain our key strategic focus areas but with increased emphasis on digital retailing, recognising our customers' changing lives and continuing on our journey to being New Zealand's number-one retailer.

We have six key result areas:

1. **Brand positioning and engagement**
2. **Products and services**
3. **BizRewards and education**
4. **Digital retailing**
5. **Store experience**
6. **Way of Working**

I want to take a moment, yet again, to thank all our team members, who are passionate about making a difference, for their extraordinary effort and commitment, along with their continued support.

Pejman Okhovat
Chief Executive Officer
Warehouse Stationery Limited

Growing connections

Noel Leeming sales for FY15 amounted to $665.6m with same-store sales increasing by 1.0% for the year. Total sales increased by 7.3% (53 weeks compared to 52 weeks). The second half saw sales of $335.2m, up by 14.9% (53 weeks compared to 52 weeks), and same-store sales of 4.6%. This was a strong recovery from the 2.0% reduction in same-store sales recorded in H1 when we were cycling the television Digital Switchover.

Same-store sales in the fourth quarter were up by 8.5%. The solid performance in this quarter reflected strong demand for both whiteware and communications products. Also, we were cycling a soft fourth quarter last year (same-store sales were down by 2.1% in the fourth quarter last year).

Operating profit was $6.4m, 43% below that of last year. The second half saw operating profit of $4.1m, which compared to a normalised second-half profit of $3.7m last year (reported operating profit of $4.9m included an insurance claim settlement of $1.2m). The second-half result, particularly our performance in the fourth quarter, is very encouraging.

Our operating profit was impacted in the first half by costs of one-off rebranding and the further establishment of our retail and commercial services offer, which we believe will provide us with sustainable competitive advantage.

Noel Leeming continues to lead the market, outpacing its competitors and growing market share throughout the year.

Highlights: Apple Watch/ Store within a Store

When Apple Watch launched in New Zealand in July, Noel Leeming demonstrated its ‘authority’ position by being the only retailer to have this product. In an exciting development, three of our stores opened Apple stores within stores at the same time. Each of our stores at Queen Street, Auckland, Wairau Park, Auckland, and Tory Street, Wellington, now includes a dedicated Apple store which displays a wide range of Apple products including the Apple Watch.

Highlights continued...
Open Learning Centre

We have continued to roll out more Open Learning Centres and now have 21 centres nationally. Open Learning Centres assist customers become more 'connected' and 'savvy' in understanding and using new technology. The roll-out of more Centres provides us with a competitive advantage and enables us to 'change lives' rather than just sell product. We continue to offer both free and paid sessions and, recently, have introduced bundles including installation and learning.

Mobile Solutions Centres

27 Mobile Solutions Centres operate within our stores. These Centres have dedicated and informed team members who are able to assist customers with both phones and plans. This enables each customer to compare plans and walk out with a 'working' phone. Mobile Solutions complements our strategy of having 'passionate experts' and 'product authority' across our business.

Lowlights:
Television

Television is one of our key trading categories. The performance of this category in the financial year was impacted significantly by the cycling of the Digital Switchover, which took place largely across our 2014 financial year. We increased market share; however, the total market for this category reduced substantially compared to that of 2014. We are expecting a better result in our 2016 financial year with the recent introduction of new models and the upcoming Rugby World Cup.

Competition

Noel Leeming has remained the market leader throughout the year and we continue to grow our market share in a challenging environment.

The Good Guys exited the New Zealand market in the middle of 2014 with the closure of the company's five Auckland stores. JB Hi-Fi started converting stores to JB Hi-Fi Home (its original product offer plus whiteware and small appliances) in Q4.

70
APPLIANCE, TECHNOLOGY AND SERVICE STORES

5
LIFESTYLE APPLIANCE STORES

Noel Leeming has remained the market leader throughout the year and we continue to grow.

New/Relocated stores

During the financial year, we opened a new store in Featherston Street, Wellington, and two new Lifestyle Appliance stores, one at Sylvia Park, Auckland, and the other in Moorhouse Avenue, Christchurch.

We relocated and increased the sizes of our stores at Sylvia Park, Auckland, Nelson, LynnMall, Auckland, and George Street, Dunedin.

We closed our store at Albany Westfield, Auckland, and combined our two Tory Street stores in Wellington.

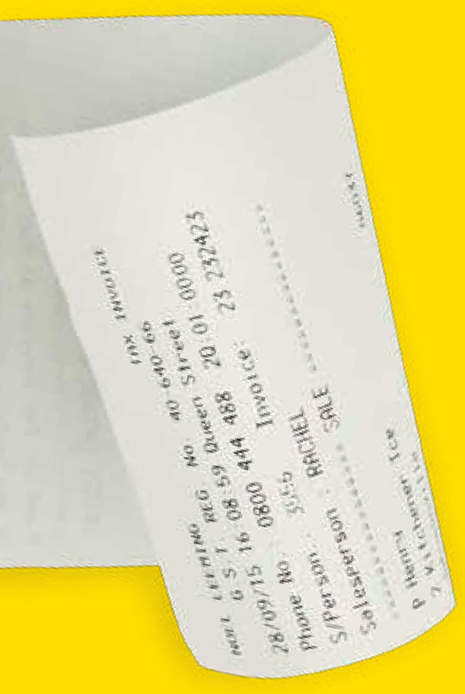
Community

Our Mobile Learning Centre started travelling around New Zealand in February and, to date, has visited over 90 schools and engaged with more than 5,000 students. We are very excited about this initiative which will see the Mobile Learning Centre travel around New Zealand over a two-year period visiting decile 1–3 primary and intermediate schools. The Mobile Learning Centre is connecting Noel Leeming and communities by impacting positively on lives throughout New Zealand.

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

These are the pillars of our business.

Simply stated: Passionate Experts and End-to-End Service



Our business strategy has seven key result areas:

Brand and stores

With all of our stores rebranded in September 2014, it is our desire to ensure that all stores deliver a unique and memorable customer experience. Many of our stores now include a combined Tech Solutions and Open Learning Centre, a Built-in Cooking Centre and a Mobile Solutions zone.

Our online store recorded sales growth of 29% compared to the previous year. We are continuing to develop our site with many industry-leading features, including live chat.

Product and margin

We continue to build on our authority position, ensuring we are first to market with new products and new technology. In particular, we have a strong focus on emerging categories such as wearable technologies. Our supplier relationships remain critical to the way we do business as we continue to manage a balanced mix of supplier brands in each category.

We continue to focus on categories where we have a lower-than-average market share such as built-in cooking.

Passionate experts

We continue to develop our 'passionate experts' who deliver end-to-end service propositions to our customers. Our focus on capability and learning is reinforced through continued industry recognition of our store teams at the Wares Awards with multiple nominations across categories. We have focused particularly on developing our training for some of our specialists: for example, our Mobile Solutions team members.

We have been focused on delivering an effective Health and Safety culture, which ensures that our team members remain safe in all that they do.

Commercial

Our Commercial business continues to grow strongly and we have developed it further by utilising our resources in different business sectors such as Building, Hospitality, Education and Government.
In the year ahead, we will continue to build our Commercial business, including our Commercial Services offer provided by Maclean Technology.

Services

Our Tech Solutions offer (Set Up, Install, Deliver and Repair) and our Open Learning Centres (Learn, Discover, Connect and Share) will continue to provide us with competitive advantages in the year ahead. We will be focusing on maximising the 'halo' effect of these services in our wider business.

Lifestyle Appliances and Maclean

Our Lifestyle Appliances business now operates from five different sites and, together with our built-in cooking offer, is increasing our market share in the kitchen appliances segment. Lifestyle Appliances specialises in high-performance, stylishly designed kitchenware and laundry items with more than 30 premium brands. We see potential to obtain further growth in the kitchen appliances segment.

Maclean provides IT services and solutions to the commercial sector. It complements our commercial business by providing a 'Commercial Services' offer. Maclean's focus in the year ahead will be in growing its recurring revenue base (largely Cloud-based services), improving productivity and leveraging Group relationships and connections.

Productivity and inventory management

Management of our cost of doing business and our inventory management are key parts of our strategy. We will be focused on the key resources our business has in inventory, space, labour and promotion, ensuring we are productive in each area: a 'more for less' approach.

The future

Passionate experts and end-to-end service will continue to support our customers' needs. Service is at the centre of everything we do; it is an important part of our business and a huge differentiator for us.

We believe our strategy will give us competitive advantage, enabling us to grow and strengthen our market position going forward.

We believe our strategy will give us competitive advantage, enabling us to grow and strengthen our market position going forward.

I would like to sincerely thank our team members, suppliers and customers for their ongoing support.

Tim Edwards
Chief Executive Officer
Noel Leeming

Torpedo7

SEE YOU OUT THERE

Growing new markets

Torpedo7 has had a year of transition, as the R&R Sport acquisition was absorbed and the Torpedo7 brand launched into physical stores. While sales grew 21.9% year-on-year, operating profit was down on last year, at break-even (FY14 $1.1m), as one-off costs related to the rebranding coupled with weaker performances from No.1 Fitness and Shotgun Supplements were a drag on the financial result. Second half trading results were encouraging and we anticipate a much-improved FY16 based on the opportunities we see in this sector.

'See you out there' – these words define the affinity of New Zealanders with our great outdoors. They also capture Torpedo7's spirit of adventure and authenticity as New Zealand's 'go to' retailer for all things outdoor. At Torpedo7, we draw daily on our personal outdoor experiences and our business skills for the benefit of our customers and our shareholders in equal measure.

Our team overwhelmingly comprises active outdoor enthusiasts who personally live the outdoor experience that is such a big part of life in New Zealand.

The experiences of our buyers, marketers and store teams span all outdoor arenas from snow to water to bike to tramping and much more. We use and trust the products and services ourselves that we select and offer to our customers. We know how our products perform under pressure.

We also travel the world securing products that are fit for purpose while also being 'on trend' with international style and emerging outdoor technologies. We live our lives to the full, at one moment assisting our customers and, at another moment, just being somewhere 'out there', taking in our amazing outdoor wilderness.

Trusted outdoor brands – compelling prices

Our Torpedo7 product range of diverse, iconic brands is selected on the basis that it will meet or exceed the expectations of our customers. We understand the benefits of being a true outdoor retailer that offers multiple 'best in class' brands that suit the particular outdoor activity of each customer.

Function, style and value underpin our product selections of the world's leading specialist outdoor brands. 'First with the latest and the best' is the fundamental that guides our brand and product selections.

Customer response to our Torpedo7-branded product range this year has exceeded all expectations.

Our toughest 'quality assurance' testers (our retail store teams) have embraced the qualities, styles and prices of our Torpedo7 apparel, footwear and equipment range. High sales growth has followed.

Customer appreciation of our Torpedo7 range is reflected in the outstanding sales results in our first season's offering of this range.

$131.2 MILLION SALES

We understand the benefits of being a true outdoor retailer.

We have products and services that our customers want – when they want them

Stock availability has been a big driver of our business growth this year.

Customer confidence and 'peace of mind' that the outdoor products they seek will be available to purchase, at the time that they require them, remains a key business fundamental.

Our stock availability rating reflects daily attention to supply chain demand planning, speedy logistics and seamless 'back of store' stock flow management.

12
STORES

21.9
PERCENT SALES GROWTH IN FY15

Leveraging our online and retail stores to assist our customers better

Customer response to our online promotional activity is fuelling growth through both online and traditional stores. High-impact communications to our online customers, and the promotion of brilliant outdoor product, great prices, speedy delivery and 'after-sales' assistance, are lifting revenues through both channels.

Online activity is attracting and selling to customers who are comfortable buying online and who are seeking great prices and reliable service. Also, our online presence is driving customers to our stores to seek our expert personal advice and the ability to touch, feel and compare products.

Pursuing growth – organic, sector, category and channel

Organic growth

New Zealanders have always appreciated the unique qualities of our great outdoors. This appreciation is growing by the day as a new, time-hungry generation seeks life-balance for themselves and their families.

In addition, a growing tourist inflow is arriving seeking New Zealand's unique outdoor experience. Many arrive to purchase their equipment, apparel and footwear locally as part of the travelling experience.

Outdoor recreation is a growing economic super-sector of our economy, with continued growth expected for years ahead. Torpedo7 is well positioned to capitalise fully on this growth.

Sector growth

Outdoor activity is appealing increasingly to a wider range of ages and more diverse demographic groups.

Informed parents are seeking outdoor activity for their young families. Enthusiasts are refusing to 'age' and are living life enjoying outdoor invigoration. Also, educational, health and community groups are engaging more regularly in outdoor activities.

Each of these is creating a wider halo of users 'over and above' the traditional outdoor enthusiasts.

Expanded Torpedo7 product ranges are pursuing these growth opportunities.

Our first priority, however, is to hold our position as New Zealand's best retailer of authentic outdoor product for heavy-user enthusiasts.

Category growth

Several categories within our existing outdoor range offer fast, material growth opportunities.

We are pursuing this growth through controlled range expansion, in-store presentation, team training, close co-operation with selected suppliers and increased marketing presence.

Channel growth

Our growth plans are mindful of the numerous geographical, 'business to business' and omni-channel opportunities. All are deliverable potentials that we are pursuing.

Platforms and supply chains that support sustainable profitable growth

At Torpedo7 we continue to challenge ourselves to rethink how we may attract and assist customers better.

We are committed to enhancing our reputation as having New Zealand's finest range of authentic outdoor products supported by a team of experts who know their stuff and care for our customers.

We continue to invest in platforms that will fast-track connections with our customers: more quickly, better and more informatively.

We continue to invest in our supply chain services to match or better any national or international competitors, with the key measurement being an offer that is reliable, fast and affordable when delivering goods to our customer's door.

We will grow in mature markets and in new markets by leveraging our platforms and supply chain advantages.

Customer support to assist with purchase choices and after-sales queries

Our customer support team receives approximately 2,000 phone, email and chat queries each week.

Growing numbers of prospective and existing customers are appreciating the immediate and accessible expert assistance to help with their decision-making and queries.

Our customer support team's success measure is the quality of the assistance that we provide, as fed back to us by our customers.

The future is bright

The outdoor industry is a large, vibrant, growing and stable contributor to our economy.

The combination of being a specialist part of New Zealand's largest listed retail group, steered by a team comprising some of our country's most expert outdoor enthusiasts, positions Torpedo7 nicely to seize the growth opportunities of New Zealand's expanding outdoor retail sector.

It is timely to acknowledge and thank all members of our Torpedo7 family for their contributions to our business. The 'over and above' assistance and support that is provided each day to our customers, our business, our suppliers and each other is a priceless component of our business success.

Matt Campbell
Chief Executive Officer
Torpedo7

1-day continues to attract growing customer numbers as we position ourselves as New Zealand's leading 'Daily Deals' online product site.

The success of 1-day is a reflection of the capability of our team to source and negotiate great prices on products that attract customers to our site every day of the week.

Bargains – every day – always

Our 1-day team is driven by finding products, prices and quantities that surprise our customers and our competitors.

Diverse products of every variety are offered each day on our site. Our customers respond immediately each day, as the online sales measurement monitors light up.

Supply chain... a key advantage

The capability of 1-day to deliver products to our customers' homes is first class. Our logistics proficiency is second to none in delivering products quickly and reliably to our New Zealand and Australian 1-day customers.

Balancing great prices and sustainable profits

A big success component of 1-day is the skill of understanding the balance between attractive prices and sensible management of margins and costs. We have no hesitation in walking away from many profitless 'deals'. There remains, however, much opportunity for securing profitable deals that enable us to offer 'wow!' products and prices to New Zealand and Australian customers each day.

Customer support for peace of mind

Our 1-day customer support team receives approximately 3,000 phone calls, emails and chat enquiries each week. We are continuing to invest in this important service for potential and existing customers.

Fresh offers – attracting incoming deals for our customers

Increasing numbers of suppliers are contacting us offering exclusive heavily discounted deals.

'Success fuels success' is proving to be a nice part of attracting incoming phone calls from suppliers with distressed inventories they wish to clear through our 1-day channel.

We are always ready and able to secure offers of reliable, quality products that will attract customers while meeting our business profitability requirements.

Accessible growth

Our growth momentum is expected to continue into the New Year as we push into Australia, increase our business-to-business transactions and expand our product offer width in New Zealand.

Our customers love bargains and we are well positioned to continue to service that opportunity. A big note of appreciation to our 1-day team: this family of expert hunters and traders continues, tirelessly, to track down the daily bargains for which we are famous, while always working within a tight business framework.

Thank you all.

Matt Campbell
Chief Executive Officer
1-day

Shotgun

Shotgun Supplements had a challenging year in 2015. The sports supplements channel continued to see multiple new entrants of both online and retail store competitors. As a result, margin erosion has been experienced as unsustainable pricing was evident through the first half of 2015. This was triggered by independent retailers gaining market share; Shotgun needed to be proactive in addressing and minimising this issue.

The key focus is about improving margins through acquiring exclusive brands or product launches to provide points of difference, securing brand supply from the manufacturer direct, wherever possible, and expanding the Shotgun and Crazy house-branded ranges. This will include more flavours and serving pack sizes to grow the market share of these already-popular brands.

Digital marketing activities were enhanced also with the SEM/SEO and social media marketing brought in-house with team members employed by Shotgun. Previously, these activities were undertaken through an external agency and this initiative demonstrates improved management of our digital spend and enhanced return on investment.

No.1 Fitness

This year was one of significant change for No.1 Fitness and brought a challenging trading environment. We established a new concept store in Albany in October 2014, introducing new categories such as footwear, apparel, wearable technology and rehab products, to enhance further our positioning of ‘Everything for Fitness’.

We also acquired premium fitness equipment brands to augment our already-strong house-brand portfolio. Brands such as Matrix, Vision Fitness, Horizon Fitness, Reebok Fitness, Adidas, Fitbit and inov-8 were introduced in 2015. There is a strong pipeline of more international brands to be introduced progressively throughout the remainder of this year.

From a customer experience perspective, we launched a fully responsive website in September 2014, which improved the user experience and enabled easier eCommerce from mobile and tablet devices. Our Customer Contact Centre also increased its operating hours from five to seven days a week to enhance customer service across all of the hours that our physical stores are open.

Our focus in the coming year will be on delivering the trading benefits of strategic initiatives we have taken to date, whilst enhancing a more efficient business model in reducing the cost of doing business.

THE WAREHOUSE GROUP
FINANCIAL SERVICES

Growing financial capability

A significant focus for the FY15 year has been the building of systems, infrastructure and team capability to bring our exciting new credit card and insurance offerings to the market later in the calendar year. This has been a complex piece of work but the project has progressed well and the Financial Services business is set to launch these products before the end of 2015.

Recognising the nature of the financial services industry, the regulatory landscape and the need for strong commercial, financial and risk disciplines, an independent board was formed in early 2015, bringing strong governance and industry expertise to guide, govern and complement the existing management team and business.

During the year, there has been significant recruitment activity that has seen team-member numbers grow significantly. Initial recruitment was focused on project personnel and, more recently, on building the operational areas, as the business transitions the project to operational readiness.

During the year, we created a set of values as our guiding compass, based around the acronym 'TRUST' because, within Financial Services, it is all about TRUST.

The Group's 'Way of Working' framework and 'Working Smarter' tools have been embedded in the organisation. This 'Way of Working' has helped set the standard for delivering a consistent experience and provided a mechanism for being part of the Group. Financial Services has utilised the 'Working Smarter' tools to help identify issues that could frustrate customers as we build the new systems and processes and to implement solutions that address these concerns.

- **Team**
- **Retail focused**
- **Uncompromising in delivering for our customers**
- **Solutions driven**
- **Transparent**

The future

FY15 was a year of development, setting up the foundations and building capability and capacity for the business to achieve its five-year strategy of building receivables to $600 million and contributing $30 million EBIT to the Group.

FY16 is the next exciting chapter for the Financial Services business. We will be launching the new range of financial services' credit cards to the market before the end of the 2015 calendar year and different insurance offerings throughout FY16.

In addition, we are working on finalising our plan to bring our joint venture (with Westpac) products in-house. This process will be completed in FY16.

Development will be continuing to enhance the product range and functionality further, with these developments expected to come to the market in FY17.

Growing communities, protecting our environment

The development of The Warehouse Group has seen an extension of our support for our communities and the environment; this support has always been an integral part of the Red Sheds and has been embraced by the other businesses within the Group. Both The Warehouse and Warehouse Stationery continued to extend their efforts in both the community and the environment and Noel Leeming Group launched its exciting Mobile Learning Centre.

A record total of $565,000 was raised at the 23rd annual Supplier Awards and Charity Dinner to support The Salvation Army with its 'Aspire' programme, through which more than 500 'at risk' teenagers across 48 locations gained skills and knowledge to help them move forward with their lives.

Our annual Bob Tindall Classic Charity Golf Day raised more than $70,000 for the New Zealand Fallen Heroes Trust. This money will go towards establishing educational scholarships for the families of servicemen and women killed or badly injured in the service of our country: a very appropriate cause in the centenary year of the Gallipoli landings.

Next year, both Torpedo7 and The Warehouse Group Financial Services will commence community support programmes.

Our strategy of partnering with organisations which support families and young people has continued to evolve and, this year, we supported more than 600 charities and community organisations that work in the areas of education, well-being and youth employment. Once again, we maintained support for community organisations at national, regional and neighbourhood levels.

Thanks to contributions made directly by the company and the continuing engagement and generosity of our customers and suppliers, we raised and distributed $3,989,817 over our financial year: a 13% increase over the previous 12-month period.

The Warehouse national community partnerships.

Our 2015 financial year saw us partner with five great charities:

Providing technology in schools

The Warehouse's partnership with Variety – The Children's Charity, with its Laptops for Learning programme, moved into its third year and more than 300 laptops and tablets were distributed to low-decile schools across many regions in New Zealand. Both Variety and The Warehouse recognise that access to technology is key to learning in today's environment and this programme aims to ensure that no child is disadvantaged in their learning.

Enabling kids to make informed choices

Life Education is a charity that provides children with the knowledge to make informed choices about their health, to respect others and to learn to appreciate their uniqueness. The Trust reaches 245,000 primary and intermediate children every year across Aotearoa. Our partnership with Life Education Trust is assisting it with the digitalisation of its material to adopt contemporary learning methodologies more effectively.

Collecting, creating and sharing the best ideas about family life

Our partnership with The Parenting Place continued to support that organisation with the delivery of its Toolbox Parenting Groups. What is more important in this world than being the best possible parent that you can be for your children? The Toolbox Parenting Groups provide practical strategies, inspiration, encouragement and insight regarding this sometimes-challenging role.

Helping to keep women and children safe

Funds raised by The Warehouse supported the Women's Refuge 'Shero' programme which encourages people to be super listeners, to be super friends and to speak out: inspiring young people to take control.

At Christmas, our 'Elves on Shelves' programme also provided hundreds of donated gifts for women and children being supported by Women's Refuge at safe houses and beyond.

Keeping Kiwi kids healthy

Children with medical conditions such as nits or school sores are affected severely in their ability to learn. In late 2014, The Warehouse partnered with the KidsCan 'Health for Kids' programme. This raised funds to assist with a range of children's health issues in low-decile schools.

The Warehouse School Zoofari

Educating children about nature, conservation and the environment is critical for our future. For the past three years, The Warehouse School Zoofari programme has enabled kids from low-decile schools, who might not otherwise have the opportunity, to visit either Auckland or Wellington Zoo. During the year, the Auckland Zoo programme was extended to enable kids from Northland to participate (including an overnight sleepover in the old elephant house) and the Wellington Zoo programme saw kids from Nelson and Marlborough enjoying the experience. We welcomed Hamilton Zoo to the programme for kids in the Franklin and Waikato areas and, in 2016, Orana Wildlife Park in Christchurch will become part of the School Zoofari experience.

And there's more....

Pedal for Plunket

Plunket is a Kiwi institution that has helped millions of mums, babies and kids for over 100 years. In March, several hundred team members participated in a relay in which they biked from Cape Reinga to Bluff and raised $297,693 for much-needed refurbishment of many Plunket Play Group Centres across the country.

Grow, harvest, prepare, share

Our partnership with Garden to Table has now grown to four schools in the Wellington area helping build skills for life through highly practical, hands-on, child-centric classes – not only teaching growing and cooking skills but also building awareness of individual and collective responsibility for the environment, healthy eating and community connectedness.

Helping our youth prepare for employment

Our Red Shirts in Schools programme was extended to all but a handful of stores during the year and saw the participation of more than 1,560 young people from 228 schools across New Zealand. The programme, operating in partnership with ServiceIQ, enables Years 11–13 secondary school students to gain authentic workplace experience whilst achieving credits towards Level 2 NCEA.

The Warehouse also became a pledge partner with Youth Connections during the year.

the warehouse
where everyone gets a bargain

All funds raised help families and young people from each geographical area.

Helping out in our regions

As well as our national fundraising, our nine trading regions are also passionate about supporting community organisations. Our 'Add a Dollar' campaigns make a real difference for those regional partners and all funds raised help families and young people from each geographical area.

Region 1	Plunket (Otago/Southland)
Region 2	Child Health, Christchurch Hospital (Canterbury)
Region 3	Wellington Children's Hospital Wellington School Zoofari (Wellington/Nelson/Marlborough areas)
Region 4	Arthritis New Zealand (Taranaki/Whanganui/Manawatu/Wairarapa/Horowhenua/Kapiti areas)
Region 5	Skylight (Bay of Plenty/South Waikato/Taupo/Rotorua/East Cape/Hawke's Bay areas)
Region 6	Child Cancer Foundation, Hamilton Zoofari (Waikato/Coromandel/Franklin areas)
Region 7	Duffy Books in Homes (Auckland)
Region 8	The Hearing House (Auckland)
Region 9	Blue Light (Auckland/Northland)
Regions 7, 8, 9	Auckland/Northland School Zoofari (Auckland/Northland)

It all begins at home – helping local communities

Because it all begins at home, as well as the activities we undertake at national and regional levels, each Warehouse store does its best to support community organisations in its local neighbourhood.

This involves the provision of barbecues for the use of community groups for fundraising (in stores where our leases allow us to do so), and 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. Seven 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 which are holding fundraising events, while most of it is donated to the three organisations each store chooses to support for 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 distributed according to the percentages 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 67% (FY14 compared to FY08).

We also provide 20 cents from each reusable The Warehouse bag that we sell to the 'Bags for Good' programme.

PLASTIC BAGS ISSUED TO OUR STORES HAS DECREASED BY

67%

(FY14 COMPARED TO FY08)

National Fundraising

AUGUST 2014 TO JULY 2015	$
Variety – The Children's Charity	248,260
Women's Refuge	198,850
Life Education Trust	285,434
The Parenting Place	99,080
KidsCan	201,025
Supplier Awards and Charity Dinner (proceeds to The Salvation Army's 'Aspire' programme)	565,000
Bob Tindall Classic Charity Golf Day (proceeds to the New Zealand Fallen Heroes Trust)	71,005
Pedal for Plunket	297,693
TOTAL NATIONAL FUNDRAISING	**1,966,347**
REGIONAL FUNDRAISING	**560,447**

Local Fundraising

AUGUST 2014 TO JULY 2015	$
Coin boxes	162,292
BBQ Fundraising	461,518
Bags for Good	521,590
Other	24,762
TOTAL LOCAL FUNDRAISING	**1,170,162**
MISCELLANEOUS	**292,861**

$3,989,817

Grand total national, regional and neighbourhood fundraising for 2014/2015

noel leeming

mobile learning centre

Noel Leeming is helping communities discover technology.

This financial year was a milestone for the Noel Leeming Group's community programme. We know that understanding how technology can assist with learning unlocks potential for children and adults alike and is critical today. We also know that, for many people, particularly those living in remote areas, accessing a practical demonstration of how technology can enhance their lives can be challenging. That is where the Noel Leeming Mobile Learning Centre comes in.

The Mobile Learning Centre is an innovative not-for-profit initiative that has been designed to enrich the lives of Kiwis by bringing technology to them. This interactive learning environment is filled with the latest technology and manned by learning specialists who want to help the community to connect and discover the power of learning through technology.

In the Mobile Learning Centre, students are encouraged to play, learn, touch and feel: unlocking the possibilities for their futures. Teachers have a chance to understand the potential of technology in schools and how it can be embraced.

This year, the Mobile Learning Centre has travelled to 90 schools from Northland to Manawatu-Whanganui and has been visited by more than 5,500 students and teachers. From the amazingly positive feedback we have had, we know it has had a great impact and truly has helped kids engage more positively with their learning.

Over the next year, the Mobile Learning Centre will travel the length of New Zealand, providing education on technology for primary and intermediate schools throughout Aotearoa.

Warehouse Stationery maintained national partnerships with CanTeen, The Salvation Army and First Foundation.

Helping families go 'Back to School' and working with disadvantaged youth

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 The Salvation Army operates to assist youth who are struggling to cope with society's demands, aiding them with practical life skills as well as restoring their self-belief.

No young person should have to deal with cancer alone

CanTeen's mission is to support young people living with cancer. This year, Warehouse Stationery and CanTeen have worked together to refine our relationship. Our campaigns this year have raised funds to assist young people to address the gap where their education has been affected as a result of their treatment for cancer.

Transforming the lives of young New Zealanders

First Foundation is a unique educational trust established 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 26 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, each of our regions has continued to support a great cause close to its heart and all funds raised help families and young people who live in that region. Our 'Add a Dollar' campaigns at checkouts have made real differences to those regional partners.

More than $87,000 was raised and distributed through our regions this year.

National	
CanTeen	$80,137
The Salvation Army	$63,693
TOTAL NATIONAL	$143,830
Regional	
Region 1 – Foundation for Youth Development and Child Cancer Foundation	$10,888
Region 2 – Duffy Books in Homes	$20,019
Region 3 – Duffy Books in Homes	$16,105
Region 4 – Blue Light	$14,828
Region 5 – Child Cancer Foundation	$10,510
Region 6 – Duffy Books in Homes and Blue Light	$15,196
TOTAL REGIONAL	$87,546
GRAND TOTAL	$231,376

Our community partnerships have strengthened even further over the year and, thanks to the generosity of our customers and the enthusiasm of our teams, we were able to increase financial support for our partners to $231,376 (up from $154,496 in the previous 12 months).

Greenhouse gas emissions

This report includes greenhouse gas (GHG) emissions for the Torpedo7 and Financial Services businesses; this means that now we are capturing emissions for all major Warehouse Group businesses. As such, the total figures are non-comparable with those of last year. We have retained our CEMARS® certification, which recognises our commitment to managing and reducing our Greenhouse Gas (GHG) emissions. CEMARS stands for Certified Emissions Measurement and Reduction Scheme and, to receive this certification our GHG emissions and emissions reduction plan, were independently reviewed and audited. Since 2009, The Warehouse has submitted its emissions information to the Carbon Disclosure Project (CDP), an international, not-for-profit organisation providing a system for companies to measure, disclose, manage and share emissions information with investors. For FY13 emissions, submitted in 2014, The Warehouse was recognised by the CDP as a leader within the NZX50; this put it on the 'CDP 2014 NZX 50 Climate Disclosure Leadership Index'.

The Warehouse's emissions grew by 4% last year, driven by emissions from electricity use. Increased electricity use came from significant floor space growth in our support office and North Island Distribution Centre. Electricity use at stores increased slightly because of one additional store and extended trading hours. Our continued work on improving electricity efficiency in store lighting helped contain store electricity use. Our biggest emissions saving was from rationalising our air travel. There was a small increase in courier freight emissions. Courier emissions amount to less than 2% of total emissions but, proportionately, they are growing rapidly as our customers continue to increase their online shopping with us. We expect to see ongoing increases in this area but are working hard to minimise their impact.

Warehouse Stationery's emissions fell by 7% on the back of significant reductions in road freight, as more freight was moved by rail, which produces lower emissions. Landfill was the largest contributor to the reduction in emissions, but most of this reduction reflects improvements in the reporting methodology.

Noel Leeming's emissions fell by 10%, largely from reductions in electricity use. Large changes in emissions from air-conditioning systems and courier freight reflect improvements in the reporting methodology.

Electricity is our largest source of emissions for The Warehouse Group. We are focusing on two areas to reduce electricity consumption: better understanding our electricity use and using electricity-efficient lighting. For The Warehouse, electricity use is well understood, with systems in place to flag unexpected variations that allow us to address any higher than expected use. These systems are now being implemented for the rest of The Warehouse Group. From this understanding, we are able to identify the most efficient lighting systems for individual stores. For The Warehouse, we have upgraded to highly efficient T5 lighting systems in recent years, and we are now shifting to LED lighting systems in some stores. For the rest of The Warehouse Group, there is a mix of lighting technologies used, with work beginning on identifying the most appropriate systems.

Shipping is also a major source of emissions and we continue to seek ways to transport product more efficiently. An example of this is the way The Warehouse ships mattresses into New Zealand: The Warehouse shipped mattresses uncompressed (as you would find them in-store) then, in late 2014, we started compressing the mattresses so we could fit more into a shipping container. This reduced our emissions per mattress by 60% with a similar cost saving. These compressed mattresses come with additional protective packaging of lightweight blankets, which we donate to the Blind Foundation as bedding for guide dogs.

6,593
TONNES OF PAPER AND CARDBOARD RECYCLED

280
TEAM MEMBERS COLLECTED MORE THAN THREE TONNES OF LITTER

	The Warehouse			Warehouse Stationery			Noel Leeming			T7	Financial Services	Total		
Tonnes of carbon dioxide equivalent (CO_2e)	2014/2015	2013/2014	% CHANGE	2014/2015	2013/2014	% CHANGE	2014/2015	2013/2014	% CHANGE	2014/2015	2014/2015	2014/2015	2013/2014	% CHANGE
Shipping	10,795	10,666	1	717	659	9	0	–	–	450	–	11,962	11,325	6
Electricity	10,649	9,580	11	1,163	1,037	12	1,875	2,357	–20	247	38	13,972	13,055	7
Road freight	2,415	2,507	–4	62	93	–33	23	–	–	93		2,593	2,600	–
Employee air travel	1,812	2,105	–14	294	234	26	399	368	8	208	11	2,724	2,707	1
Landfill	1,413	1,509	–6	182*	500	–63	255	218	17	61		1,912	2,226	–14
Rail freight	1,472	1,386	6	127	104	22	–	–	–	–	–	1,598	1,491	7
Company-owned vehicles and lifts	1,101	1,076	2	34	37	–9	1,207	1,196	1	64	21	2.426	2,309	5
GHG losses from air-conditioning systems	844	620	36	40	51	–21	189*	51	271	–	–	1,074	722	49
Courier freight	482	340	42	115	124	–7	107*	304	–65	842	–	1,546	769	101
Employee private km claims	134	183	–27	16	31	–48	22	17	28	5	4	180	232	–22
Total emissions	31,116	29,974	4	2,752	2,951	–7	4,076	4,510	–10	1,970	73	39,998	37,435	7
Total emissions per $m sales	18.11	17.91	1	10.47	11.86	–12	6.12	6.99	–12	15.01	–	14.39	14.76	–2

* Improvements in reporting methodology have been made, causing significant change in results compared to last year.

Environmentally sustainable sourcing

We want to help our customers be more sustainable by giving them peace of mind that the products they are buying have been sourced in an environmentally sustainable manner. The start of our journey on this was The Warehouse Group Wood Product Sourcing Policy, which covers any product that contains wood or wood pulp; from paper products to pencils to furniture. The policy commits us to improve the sustainability of our wood-based products by sourcing only products that meet stringent sustainability standards, or using recycled or sustainable alternatives. Our target is that all wood-based products will be sourced sustainably by April 2017. A similar sustainable sourcing policy for Palm Oil is being finalised currently.

Waste and recycling

We take reducing our waste seriously because it is important for both the environment and the business. At The Warehouse, our waste is a mix of different materials, much of which can be recycled. Over the last 12 months, we have continued to work with recyclers so that all The Warehouse stores are able to recycle our most common waste materials of cardboard, paper, plastic film and plastic containers. Many stores can recycle even more, such as glass, tins and cans, and polystyrene, and we are working on extending this further.

Our recycling focus hasn't been on The Warehouse only. More recycling is now undertaken across Warehouse Stationery stores and Noel Leeming has an established recycling system. A challenging part of its waste stream has been polystyrene as recycling options are limited in New Zealand. While we have polystyrene recycling in place, we are looking continually at ways to recycle it more efficiently, especially in the South Island where there are very few facilities.

We are working now on extending more plastic film and polystyrene recycling across the entire network.

Our North Island Distribution Centre in Auckland produces the most waste of all our sites because of its sheer size – the building alone is almost 100,000m^2. With this scale, there are opportunities for recycling a wider range of waste, like recycling hundreds of plastic transport stillages and tens of thousands of wooden pallets. Our pallet recycler takes pallets that are fixable and repairs them. Those that can't be fixed are processed into garden mulch products sold at The Warehouse. The Distribution Centre has always had a strong focus on recycling; more than five years ago, the centre worked with packaging label supplier SATO to develop a label backing that was recyclable. Five years on, if you were to spread out all the label backing that has been recycled, it would cover an area larger than Lake Taupo.

Statistics

		The Warehouse	Warehouse Stationery	Noel Leeming	T7	Total
Landfill						
m^3 total	2015	22,723	5,069	6,334	4,107	38,233
	2014	22,681	5,196	6,407	n/a	34,284
	2013	21,045	4,520	6,680	n/a	32,246
						AVERAGE
m^3 per $m	2015	13.22	19.29	9.52	31.30	18.33
	2014	13.62	20.74	10.33	n/a	14.89
	2013	13.23	19.50	n/a	n/a	16.36
Store electricity						
kWh total	2015	67,949,942	7,865,957	13,312,421	789,651	89,128,320
	2014	67,168,416	8,545,690	15,479,178	n/a	91,193,284
	2013	72,978,624	8,955,830	16,267,422	n/a	98,201,876
						AVERAGE
kWh per m^2 per month	2015	11.31	9.94	16.38	6.80	11.11
	2014	11.18	10.44	19.32	n/a	13.65
	2013	15.50	10.94	20.30	n/a	15.58
GHG						
CO_2e total	2015	31,116	2,752	4,076	1,970	37,944
	2014	29,819	2,972	4,339	n/a	37,130
	2013	32,359	n/a	n/a	n/a	32,359
						AVERAGE
CO_2e per $m	2015	18.11	10.47	6.12	15.01	11.57
	2014	17.91	11.86	6.99	n/a	12.25
	2013	20.34	n/a	n/a	n/a	20.34
Plastic bags ordered – The Warehouse						
Total	2015	14,202,000	Total per $m	2015		8,265
	2014	11,722,000		2014		7,039
	2008*	43,370,500		2008*		28,347

*In 2008, we did not charge customers for plastic bags.

The Warehouse Group is doing a great deal to reduce its waste. We now support our customers in reducing their waste too. The Warehouse is behind a voluntary, industry-led initiative that helps customers recycle 'soft' plastics like shopping bags, bread bags and other food packaging – all items that customers cannot readily recycle at home. The initiative will see special recycling bins in The Warehouse stores in Auckland in late 2015 and, in Hamilton in mid-2016, when other retailers join the initiative. Over three years, the scheme will cover most parts of the country. The plastics will be recycled into products like park benches and fitness circuits for playgrounds. The initiative is partially funded by the Ministry for the Environment.

We also help our customers by cleaning up where they live, work and play. Through Keep New Zealand Beautiful Week, our team members volunteer their time to pick up litter in public places near our stores. In 2014, 280 team members volunteered their time and collected more than three tonnes of litter.

In the future, we intend to focus on further reduction of carbon emission and waste. At the same time, we are exploring the complex area of product stewardship and will continue to refine and develop our sustainable purchasing models.

HEALTH
& SAFETY

Growing healthier, safer environments

The Group has made solid progress against the five Key Result Areas ('KRAs') of our Health and Safety strategy. Key to this is the business ownership of Health and Safety, backed by strong, visible leadership.

Our first half-year focus was on establishing systems, processes and resource requirements to support the new Group structure. Recruitment commenced for a Group Health and Safety Manager to lead the team and engage with Senior Leadership across the Group. Executive planning, action and review cycles were enhanced and embedded.

The second half of the year coincided with the appointment of the Group Health and Safety Manager. We undertook a Group-wide Health and Safety culture survey to understand our team members' thoughts and attitudes around Health and Safety. This highlighted the fact that our strategy is focused on the right areas, especially with regard to leadership, communication and reporting. Initiatives were launched to engage the hearts and minds of all team members, focusing on the personal impact of injuries. We also launched a series of videos entitled *Take Time to Think*, which use real-life footage of actual incidents that have occurred to team members, customers and contractors, and illustrate the broader social impacts these have had. They are designed to communicate that incidents can occur at any time but that many can be avoided by taking time to think about the potential risks and outcomes of every activity.

We have achieved some great outcomes during the year, including doubling our levels of near-miss reporting, Noel Leeming Group joining the ACC Partnership Programme and a successful audit, where the Group retained Tertiary accreditation status. We are disappointed that we have not seen the expected reduction in serious-harm incidents, especially as many of these could have been avoided through *Take Time to Think*.

Comparing ourselves externally, our injury rates are tracking behind benchmarks; however, we have seen improvements over the year and we continue to see year-on-year improvement.

The Health and Safety culture survey has allowed us to simplify our approach and messaging to our teams – focusing on: strong, visible and effective leadership; two-way, honest communication; and complete reporting with appropriate investigation and corrective actions.

We continue to focus on the five KRAs of our strategy and expect to see increased levels of Health and Safety engagement as well as reduced injury rates across the Group.

The five key Health and Safety KRAs 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, which knows what it needs to do to keep people safe

Integration and simplification
The development of best-fit practices for each of our businesses. Activities based on understanding our current state

Risk and compliance
Management of the risk and compliance elements of Health and Safety

2015 Financial Statements

for the 53 week period ended 2 August 2015

Financial Statements

FOR THE 53 WEEK PERIOD ENDED 2 AUGUST 2015

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 17 September 2015.

Eduard (Ted) van Arkel
Chairman

Keith Smith
Deputy Chairman

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Income Statement

FOR THE 53 WEEK PERIOD ENDED 2 AUGUST 2015

	NOTE	(53 WEEKS) 2015 $000	(52 WEEKS) 2014 $000
Continuing operations			
Retail sales		2,770,421	2,648,478
Finance business revenue	4	5,617	2,414
Total revenue		2,776,038	2,650,892
Cost of retail goods sold		(1,854,669)	(1,775,338)
Other income	5	8,268	9,796
Lease and occupancy expense	6	(147,192)	(136,496)
Employee expense	7	(449,887)	(424,849)
Depreciation and amortisation expense	8	(58,634)	(51,349)
Other operating expenses	9	(182,491)	(177,487)
Operating profit		91,433	95,169
Gain on disposal of property	25	5,533	16,810
Direct costs relating to acquisitions	41	–	(1,617)
Contingent consideration	42	(977)	5,259
Goodwill impairment	26	(11,302)	–
Equity earnings of associate	27	2,802	3,006
Earnings before interest and tax		87,489	118,627
Net interest expense (excluding finance business interest received)	10	(16,207)	(13,863)
Profit before tax		71,282	104,764
Income tax expense	11	(20,345)	(26,868)
Net profit for the period from continuing operations		50,937	77,896
Discontinued operations			
Loss from discontinued operations (net of tax)	38	–	(642)
Net profit for the period		50,937	77,254
Attributable to:			
Shareholders of the Parent		52,433	77,750
Minority interests	35	(1,496)	(496)
		50,937	77,254
Basic earnings per share			
From continuing operations	15	15.2 cents	24.3 cents
From discontinued operations	15	–	(0.2) cents
From net profit for the period	15	15.2 cents	24.1 cents
Diluted earnings per share			
From continuing operations	15	15.1 cents	24.1 cents
From discontinued operations	15	–	(0.2) cents
From net profit for the period	15	15.1 cents	23.9 cents
Net assets per share	16	157.9 cents	152.1 cents

Statement of Other Comprehensive Income

FOR THE 53 WEEK PERIOD ENDED 2 AUGUST 2015

	NOTE	(53 WEEKS) GROUP 2015 $000	(52 WEEKS) GROUP 2014 $000
Net profit for the period		50,937	77,254
Items that may be reclassified subsequently to the Income Statement			
Movement in cash flow hedges	21	43,360	(7,244)
Movement in de-designated derivative hedges	31	(2,623)	–
Income tax relating to movement in hedges		(11,406)	2,028
Other comprehensive income		29,331	(5,216)
Total comprehensive income		80,268	72,038
Attributable to:			
Shareholders of the Parent		81,764	72,534
Minority interest		(1,496)	(496)
Total comprehensive income		80,268	72,038
Total comprehensive income attributable to shareholders of the Parent arise from:			
Continuing operations		81,764	73,176
Discontinued operations		–	(642)
		81,764	72,534

The accompanying statement of accounting policies and notes to the financial statements on pages 57 to 86 form an integral part of the financial statements.

Balance Sheet

AS AT 2 AUGUST 2015

	NOTE	2015	2014
		$000	$000
ASSETS			
Current assets			
Cash and cash equivalents	17	32,195	26,758
Finance business receivables	19	14,228	19,036
Trade and other receivables	20	72,133	72,217
Inventories	18	510,461	492,109
Derivative financial instruments	21	39,127	1,054
Taxation receivable	23	2,250	3,226
Total current assets		670,394	614,400
Non-current assets			
Property, plant and equipment	25	355,095	336,805
Intangible assets	26	147,432	143,691
Investments	27	2,778	5,541
Derivative financial instruments	21	164	398
Deferred taxation	24	22,935	30,845
Total non-current assets		528,404	517,280
Total assets	3	1,198,798	1,131,680
LIABILITIES			
Current liabilities			
Borrowings	29	117,164	104,896
Trade and other payables	22	256,499	284,319
Derivative financial instruments	21	51	7,587
Provisions	28	44,423	48,037
Total current liabilities		418,137	444,839
Non-current liabilities			
Borrowings	29	214,604	142,740
Derivative financial instruments	21	3,882	1,518
Trade and other payables	22	1,000	1,986
Provisions	28	16,893	16,680
Total non-current liabilities		236,379	162,924
Total liabilities	3	654,516	607,763
Net assets		544,282	523,917
EQUITY			
Contributed equity	30	358,215	356,810
Reserves	31	26,488	(2,071)
Retained earnings	32	157,154	164,861
Total equity attributable to shareholders		541,857	519,600
Minority interest	35	2,425	4,317
Total equity		544,282	523,917

The accompanying statement of accounting policies and notes to the financial statements on pages 57 to 86 form an integral part of the financial statements.

Statement of Cash Flows

FOR THE 53 WEEK PERIOD ENDED 2 AUGUST 2015

	NOTE	(53 WEEKS) 2015 $000	(52 WEEKS) 2014 $000
Cash flows from operating activities			
Cash received from customers		2,774,126	2,660,562
Retail business interest income		138	105
Payments to suppliers and employees		(2,665,960)	(2,537,407)
Income tax paid		(22,398)	(37,492)
Interest paid		(18,662)	(13,351)
		67,244	72,417
Loans repaid by finance business customers		88,395	36,420
New loans to finance business customers		(79,170)	(32,228)
Net cash flows from operating activities		76,469	76,609
Cash flows from investing activities			
Proceeds from sale of property, plant & equipment and computer software		31,120	27,544
Staff share purchase and other advances repaid		374	22,505
Dividend received from associate	27	5,565	3,136
Purchase of property, plant & equipment and computer software		(109,345)	(91,010)
Advances received from related party		–	3,000
Landlord advances		–	(17,901)
Refund of staff share purchase advances		(75)	(80)
Contingent and deferred acquisition consideration	42	(20,043)	(12,401)
Acquisition of minority interest	36	–	(2,000)
Acquisition of subsidiaries, net of cash acquired	41	–	(35,845)
Net cash flows from investing activities		(92,404)	(103,052)
Cash flows from financing activities			
Proceeds from/(Repayment of) short term borrowings		112,395	(110,308)
Proceeds from/(Repayment of) term borrowings		(50,000)	90,000
Net proceeds received on the repayment and reissuance of the fixed rate senior bond		22,811	–
Repayment of finance leases		(1,440)	(1,903)
Proceeds from equity raise	30	–	114,072
Purchase of treasury stock	30	(2,754)	(3,230)
Treasury stock dividends received	32	188	237
Dividends paid to Parent shareholders		(59,432)	(58,059)
Dividends paid to minority shareholders	35	(396)	(371)
Net cash flows from financing activities		21,372	30,438
Net cash flow		5,437	3,995
Opening cash position		26,758	22,763
Closing cash position	17	32,195	26,758

The accompanying statement of accounting policies and notes to the financial statements on pages 57 to 86 form an integral part of the financial statements.

Reconciliation of Operating Cash Flows

FOR THE 53 WEEK PERIOD ENDED 2 AUGUST 2015

	NOTE	(53 WEEKS) 2015 $000	(52 WEEKS) 2014 $000
Net profit		50,937	77,254
Non-cash items			
Depreciation and amortisation expense	3	58,634	51,369
Goodwill impairment	26	11,302	–
Share based payment expense	31	2,114	2,266
Interest capitalisation		235	524
Movement in deferred tax	24	(4,230)	(4,672)
Movement in de-designated derivative hedges	31	(1,889)	–
Share of profit from associate	27	(2,802)	(3,006)
Total non-cash items		63,364	46,481
Items classified as investing or financing activities			
Gain on sale of property, plant and equipment		(4,842)	(14,528)
Direct costs relating to acquisitions	41	–	1,617
Contingent consideration	42	977	(5,259)
Supplementary dividend tax credit	23	468	488
Total investing and financing adjustments		(3,397)	(17,682)
Changes in assets and liabilities			
Trade and other receivables		(10,290)	(4,270)
Finance business receivables		4,808	2,321
Inventories		(18,352)	(15,484)
Trade and other payables		(8,176)	(5,752)
Provisions		(3,401)	433
Income tax		976	(6,692)
Total changes in assets and liabilities		(34,435)	(29,444)
Net cash flows from operating activities		76,469	76,609

The accompanying statement of accounting policies and notes to the financial statements on pages 57 to 86 form an integral part of the financial statements.

Statement of Changes in Equity

FOR THE 53 WEEK PERIOD ENDED 2 AUGUST 2015

	SHARE CAPITAL	TREASURY STOCK	HEDGE RESERVES	EMPLOYEE SHARE BENEFITS RESERVE	RETAINED EARNINGS	MINORITY INTEREST	TOTAL EQUITY
	$000	$000	$000	$000	$000	$000	$000
For the 53 week period ended 2 August 2015							
Balance at the beginning of the period	365,517	(8,707)	(5,780)	3,709	164,861	4,317	523,917
Net profit for the period	–	–	–	–	52,433	(1,496)	50,937
Net change in fair value of cash flow hedges	–	–	31,220	–	–	–	31,220
Net change in value of de-designated hedges	–	–	(1,889)	–	–	–	(1,889)
Total comprehensive income	–	–	29,331	–	52,433	(1,496)	80,268
Contributions by and distributions to owners:							
Share based payments charged to the income statement	–	–	–	2,114	–	–	2,114
Share rights exercised	–	4,250	–	(2,886)	(1,364)	–	–
Dividends paid	–	–	–	–	(58,964)	(396)	(59,360)
Treasury stock dividends received	–	–	–	–	188	–	188
Purchase of treasury stock	–	(2,845)	–	–	–	–	(2,845)
Balance at the end of the period	365,517	(7,302)	23,551	2,937	157,154	2,425	544,282
	(note: 30)	(note: 30)	(note: 31)	(note: 31)	(note: 32)	(note: 35)	
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
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: 30)	(note: 30)	(note: 31)	(note: 31)	(note: 32)	(note: 35)	

The accompanying statement of accounting policies and notes to the financial statements on pages 57 to 86 form an integral part of the financial statements.

Notes to and forming part of the Financial Statements

FOR THE 53 WEEK PERIOD ENDED 2 AUGUST 2015

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.

Reporting entity

The Warehouse Group Limited is a limited liability company incorporated and domiciled in New Zealand and registered under the New Zealand Companies Act 1993. The Group is listed on the New Zealand stock exchange. The financial statements of the Group have been prepared in accordance with the requirements of the Financial Reporting Act 2013, the Companies Act 1993 and the New Zealand Stock Exchange (NZX). The Warehouse Group Limited is registered under the Companies Act 1993 and is an FMC Reporting Entity under Part 7 of the Financial Markets Conduct Act 2013.

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 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 53 week basis. The current year represents the 53 week period commencing 28 July 2014 to 2 August 2015. The prior full year comparative represents the 52 week period commencing 29 July 2013 to 27 July 2014.

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) 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.

(d) 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.

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.

(e) 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.

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(f) 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.

(g) 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.

(h) 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.

(i) 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.

(j) 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.

(k) Intangible assets

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

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

(ii) 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.

(iii) 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.

(l) 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).

(m) Employee benefits

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

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

(ii) Long service leave

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

(iii) Performance based compensation

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

(iv) Equity settled share-based compensation

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

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

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

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

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(n) 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.

(o) 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.

(p) 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.

(q) 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.

(r) 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.

(s) 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.

(t) 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.

(u) 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.

(v) 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.

(w) 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, goodwill impairment, direct costs relating to the acquisition of subsidiaries and gains or losses arising from the reassessment of acquisition contingent consideration.

(x) Adjusted net profit

Adjusted net profit (refer note 12) represents net profit attributable to shareholders of the parent adjusted for the after tax effect of unusual items and discontinued operations.

1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

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

There have been no significant changes in accounting policy during the current year. Accounting policies have been applied on a basis consistent with the prior year.

(z) 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*, is 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*, is 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 affect 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 11, 23, 24)

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

(b) Inventories (note 18)

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 21)

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(o).

(d) Intangible assets (note 26)

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.

Impairment testing performed at balance date indicated that the carrying value of the intangible assets for the Torpedo7 Group were impaired and accordingly the Group has recognised a Goodwill impairment loss in the current year result. There is sufficient headroom between the value in use calculations and the carrying value of the remaining intangible assets such that a reasonably possible change in the assumptions and estimates should not result in any other impairment.

Notes to and forming part of the Financial Statements – continued

FOR THE 53 WEEK PERIOD ENDED 2 AUGUST 2015

3. SEGMENT INFORMATION

	NOTE	REVENUE 2015 $000	REVENUE 2014 $000	OPERATING PROFIT 2015 $000	OPERATING PROFIT 2014 $000
The Warehouse		1,718,307	1,665,233	79,600	76,903
Warehouse Stationery		262,780	250,561	12,723	11,793
Noel Leeming		665,628	620,520	6,424	11,308
Torpedo7		131,231	107,658	34	1,085
Other Group operations		9,276	14,217	(5,555)	(4,373)
Inter-segment eliminations		(16,801)	(9,711)	–	–
Retail Group		2,770,421	2,648,478	93,226	96,716
Financial Services Group		5,617	2,414	(1,793)	(1,547)
		2,776,038	2,650,892	91,433	95,169
Unallocated (expenses)/revenue					
Gain on disposal of property	25			5,533	16,810
Direct costs relating to acquisitions	41			–	(1,617)
Contingent consideration	42			(977)	5,259
Goodwill impairment (Torpedo7)	26			(11,302)	–
Equity earnings of associate	27			2,802	3,006
Earnings before interest and tax				87,489	118,627
Net interest expense (excluding finance business interest received)	10			(16,207)	(13,863)
Income tax expense	11			(20,345)	(26,868)
Net profit for the period from continuing operations				50,937	77,896
Loss from discontinued operations (net of tax)	38			-	(642)
Net profit for the period				50,937	77,254
Operating margin					
The Warehouse				4.6%	4.6%
Warehouse Stationery				4.8%	4.7%
Noel Leeming				1.0%	1.8%
Torpedo7				0.0%	1.0%
Retail Group				3.4%	3.7%

(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 92 (2014: 91) stores located throughout New Zealand.

Warehouse Stationery

Warehouse Stationery is a stationery retailer, with 65 (2014: 63) stores located throughout New Zealand.

Noel Leeming

Noel Leeming is a consumer electronics and home appliances retailer, with 78 (2014: 77) stores located throughout New Zealand.

Torpedo7

Torpedo7 is a multichannel retailer operating both online, through a variety of websites, and in 12 stores (2014: 10 stores) currently trading under the Torpedo7 and No.1 Fitness brand names. During the comparative year, Torpedo7 group increased its online retail presence and strengthened its multichannel capability with the acquisitions of No.1 Fitness in September 2013, and Shotgun Supplements and R&R Sport in December 2013 (refer note 41).

Financial Services Group

The Financial Services Group currently represents the operating activities of Diners Club (NZ) Limited (DCNZ). DCNZ is a credit card company offering credit to its customers through a branded credit card under a franchise agreement with Diners Club International. The comparative period trading results represent the 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.

3. SEGMENT INFORMATION (CONTINUED)

(b) Other segment information

		DEPRECIATION & AMORTISATION		CAPITAL EXPENDITURE	
	NOTE	2015	2014	2015	2014
		$000	$000	$000	$000
The Warehouse		41,072	37,512	35,844	56,790
Warehouse Stationery		6,713	6,123	6,739	8,051
Noel Leeming		6,342	4,304	13,152	11,747
Torpedo7		1,286	1,037	3,866	762
Finance business		864	324	14,827	406
Other Group operations		2,357	2,049	43,816	16,511
Continuing operations		58,634	51,349	118,244	94,267
Discontinued operations	38	–	20	–	–
		58,634	51,369	118,244	94,267
Comprising					
Property, plant and equipment	25	52,147	44,858	96,211	86,622
Intangible assets	26	6,487	6,511	22,033	7,645
		58,634	51,369	118,244	94,267

(c) Balance sheet segment information

		TOTAL ASSETS		TOTAL LIABILITIES	
	NOTE	2015	2014	2015	2014
		$000	$000	$000	$000
The Warehouse		491,532	491,466	165,841	159,487
Warehouse Stationery		83,298	84,558	32,742	27,031
Noel Leeming		152,841	124,790	92,682	119,888
Torpedo7		50,804	46,883	14,843	28,569
Finance business		31,963	22,339	5,008	4,849
Other Group operations		173,093	166,702	7,699	11,198
Operating assets/liabilities		983,531	936,738	318,815	351,022
Unallocated assets/liabilities					
Cash and borrowings	17, 29	32,195	26,758	331,768	247,636
Derivative financial instruments	21	39,291	1,452	3,933	9,105
Investments	27	2,778	5,541	–	–
Intangible goodwill and brands	26	115,818	127,120	–	–
Taxation assets/liabilities	23, 28	25,185	34,071	–	–
Total		1,198,798	1,131,680	654,516	607,763

Segment assets and liabilities are disclosed net of intercompany balances.

4. FINANCE BUSINESS REVENUE

	2015	2014
	$000	$000
Commission	1,975	632
Interest received	2,241	1,131
Other	1,401	651
	5,617	2,414

5. OTHER INCOME

	2015	2014
	$000	$000
Tenancy rents received	5,328	5,242
Insurance recoveries	–	1,152
Other	2,940	3,402
	8,268	9,796

Notes to and forming part of the Financial Statements – continued

FOR THE 53 WEEK PERIOD ENDED 2 AUGUST 2015

6. LEASE AND OCCUPANCY EXPENSE

	2015	2014
	$000	$000
Operating lease costs	113,883	103,710
Other occupancy costs	33,309	32,786
	147,192	136,496

7. EMPLOYEE EXPENSE

	NOTE	2015	2014
		$000	$000
Wages and salaries		438,995	410,613
Directors' fees	13	734	669
Performance based compensation		8,044	11,301
Equity settled share based payments expense	31	2,114	2,266
		449,887	424,849

8. DEPRECIATION AND AMORTISATION EXPENSE

	NOTE	2015	2014
		$000	$000
Freehold buildings		1,562	1,400
Store fittings and equipment		41,769	35,659
Computer hardware		8,327	7,269
Vehicles		489	530
Property, plant and equipment	25	52,147	44,858
Intangible assets	26	6,487	6,511
Depreciation and amortisation expense		58,634	51,369
From continuing operations		58,634	51,349
From discontinued operations	38	–	20
Depreciation and amortisation expense		58,634	51,369

9. OTHER OPERATING EXPENSES

	2015	2014
	$000	$000
Other operating expenses include:		
Provision/(Recovery) for bad and doubtful debts	(736)	1,597
Loss on disposal of plant and equipment	691	2,282
Donations	632	620
Net foreign currency exchange (gain)/loss	(77)	32
Auditors' fees		
Auditing the Group financial statements	535	516
Reviewing the half year financial statements	89	86
Other services	55	43
Total fees paid to PricewaterhouseCoopers	679	645

Fees paid to PricewaterhouseCoopers for other services related to limited assurance services provided for treasury policy advice and digital services testing. The Group also capitalised audit assurance services ($21,000) provided in connection with the issuance of the Group's fixed rate senior bond (refer note 29). For information on the Group's policies regarding audit governance and independence, refer to the Corporate Governance section of the Group's Annual Report.

FOR THE 53 WEEK PERIOD ENDED 2 AUGUST 2015

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

	NOTE	2015	2014
		$000	$000
Interest on bank overdrafts		123	175
Interest on bank borrowings		8,082	5,697
Interest on finance leases		259	338
Interest on fixed rate senior bond		7,725	7,661
Fair value interest rate swaps		(469)	(840)
Interest rate swap cash flow hedges transfer from equity	21	862	1,150
Interest expense		16,582	14,181
Interest received on bank deposits		138	105
Use of money interest		220	87
Employee share plan		17	126
Interest income		375	318
Net interest expense		16,207	13,863

11. INCOME TAX

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

	NOTE	2015	2014
		$000	$000
Profit before tax from continuing operations		71,282	104,764
Loss before tax from discontinued operations	38	–	(892)
Profit before tax		71,282	103,872
Taxation calculated at 28%		19,959	29,084
Adjusted for the tax effect of:			
Direct costs relating to acquisitions		–	453
Goodwill impairment		3,165	–
Contingent consideration		274	(1,473)
Entertainment		443	380
Equity earnings of associate		(785)	(842)
Share based payments		(598)	76
Other non deductible expenditure		793	984
Depreciation adjustment on building disposals	12	(2,490)	(1,956)
Income tax over provided in prior year		(416)	(88)
Income tax expense		20,345	26,618
From continuing operations		20,345	26,868
From discontinued operations	38	–	(250)
Income tax expense		20,345	26,618
Effective tax rate		28.5%	25.6%
Income tax expense comprises:			
Current year income tax payable	23	23,842	31,288
Deferred taxation	24	(3,497)	(4,670)
		20,345	26,618

Notes to and forming part of the Financial Statements – continued

FOR THE 53 WEEK PERIOD ENDED 2 AUGUST 2015

12. GROUP ADJUSTED NET PROFIT RECONCILIATION

	NOTE	2015	2014
		$000	$000
Net profit attributable to shareholders of the Parent		52,433	77,750
Less: Unusual items			
Gain on disposal of property	25	5,533	16,810
Contingent consideration	42	(977)	5,259
Goodwill impairment	26	(11,302)	–
Direct costs relating to acquisitions	41	–	(1,617)
		(6,746)	20,452
Income tax relating to unusual items		(1,549)	(4,707)
Income tax expense related to depreciation adjustment on building disposals	11	2,490	1,956
		(5,805)	17,701
Add back: Loss from discontinued operations (net of tax)	38	–	(642)
Minority interests	35	1,104	–
Group adjusted net profit	33	57,134	60,691
Earnings per share based on adjusted net profit			
Basic earnings per share	15	16.6 cents	18.8 cents
Diluted earnings per share	15	16.4 cents	18.6 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.

Adjusted net profit makes allowance for discontinued operations and the after tax effect of unusual items, which include profits from the disposal of properties, goodwill impairment, direct costs and contingent consideration adjustments relating to the acquisition of subsidiaries. The Group also uses Adjusted net profit as a basis for determining dividend payments (refer note 33).

13. 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	2015	2014
		$000	$000
E K van Arkel (Chairman)		166	141
K R Smith (Deputy Chairman)		119	115
A J Balfour		85	81
G F Evans (retired November 2013)		–	53
J W M Journee (appointed August 2014 as Non-executive)		88	–
J H Ogden		100	93
J L Smith (retired November 2013)		–	28
V C M Stoddart (appointed November 2013)		91	75
Sir Stephen Tindall		85	83
	7	734	669

J W M Journee was appointed as an executive director in November 2013. During the previous year he received an annual remuneration of $768,000 in his capacity as a 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 was compensated from August 2014 in his new role by Directors' fees.

	CHIEF EXECUTIVE OFFICER		OTHER KEY EXECUTIVES	
	2015	2014	2015	2014
	$000	$000	$000	$000
Base salary	1,263	1,227	5,025	4,855
Annual performance based compensation	–	–	303	540
Equity settled share-based compensation	293	283	758	787
Termination benefits	–	–	–	480
	1,556	1,510	6,086	6,662

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.

13. KEY MANAGEMENT PERSONNEL (CONTINUED)

Key Management held the following share rights at balance date (refer note 14 for plan details).

	PERFORMANCE SHARES		AWARD SHARES		TOTAL SHARE RIGHTS	
EXPECTED VESTING DATES	2015	2014	2015	2014	2015	2014
	000	000	000	000	000	000
Chief Executive Officer						
October 2014	–	91	–	108	–	199
October 2015	102	102	118	87	220	189
October 2016	113	113	84	53	197	166
October 2017	145	–	68	–	213	–
Outstanding at the end of the year	360	306	270	248	630	554
Other key executives						
October 2014	–	213	–	231	–	444
October 2015	218	210	298	178	516	388
October 2016	249	244	241	114	490	358
October 2017	394	–	188	–	582	–
Outstanding at the end of the year	861	667	727	523	1,588	1,190

During the year, the Group's Chief Executive Officer, M D Powell, was granted 349,000 (2014: 272,000) share rights, 163,000 (2014: 81,000) share rights were forfeited and 110,000 (2014: 66,000) share rights vested.

Other key executives were granted 959,000 (2014: 765,000) share rights, 190,000 (2014: 557,000) share rights were forfeited and 380,000 (2014: 190,000) share rights vested. Other key executives comprise the members of the Group executive team. At balance date, this represented 11 (2014: 10) executives.

14. 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 67 (2014: 63) 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 has achieved a specified total shareholder return on the vesting date.

Total Shareholder Return

The target total shareholder return represents the increase in the 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 2015, October 2016 and October 2017 is $0.96, $1.26 and $1.00 respectively. The measurement of the actual total shareholder return will be calculated as the increase in the Group's share price over the vesting period plus the aggregate value of dividends paid during the period reinvested at the Group's cost of equity.

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

(c) Summary of share rights granted under LTIP arrangements

		PERFORMANCE SHARES		AWARD SHARES		TOTAL SHARE RIGHTS	
	NOTE	2015	2014	2015	2014	2015	2014
		000	000	000	000	000	000
Outstanding at the beginning of the year		1,940	1,910	1,806	1,651	3,746	3,561
Granted during the year		791	559	1,757	1,312	2,548	1,871
Vested during the year	30	(681)	–	(574)	(535)	(1,255)	(535)
Forfeited during the year		(45)	(529)	(755)	(622)	(800)	(1,151)
Outstanding at the end of the year		2,005	1,940	2,234	1,806	4,239	3,746
Expected vesting dates							
October 2014		–	696	–	786	–	1,482
October 2015		729	760	934	620	1,663	1,380
October 2016		484	484	731	400	1,215	884
October 2017		792	–	569	–	1,361	–
Outstanding at the end of the year		2,005	1,940	2,234	1,806	4,239	3,746

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

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

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

(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 2014	October 2013	October 2012
Vesting date	October 2017	October 2016	October 2015
Risk free interest rate (%)	3.73	3.40	2.66
Average expected volatility (%)	21.60	22.50	20.00
Average share price at measurement date ($)	3.09	3.77	2.95
Estimated fair value at grant date ($)	0.97	1.15	0.71

AWARD SHARES			
Date granted	October 2014	October 2013	October 2012
First vesting date (then annually on the next two anniversaries)	October 2015	October 2014	October 2013
Weighted average cost of equity capital (%)	9.83	10.10	9.90
Average share price at measurement date ($)	3.09	3.77	2.95
Average estimated fair value at grant date ($)	2.77	3.38	2.56

15. EARNINGS PER SHARE

(a) Basic earnings per share

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

	NOTE	2015	2014
Profit from continuing operations attributable to shareholders of the Parent ($000s)		**52,433**	78,392
Profit from discontinued operations attributable to shareholders of the Parent ($000s)		**–**	(642)
Net profit attributable to shareholders of the Parent ($000s)		**52,433**	77,750
Adjusted net profit attributable to shareholders of the Parent ($000s)	12	**57,134**	60,691
Basic			
Weighted average number of ordinary shares on issue (000s)		**346,843**	324,200
Adjustment for treasury stock (000s)		**(1,714)**	(1,887)
Weighted average number of ordinary shares outstanding (000s)		**345,129**	322,313
Basic earnings per share from continuing operations (cents)		**15.2**	24.3
Basic earnings per share from discontinued operations (cents)		**–**	(0.2)
Basic earnings per share (cents)		**15.2**	24.1
Adjusted basic earnings per share (cents)	12	**16.6**	18.8

(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 14).

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.

	NOTE	2015	2014
Diluted			
Weighted average number of ordinary shares outstanding (000s)		**345,129**	322,313
Shares deemed to be issued for no consideration in respect of share rights (000s)		**2,404**	3,208
Weighted average number of ordinary shares for diluted earnings per share (000s)		**347,533**	325,521
Diluted earnings per share from continuing operations (cents)		**15.1**	24.1
Diluted earnings per share from discontinued operations (cents)		**–**	(0.2)
Diluted earnings per share (cents)		**15.1**	23.9
Adjusted diluted earnings per share (cents)	12	**16.4**	18.6

FOR THE 53 WEEK PERIOD ENDED 2 AUGUST 2015

16. NET ASSETS PER SHARE

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

	NOTE	2015	2014
Net assets ($000s)		544,282	523,917
Basic			
Number of ordinary shares on issue (000s)	30	346,843	346,843
Adjustment for treasury stock (000s)	30	(2,134)	(2,379)
Number of ordinary shares outstanding (000s)		344,709	344,464
Net assets per share (cents)		157.9	152.1

17. CASH AND CASH EQUIVALENTS

	2015	2014
	$000	$000
Cash on hand and at bank	32,195	26,758

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; this means the three previous days' store sales, which have been paid by EFTPOS, remain uncleared at balance date.

18. INVENTORIES

GROUP	2015	2014
	$000	$000
Finished goods	478,150	464,926
Inventory adjustments	(17,500)	(16,718)
Retail stock	460,650	448,208
Goods in transit from overseas	49,811	43,901
	510,461	492,109

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.

19. FINANCE BUSINESS RECEIVABLES

	2015	2014
	$000	$000
Finance business receivables	14,964	21,381
Allowance for impairment	(736)	(2,345)
	14,228	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. Collectibility 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:

	TOTAL	0 TO 30 DAYS	31 TO 60 DAYS	61 TO 90 DAYS	> 90 DAYS
At 2 August 2015	$000	$000	$000	$000	$000
Finance business receivables	14,964	13,916	468	61	519
Allowance for impairment	(736)	(133)	(102)	(21)	(480)
	14,228	13,783	366	40	39

	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

20. TRADE AND OTHER RECEIVABLES

	2015	2014
	$000	$000
Trade receivables	44,139	44,408
Allowance for impairment	(1,488)	(1,812)
	42,651	42,596
Other debtors and prepayments	29,472	19,237
Property advances	–	10,000
Employee share purchase plan loans	10	384
	72,133	72,217

(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) trade receivables.

Trade receivables greater than 60 days are considered to be past their due date. Collectibility of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when they are identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable.

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

	TOTAL	0 TO 30 DAYS	31 TO 60 DAYS	61 TO 90 DAYS	> 90 DAYS
At 2 August 2015	$000	$000	$000	$000	$000
Trade receivables	44,139	36,847	3,598	1,599	2,095
Allowance for impairment	(1,488)	(340)	(56)	(157)	(935)
	42,651	36,507	3,542	1,442	1,160
At 27 July 2014					
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

(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 of stores or distribution centres leased by the Group. These advances are typically repayable either on demand or when the works are completed.

(c) Employee Share Purchase Plan

The Group provided five year loans to employees in May 2010 to enable team members to purchase discounted ordinary shares in the Group. The share scheme has now been concluded with participants receiving their shares in May 2015 when the loans were fully repaid. A small number of loans remain outstanding representing 62,000 ordinary shares. These shares will be vested to employees once the loans are fully repaid.

21. DERIVATIVE FINANCIAL INSTRUMENTS

ASSET/(LIABILITY)	CURRENCY CONTRACTS	INTEREST RATE SWAPS	TOTAL DERIVATIVES
At 2 August 2015	$000	$000	$000
Current assets	39,127	–	39,127
Non-current assets	–	164	164
Current liabilities	(51)	–	(51)
Non-current liabilities	–	(3,882)	(3,882)
	39,076	(3,718)	35,358
At 27 July 2014			
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)

Derivative financial instruments are used by the Group to hedge financial risks (refer note 40). 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.

21. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(a) Forward currency contracts – cash flow hedges

The Group purchases inventory directly from overseas suppliers, primarily priced in US dollars. In order to protect against exchange rate movements and to manage the inventory costing process, the Group has entered into forward currency contracts to purchase foreign currencies. These contracts are hedging highly probable forecasted purchases timed to mature when the payments are scheduled to be made. The cash flows are expected to occur during the next 12 months and the gain/loss within cost of sales will be affected over the following year as the inventory is sold.

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

	NOTIONAL AMOUNT		AVERAGE EXCHANGE RATE	
FORWARD CURRENCY CONTRACTS – CASH FLOW HEDGES	2015	2014	2015	2014
Buy US dollars/Sell New Zealand dollars	NZ$000	NZ$000	$	$
Maturity 0 to 6 months	201,233	178,932	0.7684	0.8168
Maturity 7 to 12 months	74,071	96,791	0.6858	0.8290
Maturity 13 to 18 months	–	51,013	–	0.8233

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

	2015	2014
	$000	$000
Cash flow hedges	(3,882)	(1,340)
Fair value hedges	164	455
	(3,718)	(885)

(i) Interest rate swaps – cash flow hedges

The Group's core bank borrowings bear an interest rate priced 0.94% (2014: 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:

	NOTIONAL AMOUNT		AVERAGE FIXED RATE	
INTEREST RATE SWAPS – CASH FLOW HEDGES	2015	2014	2015	2014
Maturity	$000	$000	%	%
1 – 2 Years	30,000	–	4.61	–
2 – 3 Years	20,000	30,000	5.90	4.99
3 – 4 Years	–	20,000	–	5.87
8 – 9 Years	15,000	–	4.74	–
	65,000	50,000	5.06	5.35

In addition to the above interest rate swaps, the Group has a deferred start, 2 year interest rate swap (4.45%) with a notional principal of $40.000 million commencing June 2020.

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

These interest rate swaps are settled on a net basis every ninety days, matched to the same dates which interest is payable on bank borrowings. The interest rate swaps and bank borrowings reprice 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 (2014: $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:

	2015	2014
	$000	$000
Gains/(losses) on fixed rate senior bond	228	815
Gains/(losses) on interest rate swaps	(228)	(815)

21. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(c) Cash flow hedge reserve

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

	NOTE	CURRENCY CONTRACTS	INTEREST RATE SWAPS	DEFERRED TAXATION	HEDGE RESERVE
For the 53 week period ended 2 August 2015		$000	$000	$000	$000
Opening balance		(6,768)	(1,259)	2,247	(5,780)
Transferred to inventory		(20,260)	–	5,673	(14,587)
Transferred to interest expense	10	–	862	(241)	621
De-designated interest rate swaps	31	–	(2,705)	757	(1,948)
Transferred to equity		66,104	(641)	(18,329)	47,134
Closing balance		39,076	(3,743)	(9,893)	25,440
				(note: 24)	(note: 31)
For the 52 week period ended 27 July 2014					
Opening balance		1,500	(2,283)	219	(564)
Transferred to inventory		9,170	–	(2,568)	6,602
Transferred to interest expense	10	–	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: 24)	(note: 31)

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

22. TRADE AND OTHER PAYABLES

	NOTE	2015	2014
		$000	$000
Trade creditors		189,512	191,118
Goods in transit creditors		16,522	14,909
Capital expenditure creditors		11,165	12,607
Goods and services tax		11,208	15,512
Unearned income and Reward Schemes (includes lay-bys, gift vouchers, BizReward points and Christmas club deposits)		16,508	15,478
Contingent and deferred acquisition consideration	42	3,250	22,316
Interest accruals		1,426	1,273
Payroll accruals		7,908	13,092
		257,499	286,305
Less: Non-current contingent and deferred acquisition consideration		(1,000)	(1,986)
Current trade and other payables		256,499	284,319

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.

23. CURRENT TAXATION

The movement in income tax receivable is set out below:

ASSET/(LIABILITY)	NOTE	2015	2014
		$000	$000
Opening balance		3,226	(3,466)
Current year income tax payable	11	(23,842)	(31,288)
Net taxation paid		22,398	37,492
Supplementary dividend tax credit		468	488
Closing balance		2,250	3,226

24. DEFERRED TAXATION

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

ASSET/(LIABILITY)	NOTE	OPENING BALANCE	CHARGED TO PROFIT	CHARGED TO EQUITY	ACQUISITION OF SUBSIDIARY	CLOSING BALANCE
For the 53 week period ended 2 August 2015		$000	$000	$000	$000	$000
Gross deferred tax assets						
Inventory		10,286	832	–	–	11,118
Deferred income		2,118	(415)	–	–	1,703
Employee benefit provisions		11,792	503	–	–	12,295
Impaired receivables		2,365	(377)	–	–	1,988
Other provisions		4,118	(707)	–	–	3,411
Plant and equipment depreciation and software amortisation		7,830	1,694	–	–	9,524
Derivatives - cash flow hedges	21	2,247	–	(2,247)	–	–
Other		23	(23)	–	–	–
		40,779	1,507	(2,247)	–	40,039
Gross deferred tax liabilities						
Derivatives - cash flow hedges	21	–	–	(9,893)	–	(9,893)
Building depreciation		(9,583)	2,868	–	–	(6,715)
Other		(351)	(145)	–	–	(496)
		(9,934)	2,723	(9,893)	–	(17,104)
Net deferred tax assets/(liabilities)		30,845	4,230	(12,140)	–	22,935
			(note: 11)			

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						
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	21	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		21,425	4,672	2,028	2,720	30,845
			(note: 11)		(note: 41)	

25. PROPERTY, PLANT AND EQUIPMENT

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

	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 53 week period ended 2 August 2015								
Opening carrying amount		81,310	60,182	147,892	22,546	1,705	23,170	336,805
Additions	3	32,194	13,450	49,926	8,402	145	(7,906)	96,211
Disposals		(6,117)	(18,504)	(1,038)	(46)	(69)	–	(25,774)
Depreciation	3, 8	–	(1,562)	(41,769)	(8,327)	(489)	–	(52,147)
Closing carrying amount		107,387	53,566	155,011	22,575	1,292	15,264	355,095
At 2 August 2015								
Cost		107,387	65,441	440,227	107,350	3,162	15,264	738,831
Accumulated depreciation		–	(11,875)	(285,216)	(84,775)	(1,870)	–	(383,736)
Net carrying amount		107,387	53,566	155,011	22,575	1,292	15,264	355,095
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	3	4,726	449	61,292	9,726	111	10,318	86,622
Disposals		(1,972)	(8,074)	(2,430)	(57)	(46)	–	(12,579)
Depreciation	3, 8	–	(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
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

(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 $198.229 million (2014: $177.086 million). The Directors' valuation was approved by the Board on 17 September 2015. 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.

	CARRYING AMOUNT		DIRECTORS' VALUATION	
	2015	2014	2015	2014
	$000	$000	$000	$000
Freehold land and buildings				
Support office	22,361	9,585	40,000	23,000
Stores	106,944	106,874	114,010	119,934
Development assets	31,648	25,033	44,219	34,152
Total freehold land and buildings	160,953	141,492	198,229	177,086

Stores comprise six (2014: seven) store sites located throughout New Zealand. Development assets include three (2014: three) Auckland properties and properties in Timaru, Hamilton, Kaitaia and Rolleston.

(b) Property disposals

During the year, the Group sold a store property in Whangarei and a store in Gisborne for a combined consideration of $30.350 million which realised a pre-tax profit of $5.533 million.

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

26. INTANGIBLE ASSETS

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

	NOTE	GOODWILL	BRAND NAMES	COMPUTER SOFTWARE	TOTAL
		$000	$000	$000	$000
For the 53 week period ended 2 August 2015					
Opening carrying amount		103,597	23,523	16,571	143,691
Additions	3	–	–	22,033	22,033
Disposals		–	–	(503)	(503)
Impairment		(11,302)	–	–	(11,302)
Amortisation	3, 8	–	–	(6,487)	(6,487)
Closing carrying amount		92,295	23,523	31,614	147,432
At 2 August 2015					
Cost		103,597	23,523	110,088	237,208
Accumulated amortisation and impairment		(11,302)	–	(78,474)	(89,776)
Net carrying amount		92,295	23,523	31,614	147,432
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	3	–	–	7,645	7,645
Disposals		–	–	(628)	(628)
Amortisation	3, 8	–	–	(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
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

(a) Impairment tests for intangible assets with indefinite lives

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

	GOODWILL		BRAND NAMES	
	2015	2014	2015	2014
	$000	$000	$000	$000
Noel Leeming	27,436	27,436	15,500	15,500
Torpedo7 Group	25,689	36,991	8,023	8,023
Financial Services Group	11,014	11,014	–	–
Other acquisitions	28,156	28,156	–	–
Net carrying amount	92,295	103,597	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 cash generating unit 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 or ten years. Cash-flows beyond the projection 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.

(b) Key assumptions

	FINANCIAL SERVICES	NOEL LEEMING	TORPEDO7	REMAINING CGUs
At 2 August 2015				
EBIT Margin	n/a	2.2%	8.5%	5 to 9%
Growth rate	2.0%	2.0%	2.0%	2.0%
Post-tax discount rate	13.4%	11.7%	12.5%	13.4%
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%

During the Group's annual impairment review, it was identified that it was taking longer than originally anticipated to get the required returns from the Group's Torpedo7 business. Difficult trading conditions over the previous few years have resulted in below expectation performance; consequently, the Group has reduced the carrying value of its investment, Torpedo7, to the Group's revised assessment of recoverable value. A loss of $11.302 million has been recognised as Goodwill Impairment in the Income Statement.

For all other CGUs the impairment calculations supported the carrying amounts of Goodwill and the Brand Names. 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.

27. INVESTMENTS

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

	2015	2014
	$000	$000
Opening balance	5,541	5,671
Share of associates profit before taxation	3,892	4,177
Less taxation	(1,090)	(1,171)
Equity earnings of associate	2,802	3,006
Distributions received	(5,565)	(3,136)
Closing balance	2,778	5,541

(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 2014 and unaudited management accounts for the ten month period ended 31 July 2015.

(b) Summarised financial information

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

	2015	2014
	$000	$000
Extract from the associates Balance Sheet		
Loans	57,675	62,649
Other assets	10,155	15,622
	67,830	78,271
Liabilities	(62,161)	(66,963)
Net assets	5,669	11,308
Share of associates net assets	2,778	5,541
Extract from associates Income Statement		
Operating income	12,799	14,543
Net profit after tax	5,719	6,134

28. PROVISIONS

	CURRENT		NON-CURRENT		TOTAL	
	2015	2014	2015	2014	2015	2014
	$000	$000	$000	$000	$000	$000
Performance based compensation	5,221	7,895	–	–	5,221	7,895
Annual leave	29,136	28,338	–	–	29,136	28,338
Long service leave	–	–	7,394	7,365	7,394	7,365
Other employee benefits	4,752	4,323	2,632	2,088	7,384	6,411
Employee benefits	39,109	40,556	10,026	9,453	49,135	50,009
Make good provision	705	1,536	6,040	4,671	6,745	6,207
Sales returns provision	3,580	3,581	–	–	3,580	3,581
Onerous lease	1,029	2,364	827	2,556	1,856	4,920
	44,423	48,037	16,893	16,680	61,316	64,717

(a) Movements in provisions

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

	MAKE GOOD		SALES RETURN		ONEROUS LEASE	
	2015	2014	2015	2014	2015	2014
	$000	$000	$000	$000	$000	$000
Opening balance	6,207	6,152	3,581	3,229	4,920	7,150
Acquisition of subsidiaries	–	83	–	186	–	–
Arising during the year	1,786	1,384	3,580	3,581	(679)	1,339
Net settlements	(1,248)	(1,412)	(3,581)	(3,415)	(2,385)	(3,569)
Closing balance	6,745	6,207	3,580	3,581	1,856	4,920

28. PROVISIONS (CONTINUED)

Nature and timing of provisions

(b) Employee benefit provisions

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

(i) Annual performance based compensation

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

(ii) Annual leave

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

(iii) Long service leave

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

(iv) Other employee benefits

The Group's employees are in general entitled to a minimum of eight days' annual sick leave with any unused days, up to a maximum of 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.

29. BORROWINGS

	NOTE	2015	2014
		$000	$000
Bank borrowings at call – interest rate: 3.89% (2014: 4.25%)		115,805	3,410
Finance leases	37	1,359	1,370
Fixed rate senior bond (coupon: 7.37%)		–	100,000
Fair value adjustment relating to senior bond effective interest		–	391
Unamortised capitalised costs on senior bond		–	(275)
Current borrowings		117,164	104,896
Bank borrowings – interest rate: 4.01% (2014: 4.56%)		90,000	140,000
Finance leases	37	1,571	2,740
Fixed rate senior bond (coupon: 5.30%)		125,000	–
Fair value adjustment relating to senior bond effective interest		163	–
Unamortised capitalised costs on senior bond		(2,130)	–
Non-current borrowings		214,604	142,740
	40	331,768	247,636

Cash balances have been netted off against bank overdrafts where the Group has a 'set off' arrangement with a bank counterparty. The average bank overdraft interest rate incurred for the year was 9.64% (2014: 9.00%).

(a) 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 39.

(b) Interest rate and liquidity risk

Details regarding interest rate and liquidity risk are disclosed in note 40.

(c) Fixed rate senior bond

The Group replaced its $100.000 million fixed rate senior bond (issued in April 2010) when it matured in June 2015 with a new fixed rate senior bond of $125.000 million. Interest on the new bond is payable every six months on the same dates as the previous bond (15 June and 15 December) and has a final maturity in June 2020. The Group incurred costs of $2.189 million (2010: $1.600 million) in connection with the issuance of the bond which were capitalised. These costs are amortised equally over the term of the bond and an amortisation expense of $0.334 million (2014: $0.311 million) has been recognised as part of the interest expense during the year.

(d) Fair values

The fair value of fixed rate senior bonds at balance date, based on the last price traded on the New Zealand stock exchange, were as follows:

	2015	2014
Face Value ($000)	125,000	100,000
Coupon (%)	5.30	7.37
Market yield (%)	4.45	5.30
Maturity	June 2020	June 2015
NZX Quoted closing price (per $1.00)	1.04411	1.02649
Fair Value ($000)	130,514	102,649

30. CONTRIBUTED EQUITY

	2015	2014
	$000	$000
Share capital	365,517	365,517
Treasury stock	(7,302)	(8,707)
	358,215	356,810

(a) Share capital

	NOTE	SHARE CAPITAL 2015	SHARE CAPITAL 2014	ORDINARY SHARES 2015	ORDINARY SHARES 2014
		$000	$000	000	000
Opening balance		365,517	251,445	346,843	311,196
Share placement shares issued (issue price $3.23)	39	–	100,000	–	30,960
Share purchase plan shares issued (issue price $3.20)	39	–	14,998	–	4,687
Cost of issuing new shares	39	–	(926)	–	–
Closing balance		365,517	365,517	346,843	346,843

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) Equity Raise – 2014

In the prior year, the Group raised $114.072 million (net of issuing costs) by issuing 35.647 million new ordinary shares as part of an equity raise, which was undertaken in two parts. The first part was an institutional placement, which raised $100.000 million (at $3.23 per share) in March 2014; the second part was a share purchase plan, which raised $14.998 million (at $3.20 per share) in April 2014.

(c) Treasury stock

	NOTE	TREASURY STOCK 2015	TREASURY STOCK 2014	ORDINARY SHARES 2015	ORDINARY SHARES 2014
		$000	$000	000	000
Opening balance		8,707	7,361	2,379	1,878
Ordinary shares issued to settle share plan obligations	31, 14	(4,250)	(1,993)	(1,255)	(535)
Ordinary shares purchased (average purchase price $2.81 – 2014: $3.23)		2,754	3,230	979	1,000
Ordinary shares forfeited under the staff share purchase plan	20	91	109	31	36
Closing balance		7,302	8,707	2,134	2,379
Percentage of share capital				0.62%	0.69%

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)

31. RESERVES

	NOTE	2015	2014
		$000	$000
Cash flow hedge reserve	21	25,440	(5,780)
De-designated derivative reserve		(1,889)	–
		23,551	(5,780)
Share based payments reserve		2,937	3,709
		26,488	(2,071)

(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) De-designated derivative reserve

The de-designated derivative reserve is used to record the after tax mark to market losses realised from realigning the Group's interest rate hedge portfolio in June 2015, which resulted in a number of interest rate swaps being monetised. The cost to close out the interest rate swaps is recognised in the Income Statement over the effective period of the original interest rate swaps. The average duration of the interest rate swaps was 4.5 years.

	NOTE	2015	2014
		$000	$000
De-designated interest rate swaps	21	2,705	–
Transferred to interest expense		(82)	–
Taxation		(734)	–
Closing balance		1,889	–

31. RESERVES (CONTINUED)

(c) Share based payments reserve

The Group currently has an employee share right plan (refer note 14) and an employee share purchase plan (refer note 20). This reserve is used to record the accumulated value of unvested share 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.

	NOTE	2015	2014
		$000	$000
Opening balance		3,709	3,281
Share based payments expense	7	2,114	2,266
Transfer from treasury stock	30	(4,250)	(1,993)
Transferred to retained earnings	32	1,364	155
Closing balance		2,937	3,709

32. RETAINED EARNINGS

	NOTE	2015	2014
		$000	$000
Opening balance		164,861	153,228
Net profit attributable to shareholders		52,433	77,750
Dividends paid to shareholders	33	(58,964)	(57,571)
Treasury stock dividends received		188	237
Purchase of minority interest	36	–	(8,628)
Transferred from share based payments reserve	31	(1,364)	(155)
Closing balance		157,154	164,861

33. DIVIDENDS

		DIVIDENDS PAID		CENTS PER SHARE	
	NOTE	2015	2014	2015	2014
		$000	$000		
Prior year final dividend		20,811	17,116	6.0	5.5
Interim dividend		38,153	40,455	11.0	13.0
Total dividends paid	32	58,964	57,571	17.0	18.5

All dividends paid were fully imputed. Supplementary dividends of $0.468 million (2014: $0.488 million) were paid.

The Board declares two dividends annually in respect of the half year (interim dividend) and full year results (final dividend). At the time of the Group's Equity raise in April 2014 (refer note 30), the Group provided guidance to shareholders around the level of dividends which were expected to be paid in the current and previous financial years. The Group indicated it would target paying an annual dividend of 19.0 cents per share. In March 2015, following the Group's interim result, the Board lowered the dividend guidance for the current year to 16.0 cents per share. The final dividend is accounted for in the year it is paid.

Dividend policy

On 17 September 2015, the Board approved a change to the Group's dividend policy commencing from the 2016 financial year. The Group's new dividend policy is the same as the policy change first advised to shareholders in March 2014 except that the adjusted profit base will be limited to only those profits generated from the Retail Group. The Group's new dividend policy is to pay a dividend to shareholders of between 75% and 85% of the Retail Group's adjusted net profit. The Group's previous dividend policy was to pay a dividend based on the adjusted net profit for the whole Group which included losses associated with the Financial Services Group.

Details of the final dividend declared by the Board after balance date and the dividend payout ratio based on the new dividend policy formula, which will be effective from next year, are set out below:

		DIVIDENDS PAID AND DECLARED		CENTS PER SHARE	
	NOTE	2015	2014	2015	2014
		$000	$000		
Interim dividend		38,153	40,455	11.0	13.0
Final dividend (declared after balance date)		17,342	20,811	5.0	6.0
Total dividends paid and declared		55,495	61,266	16.0	19.0
Group adjusted net profit	12	57,134	60,691		
Less Financial Services Group net loss		(2,075)	(1,311)		
Retail Group adjusted net profit		59,209	62,002		
Payout ratio (%)		93.7%	98.8%		

On 17 September 2015, the Board declared a final fully imputed ordinary dividend of 5.0 cents per share to be paid on 10 December 2015 to all shareholders on the Group's share register at the close of business on 27 November 2015.

Notes to and forming part of the Financial Statements – continued

FOR THE 53 WEEK PERIOD ENDED 2 AUGUST 2015

34. IMPUTATION CREDIT ACCOUNT

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

IMPUTATION CREDIT ACCOUNT	2015	2014
	$000	$000
Closing balance	103,228	94,168

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

35. MINORITY INTEREST

	NOTE	2015	2014
		$000	$000
Opening balance		4,317	11,736
Purchase of minority interest	36	–	(6,552)
Net profit/(loss) attributable to minority interest		(1,496)	(496)
Dividends paid to minority shareholders		(396)	(371)
Closing balance		2,425	4,317

Minority interests relate to minority shareholdings held in Waikato Valley Chocolates (50%), Torpedo7 (20%) and ShopHQ (50%). Net losses for the current year includes a loss of $1.104 million related to the minority's share of the goodwill impairment in Torpedo7 (refer note 26) and reassessment of contingent consideration (refer note 42).

36. 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 deferred instalment ($3.000 million) paid in September 2014 and the final deferred instalment ($10.180 million) paid in March 2015.

37. COMMITMENTS

(a) Finance leases

Finance lease liabilities are effectively secured as the rights to the leased asset and 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	2015	2014
	$000	$000
Future minimum rentals payable		
0 – 1 Years	1,535	1,623
1 – 2 Years	1,251	1,480
2 – 5 Years	411	1,497
	3,197	4,600
Less future finance charges	(267)	(490)
Present value of finance leases	2,930	4,110
Current	1,359	1,370
Non-current	1,571	2,740
	2,930	4,110

(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:

	2015	2014
	$000	$000
Future minimum rentals payable		
0 – 1 Years	111,406	103,584
1 – 2 Years	103,687	85,914
2 – 5 Years	239,656	207,305
5+ Years	298,809	268,668
	753,558	665,471

(c) Capital commitments

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

	2015	2014
	$000	$000
Within one year	9,957	11,714

Capital commitments at balance date includes expenditure of $2.871 million to complete store building works in Kaitaia.

38. DISCONTINUED OPERATIONS – 2014

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

39. 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 to support its growth strategy following a period of continued reinvestment into the Group's store network and a series of acquisitions during the 2014 and 2013 financial years. The Group has funded this strategy through the sale and lease back of properties (refer note 25) and an equity raise (refer note 30). Proceeds from the equity raise have been set aside to grow the Group's Finance business. To date, proceeds from the equity raise have been used to fund the acquisition of the Diners Club business (refer note 41) and to build internal capability, develop systems and infrastructure to deliver new products to the market.

The Group has also changed its dividend policy to further strengthen the Group's balance sheet and will lower the payout ratio used to determine dividend payments to between 75% to 85% of adjusted net profit of the Retail Group (refer note 33).

As part of the Group's strategy to grow the Financial Services business, the Group will fund the Financial Services Group separately from the Retail Group to permit the Financial Services Group to have higher gearing levels than that of the Retail Group. It is anticipated that funding for the Financial Services Group will be provided in part by a debt securitisation programme. When the Group's fixed rate senior bond matured in June 2015 (refer note 31) and a new Bond reissued, the Group changed its debt covenants to carve out the Financial Services Group to accommodate the separate funding structures. The debt covenants remain essentially unchanged, except that they now only relate to the Retail Group.

Externally imposed capital requirements

Retail Group 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 44) will comply with certain quarterly debt ratios and restrictive covenants. The principal covenants, which are the same for both trust deeds, are:

- the Retail Group 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 Retail Group will not be less than 2 times operating profit;
- the total tangible assets of the guaranteeing Group will constitute at least 90% of the total tangible assets of the Retail Group.

	TOTAL GROUP		FINANCIAL SERVICES GROUP		RETAIL GROUP	
	2015	2014	2015	2014	2015	2014
Book gearing ratio						
Total net borrowings ($000)	299,573	220,878	(3,868)	(256)	303,441	221,134
Total equity ($000)	544,282	523,917	45,527	31,648	498,755	492,269
Gearing ratio (%)					37.8	31.0
Interest cover						
Net interest expense (excluding finance business interest received) ($000)					16,207	13,863
Less: Financial Services external interest					3	–
					16,204	13,863
Retail Group operating profit ($000)					93,226	96,716
Interest cover (times)					5.8	7.0

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

40. 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 39.)

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 (2014: $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	2015	2014
	$000	$000
ANZ National Bank	118,000	113,000
Bank of New Zealand	40,000	40,000
Bank of Tokyo-Mitsubishi	40,000	40,000
Hong Kong and Shanghai Bank	50,000	50,000
Westpac	110,000	85,000
	358,000	328,000

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

		DEBT FACILITIES		LETTERS OF CREDIT		TOTAL FACILITIES	
	NOTE	2015	2014	2015	2014	2015	2014
		$000	$000	$000	$000	$000	$000
6 months or less		40,000	40,000	10,000	10,000	50,000	50,000
6 to 12 months		140,000	110,000	18,000	18,000	158,000	128,000
1 to 3 years		110,000	50,000	–	–	110,000	50,000
Over 3 years		40,000	100,000	–	–	40,000	100,000
		330,000	300,000	28,000	28,000	358,000	328,000
Facilities utilised	29, 43	205,805	143,410	21,145	14,276	226,950	157,686
Unused facilities available		124,195	156,590	6,855	13,724	131,050	170,314
Percentage utilisation		62.4%	47.8%	75.5%	51.0%	63.4%	48.1%

(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.

LIABILITY/(ASSET)	NOTE	0 TO 6 MONTHS	7 TO 12 MONTHS	1 TO 2 YEARS	2 TO 3 YEARS	MORE THAN 3 YEARS	TOTAL
		$000	$000	$000	$000	$000	$000
At 2 August 2015							
Financial liabilities							
Trade and other payables (excluding contingent consideration)	22	254,249	–	–	–	–	254,249
Contingent and deferred acquisition consideration	22	2,250	–	1,000	–	–	3,250
Bank borrowings (excluding finance lease liabilities)	29	205,805	–	–	–	–	205,805
Finance lease liabilities	37	796	739	1,251	360	51	3,197
Fixed rate senior bond	29	2,423	3,313	6,625	6,625	138,250	157,236
		465,523	4,052	8,876	6,985	138,301	623,737
Net derivatives							
Forward currency contracts							
– outflow		201,233	74,071	–	–	–	275,304
– inflow		(234,806)	(77,139)	–	–	–	(311,945)
Interest rate swaps		451	702	1,292	1,285	137	3,867
		(33,122)	(2,366)	1,292	1,285	137	(32,774)
At 27 July 2014							
Financial liabilities							
Trade and other payables (excluding contingent consideration)	22	263,989	–	–	–	–	263,989
Contingent acquisition consideration	22	6,436	13,894	1,986	–	–	22,316
Bank borrowings (excluding finance lease liabilities)	29	143,410	–	–	–	–	143,410
Finance lease liabilities	37	831	792	1,480	1,180	317	4,600
Fixed rate senior bond	29	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

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

To avoid duplication in the table above, the amounts disclosed as due during the next six month period for the fixed rate senior bond is net of a $0.889 million (2014: $0.868 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.

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 $250.000 million (2014: $150.000 million) will be maintained during the next 2 to 3 years.

(b) Market risk

(i) Interest rate risk

The Group's exposure to market interest rates primarily relates to the Group's core borrowings. The Group's treasury policy is to manage its finance costs using a mix of fixed and floating rate debt. The Group's policy is to maintain between 50% to 90% of core borrowings at fixed rates. At balance date, 76% (2014: 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	
ASSET/(LIABILITY)			HIGHER/(LOWER)		HIGHER/(LOWER)	
	NOTE	CARRYING AMOUNT	PROFIT	EQUITY	PROFIT	EQUITY
		$000	$000	$000	$000	$000
At 2 August 2015		32,195	232	232	(232)	(232)
Cash and cash equivalents	17	14,228	102	102	(102)	(102)
Finance business receivables	19	(205,805)	(1,482)	(1,482)	1,482	1,482
Bank borrowings (excluding finance lease liabilities)	29	(124,604)	282	282	(260)	(260)
Fixed rate senior bond	29					
Derivative financial instruments						
Interest rate swaps – cash flow hedges	21	(3,882)	468	2,327	(468)	(2,463)
Interest rate swaps – fair value hedges	21	164	(282)	(282)	260	260
		(287,704)	(680)	1,179	680	(1,315)
At 27 July 2014						
Cash and cash equivalents	17	26,758	193	193	(193)	(193)
Finance business receivables	19	19,036	137	137	(137)	(137)
Bank borrowings	29	(143,410)	(1,033)	(1,033)	1,033	1,033
Fixed rate senior bond	29	(100,116)	214	214	(217)	(217)
Derivative financial instruments						
Interest rate swaps – cash flow hedges	21	(1,340)	360	1,293	(360)	(1,322)
Interest rate swaps – fair value hedges	21	455	(288)	(502)	288	505
		(198,617)	(417)	302	414	(331)

(ii) Foreign exchange risk

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

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

ASSET/(LIABILITY)		CARRYING AMOUNT		NOTIONAL AMOUNT	
	NOTE	2015	2014	2015	2014
		$000	$000	$000	$000
Forward currency contracts - cash flow hedges					
Buy US dollars/Sell New Zealand dollars	21	39,076	(6,768)	275,304	326,736

The average exchange rate of US dollar forward contracts at balance date were $0.7462 (2014: $0.8214). The spot rate used to determine the mark-to-market carrying value of the US dollar forward contracts at balance date was $0.6586 (2014: $0.8550).

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 62.8% (2014: 71.8%) of the forecast annual direct US dollar exposure. In the previous year, the Group also had additional US dollar hedges in place to cover 22.6% (2015: 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.

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

	AFTER TAX PROFIT		EQUITY	
FORWARD CURRENCY CONTRACTS – CASH FLOW HEDGES	HIGHER/(LOWER)		HIGHER/(LOWER)	
	2015	2014	2015	2014
	$000	$000	$000	$000
10% appreciation in the New Zealand dollar	–	–	(20,381)	(20,505)
10% depreciation in the New Zealand dollar	–	–	24,909	25,068

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.

(c) Credit risk

Credit risk arises from the financial assets of the Group which are exposed to potential counterparty 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	2015	2014
		$000	$000
Maximum exposures to credit risk at balance date are:			
Cash and cash equivalents	17	32,195	26,758
Finance business receivables	19	14,228	19,036
Trade and other receivables	20	72,133	72,217
Derivative financial instruments	21	39,291	1,452
Investment in associate company	27	2,778	5,541
		160,625	125,004

The Group places cash and short-term investments with high credit quality financial institutions. The Board reviews bank counterparties and investment limits on an annual basis. The Group's treasury policy specifies maximum credit limits for each bank counterparty and requires bank counterparties to have a minimum Standard & Poor's credit rating of at least A (2014: 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 counterparties 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 counterparty 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 that are not based on observable market data.

ASSET/(LIABILITY)		NOTE	2015	2014
			$000	$000
Derivatives used for hedging				
Foreign exchange contracts	(Level 2)	21	39,076	(6,768)
Interest rate swaps	(Level 2)	21	(3,718)	(885)
Fixed rate senior bond fair value adjustment relating to effective interest	(Level 2)	29	(163)	(391)

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; and
- 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 (face value: $125.000 million) and measured at amortised cost. At balance date, the closing price of the fixed rate senior bond was $1.04411 per $1.00 bond (refer note 29), which equates to a total fair value of $130.514 million (a level 1 valuation).

41. BUSINESS COMBINATIONS – 2014

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

	NOTE	TORPEDO7 ACQUISITIONS	DINERS CLUB (NZ)	OTHER ACQUISITIONS	TOTAL
		$000	$000	$000	$000
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	25	1,758	260	–	**2,018**
Computer software (included in intangibles)	26	166	2,848	–	**3,014**
Deferred taxation	24	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	26	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	42	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**

(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 from combining the operations within Torpedo7 and the wider Group.

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

(i) No.1 Fitness

In September 2013, the Group acquired all the operations and business assets of No.1 Fitness, an unlisted private company engaged in the online retail of fitness equipment with two show rooms located in Auckland and Christchurch.

(ii) Shotgun

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

(iii) R&R Sport

In December 2013, the Group also acquired the operations and business assets of R&R Sport, an unlisted private company. R&R Sport was a Sporting, Outdoor and Adventure retail chain 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.

(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 Financial Services Group.

(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 $1.519 million, which included estimated contingent consideration of $0.437 million, payable within 12 months subject to the achievement of specified earnings targets. The contingent consideration has now been settled.

Schooltex

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

42. CONTINGENT AND DEFERRED ACQUISITION CONSIDERATION

	NOTE	2015	2014
		$000	$000
Balance at the beginning of the period		22,316	21,759
Acquisition of businesses	41	–	5,037
Acquisition of minority interest	36	–	13,180
Reassessment of consideration payable		977	(5,259)
Cash settlements		(20,043)	(12,401)
Balance at the end of the period		3,250	22,316

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 specified performance targets have been achieved or other deliverables satisfied. To the extent that the targets are not met in full, the contingent consideration is reduced, based on various specified sliding scales.

The Group reassesses the amount of contingent consideration payable at each reporting date, based on its current assessment of the likelihood that the performance target outcomes will be achieved. At balance date, the contingent consideration payable related to the acquisition of Insight Traders ($1.250 million) and R&R Sport ($2.000 million). Except for the contingent consideration associated with the acquisitions of R&R Sport and the initial 51% share purchase of Torpedo7, and some minor residual settlement wash-ups, contingent considerations have been settled in line with the Group's original assessments. In the current year, the Group reassessed its estimate of contingent consideration payable in respect of the R&R Sport acquisition, increasing the liability by $1.000 million.

In the comparative year, an early settlement of contingent consideration in respect of the initial 51% share purchase of Torpedo7 (acquired in April 2013) was negotiated as part of the 29% minority interest acquisition (refer note 36). The settlement was $5.359 million less than the obligation originally estimated at the time of the acquisition. Adjustments to the amount of contingent consideration payable or paid are treated as gains and losses in the income statement.

43. CONTINGENT LIABILITIES

	2015	2014
	$000	$000
Bank letters of credit issued to secure future purchasing requirements	21,145	14,276
Less included as a goods in transit creditor	(1,152)	(1,159)
	19,993	13,117
Bank guarantees provided to landlords and the New Zealand Stock Exchange Limited	643	1,021
Total contingent liabilities	20,636	14,138

Letters of credit

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

Bank guarantees

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

44. 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.

(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 (2014: 93,687,096 shares) which carry the normal entitlement to dividends. Dividends of $15.927 million (2014: $15.551 million) were received on these shares during the year.

(ii) The Group's other Directors' collective had beneficial shareholdings of 221,066 shares (2014: 221,066 shares) at balance date, which carry the normal entitlement to dividends.

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

(iv) Other key executives (as detailed in note 13) collectively held 600,881 shares (2014: 346,956 shares) at balance date, which carry the normal entitlement to dividends. The Group's Chief Executive Officer, M D Powell, held 349,389 shares (2014: 186,498 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 (2014: 73,920,496 shares) in the Group. Dividends of $12.566 million (2014: $12.270 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 30), 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.

44. RELATED PARTIES (CONTINUED)

(b) Subsidiaries

The following subsidiaries of The Warehouse Group Limited have been included in the consolidated financial statements. The Group's 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 will comply with certain quarterly debt ratios and restrictive covenants (refer note 39). The subsidiaries have been categorised to detail those subsidiaries which form part of the Group's guaranteeing companies:

	PRINCIPAL ACTIVITY	EQUITY HOLDING	
		2015	2014
		%	%
Guaranteeing Subsidiaries			
New Zealand subsidiaries			
1-Day Limited	Online retail	80	80
Boye Developments Limited	Investment	100	100
Eldamos Investments Limited	Property owner	100	100
Noel Leeming Group Limited	Retail	100	100
RRS 2013 Limited	Retail	80	80
The Warehouse Limited	Retail	100	100
The Warehouse Nominees Limited	Investment	100	100
Torpedo7 Limited	Online retail	80	80
Torpedo7 Fitness Limited	Online retail	80	80
Torpedo7 Supplements Limited	Online retail	80	80
TWP No.2 Limited	Wholesale	100	100
TWP No.3 Limited	Retail	100	100
TWP No.4 Limited	Investment	100	100
TWP No.5 Limited	Investment	100	100
Waikato Valley Chocolates Limited	Chocolate factory	50	50
Warehouse Stationery Limited	Retail	100	100
New Zealand employee share plan trustees			
The Warehouse Management Trustee Company Limited	Share plan trustee	100	100
The Warehouse Management Trustee Company No 2. Limited	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		100	100
Non-trading Australian subsidiaries			
TWGA Pty Limited		100	100
TWL Australia Pty Limited		100	100
Non-Guaranteeing Subsidiaries			
New Zealand subsidiaries			
Shop HQ Limited	Online retail	50	50
TWNL Projects Limited	Store development	50	50
New Zealand non-trading subsidiaries and joint ventures			
1-Day Liquor Limited		80	80
Bond and Bond Limited		100	100
The Book Depot Limited		100	100
Farran Nine Limited		50	50
Lincoln West Limited		50	50
Noel Leeming Finance Limited		100	100
Noel Leeming Financial Services Limited		100	100
Noel Leeming Furniture Limited		100	100
Noel Leeming Limited		100	100
The Warehouse Investments Limited		100	100
TWP No.1 Limited		100	100
Financial Services Group			
TWP No.6 Limited	Investment	100	100
Diners Club (NZ) Limited	Financial Services	100	100
TW Money Limited	Financial Services	100	100
TW Financial Services Operations Limited	Financial Services	100	100

Independent Auditors' Report

TO THE SHAREHOLDERS OF THE WAREHOUSE GROUP LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the Group financial statements of The Warehouse Group Limited ('the Company') on pages 52 to 86, which comprise the balance sheet as at 2 August 2015, the income statement, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows for the period then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for the Group. The Group comprises the Company and the entities it controlled at 2 August 2015 or from time to time during the financial year.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards 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's preparation and fair presentation of the financial statements 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'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.

Our firm carries out other services for the Group in the areas of accounting assistance and other advisory services. Appropriate safeguards were applied to reduce the threats to independence from the provision of other services to an acceptable level. The provision of these other services has not impaired our independence as auditors of the Group.

Opinion

In our opinion, the financial statements on pages 52 to 86 present fairly, in all material respects, the financial position of the Group as at 2 August 2015, and its financial performance and cash flows for the period then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

RESTRICTION ON USE OF OUR REPORT

This report is made solely to the Company's shareholders, as a body, in accordance with the Companies Act 1993. Our audit work has been undertaken so that we might state 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
17 September 2015

Corporate Governance

At The Warehouse Group, we are committed to maintaining best-practice standards of corporate governance to ensure that we operate in a transparent, fair and ethical way to create 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 18 September 2015. 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 Group's operations.

The company considers its governance practices complied with the NZX Corporate Governance Best Practice Code in its entirety for the year ended 2 August 2015. The structure of this section of the Annual Report reflects the Financial Markets Authority's Corporate 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 should set high standards of ethical behaviour, model this behaviour and hold Management accountable for delivering these standards throughout the organisation.

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 disclose anonymously 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 their 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

To ensure an effective Board, there should be a balance of independence, skills, knowledge, experience and perspectives.

Board Size and Composition

The current Board comprises 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 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
- has been determined to be independent in character and judgement, by the Corporate Governance Committee and the Board.

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. Every Director has 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, interfere materially 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. The 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 Group 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, and 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 informed continually 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 Group 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, therefore, has formally adopted a list of 'Matters Reserved for the Board' for which no delegation is permitted. The delegation to the Group 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 duties to the Group and their own interests. Where conflicts of interest do exist at law, 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 Group 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, which 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, which 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 appointed a Future Director for the 2015 financial 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. It is intended that a Future Director be appointed in 2016.

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 briefed formally by senior Management on relevant industry and competitive issues. During the course of the year, additional strategy sessions 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, 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 a retirement benefit to any Director 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 conducted regularly with assistance from an outside facilitator.

Principle 3 – Board Committees

The Board should use committees where this would enhance its effectiveness in key areas, while still 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 the committees' areas of responsibility.

Audit Committee

Membership of the Audit Committee is restricted to non-executive Directors and the majority must be independent. The Chairman of the committee must be independent also 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 Warehouse operates.

Corporate Governance – continued

The members of the Audit Committee are:

James Ogden (Chairman)

Ted van Arkel

Keith Smith

John Journee

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 of members of 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 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 Diversity Policy.

Corporate Governance Committee

Membership of the Corporate Governance 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 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 13 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 Group CEO and the Group 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 17 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 2 August 2015.

	BOARD	AUDIT	PEOPLE AND REMUNERATION	CORPORATE GOVERNANCE	DISCLOSURE
NUMBER OF MEETINGS	**17**	**4**	**5**	**1**	**2**
Tony Balfour	14		3		
John Journee	17	4	3[1]		
James Ogden	17	4	5[1]		2
Keith Smith	17	4	5	1	2
Vanessa Stoddart	17	3[1]	5		
Sir Stephen Tindall	16		4		1
Ted van Arkel	15	4	5	1	2

1 Non-committee member in attendance.

Principle 4 – Reporting and Disclosure

The Board should demand integrity in financial reporting and in the timeliness and balance of corporate disclosures.

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 audits.

Management accountability for the integrity of the company's financial reporting is reinforced by certification from the Group CEO and Group CFO. The Group CEO and Group CFO 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 2 August 2015, 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 informed promptly 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.

Corporate Governance – continued

Principle 5 – Remuneration

The remuneration of Directors and executives should be 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, bonuses and exercising share rights are disclosed in note 13 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** – a sum 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** – an annual incentive, based on a 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 14 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 13 to the Financial Statements.

Principle 6 – Risk Management

Directors should have a sound understanding of the key risks faced by the business, and should verify regularly 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 manage risk in the business appropriately.

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, and 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 Group 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 Group CEO and Group CFO have provided the Board with written confirmation that the company's 2015 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. The company continues to maintain insurance cover for earthquake-related losses.

The Warehouse Limited, Warehouse Stationery Limited and Noel Leeming Group 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.

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

Principle 7 – Auditors

The Board should ensure 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 their independence and report to the Board that they have remained independent;
- guidelines are established in relation to the provision of non-audit services by the external auditor in order that the provision of such services does not impair the external auditors' independence or objectivity;
- the audit firm may be permitted to provide non-audit services that are considered to be not 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 Group'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 2015 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 Ernst & Young. 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.

Principle 8 – Shareholder Relations

The Board should foster 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, shareholders 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 should respect the interests of stakeholders taking into account 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 actively seek to improve the social and environmental characteristics of the business. This is a goal to which the businesses are committed strategically and which they incorporate into their 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, abilities 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.

A Diversity Working Party has been developing the approach and understanding of The Warehouse Group in this area. This has led to progress, in both thinking and activity, in respect of Diversity and Inclusion.

A Working Statement of Intent for Diversity and Inclusion has been defined and Principles within which to work have been developed. There are three key areas of focus: gender, ethnicity and age.

A key objective is raising the awareness of the importance of diversity of thought, inclusive practices and the benefits of diversity and inclusion to the company. A methodology and programme of activity is in place to further the Group's Diversity and Inclusion strategy.

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

	MALE		FEMALE	
	2015	2014	2015	2014
Directors	6	6	1	1
Officers	9	10*	3	3*
All Team Members	40%	40%	60%	60%

* excludes Group CFO, vacant position

The Warehouse Group's commitment to Communities and Environment is demonstrated further on pages 38 to 47.

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, Real Journeys Limited and associated companies
Director, Silver Fern Farms Limited
Director, Williamswarn Holdings Limited and associated companies

John Journee

Chairman, Max Fashions Holdings Limited and subsidiary
Chairman, Powershop NZ Limited
Chairman, Southern Hospitality Limited
Director, Vanishing Point Limited

James Ogden

Director, Alliance Group Limited
Director, Ogden Consulting Limited
Director, Petone Investments Limited
Director, Summerset Group Holdings Limited and associated companies
Director, Vista Group International Limited
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 Co-operative Dairy Limited
Member, Advisory Board NZ Tax Trading Company Limited
Trustee, Cornwall Park Trust Board

Vanessa Stoddart

Director, Alliance Group Limited
Director, Paymark Limited
Director, The New Zealand Refining Company Limited
Commissioner, Tertiary Education Commission
Member, DOC Audit and Risk Committee
Member, King's College Board
Member, MBIE Audit and Risk Committee
Member, Territorial Forces Employer Support Council

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 AC35 Challenge Limited
Trustee, The Tindall Foundation

Eduard (Ted) van Arkel

Chairman, Restaurant Brands NZ Limited
Director, Abano Healthcare Group Limited
Director, Auckland Regional Chamber of Commerce & Industry Limited
Director, AWF Madison 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 2 August 2015

At 2 August 2015, the following Directors, or entities related to them, held interests in the company shares:

	BENEFICIAL INTEREST 2015	BENEFICIAL INTEREST 2014	NON-BENEFICIAL INTEREST 2015	NON-BENEFICIAL INTEREST 2014	RELATED PARTY 2015	RELATED PARTY 201
J Journee	**172,000**	172,000	**–**	–	**–**	–
J H Ogden	**16,088**	16,088	**–**	–	**43,771**	43,771
K R Smith	**13,250**	13,250	**8,035,408**	8,911,793	**32,800**	32,800
R J Tindall[1]	**4,800**	4,800	**7,233,252**	7,233,252	**–**	84,738,511
Sir Stephen Tindall	**93,687,096**	93,687,096	**7,986,050**	7,986,050	**9,600**	9,600
E K van Arkel	**14,928**	14,928	**–**	–	**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	(247,698)	To Team Members under the staff share schemes
E K van Arkel and K R Smith as trustees of The Warehouse Management Trustee Company No.2 Limited	October 2014	(1,255,984)	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 to June 2014	979,000	On market purchase of shares for the executive share scheme at an average price of $2.80 per share
K R Smith as a trustee of Salisbury Trust	September 2014	30,000	On market purchase of shares at $3.15 per share
K R Smith as a trustee of Sycamore Settlement Trust	March 2015	4,000	On market purchase of shares at $2.87 per share

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 2 August 2015 were as follows:

	2015	2014
	$	$
A J Balfour	**85,000**	81,000
G F Evans *(retired 22 November 2013)*	**–**	53,000
J W M Journee *(non-Executive Director from August 2014)*	**88,000**	–
J H Ogden	**100,000**	93,000
J L Smith *(retired 22 November 2013)*	**–**	28,000
K R Smith *(Deputy Chairman)*	**119,000**	115,000
V C M Stoddart *(appointed October 2013)*	**91,000**	75,000
Sir Stephen Tindall	**85,000**	83,000
E K van Arkel *(Chairman)*	**166,000**	141,000
Total	**734,000**	669,000

Statutory Disclosures – continued

Subsidiary Company Directors

The following people held office as directors of subsidiary companies at 2 August 2015. Those who retired during the year are indicated with an (R).

Company	Directors
1-Day Limited	L Howard-Willis (R), M Powell
1-Day Liquor	L Howard-Willis (R), M Powell
Bond and Bond Limited	B Moors, K Nickels, M Powell
Boye Developments Limited	K Nickels, M Powell
Diners Club (NZ) Limited	H Halls (R), K Nickels (R), G Hansen, M Laing, J Ogden, M Powell, K Smith, M Yeoman
Eldamos Investments Limited	P Judd, K Nickels, P Okhovat, M Powell
Eldamos Nominees Limited	P Judd, M Powell
Noel Leeming Finance Limited	B Moors, M Powell
Noel Leeming Financial Services Limited	B Moors, K Nickels, M Powell
Noel Leeming Furniture Limited	B Moors, K Nickels, M Powell
Noel Leeming Group Limited	B Moors, K Nickels, M Powell
Pet.co.nz Limited	T Benyon, S Bradley
RRS 2103 Limited	A Greene, P Okhovat
The Book Depot Limited	K Nickels
The Warehouse Card Limited	M Powell
The Warehouse Cellars Limited	P Judd, K Nickels
The Warehouse Investments Limited	K Nickels, M Powell
The Warehouse Limited	M Conelly, P Judd, M Powell, K Smith
The Warehouse Nominees Limited	K Nickels, M Powell
Torpedo7 Limited	S Bradley, M Campbell, G Howard-Willis, L Howard-Willis, P Okhovat, M Powell
Torpedo7 Fitness Limited	A Greene, P Okhovat
Torpedo7 Supplements Limited	A Greene, P Okhovat
TW Money Limited	K Nickels (R), G Hansen, M Laing, J Ogden, M Powell, K Smith, M Yeoman
TW Financial Services Operations Limited	K Nickels (R), G Hansen, M Laing, J Ogden, M Powell, K Smith, M Yeoman
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, K Nickels, N Tuck
TWP No.3 Limited	P Judd, K Nickels, N Tuck
TWP No.4 Limited	B Moors, K Nickels, M Powell
TWP No.5 Limited	B Moors, P Okhovat, M Powell
TWP No.6 Limited	B Moors (R), K Nickels (R), G Hansen, M Laing, J Ogden, M Powell, K Smith, M Yeoman
Waikato Valley Chocolates Limited	T Benyon, N Craig, P Judd, M Razey, H Vetsch
Warehouse Stationery Limited	P Judd, P Okhovat, M Powell

STATUTORY DISCLOSURES // PG 95

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	74	73
110 – 120	66	66
120 – 130	44	44
130 – 140	28	28
140 – 150	26	26
150 – 160	22	23
160 – 170	19	18
170 – 180	13	11
180 – 190	12	11
190 – 200	14	10
200 – 210	9	11
210 – 220	2	2
220 – 230	5	4
230 – 240	3	5
240 – 250	8	6
250 – 260	4	3
260 – 270	3	1
270 – 280	3	2
280 – 290	1	1
300 – 310	1	5
310 – 320	4	2
320 – 330	2	1
330 – 340	2	5
350 – 360	–	3
360 – 370	1	–
370 – 380	2	3
380 – 390	4	2
400 – 410	1	–
410 – 420	1	–
420 – 430	2	–
440 – 450	–	1
450 – 460	1	2
470 – 480	2	–
480 – 490	–	2
490 – 500	–	1
520 – 530	–	2
540 – 550	–	2
550 – 560	1	1
570 – 580	–	1
600 – 610	1	–
610 – 620	–	1
620 – 630	–	1
710 – 720	1	–
720 – 730	–	1
740 – 750	–	1
890 – 900	1	–
1118 – 1128	–	1
1260 – 1270	1	–
1769 – 1779	–	1

Substantial Security Holders

According to notices given to the company under the Financial Markets Conduct Act 2013, as at 2 August 2015, the substantial security holders in the company and their relevant interests are noted below:

	RELEVANT INTEREST	DATE OF NOTICE
James Pascoe Limited	57,030,600	3 March 2015
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

Twenty Largest Registered Shareholders as at 18 September 2015

	NUMBER OF ORDINARY SHARES	PERCENTAGE OF ORDINARY SHARES
Sir Stephen Tindall	**93,687,096**	27.01%
The Tindall Foundation	**73,920,496**	21.31%
James Pascoe Limited	**57,030,600**	16.44%
Cash Wholesalers Limited	**10,373,363**	2.99%
Foodstuffs Auckland Nominees Limited	**10,373,363**	2.99%
Wardell Brothers & Coy Limited	**10,373,363**	2.99%
Citibank Nominees (New Zealand) Limited – NZCSD[1]	**5,451,616**	1.57%
Sir Stephen Tindall, K R Smith and J R Avery (as trustees)	**3,778,149**	1.08%
R G Tindall, G M Tindall, Sir Stephen Tindall and S A Kerr (as trustees)	**3,455,103**	0.99%
HSBC Nominees (New Zealand) Limited – NZCSD[1]	**2,862,119**	0.82%
HSBC Nominees (New Zealand) Limited – NZCSD[1]	**2,112,694**	0.60%
Custodial Services Limited	**1,777,288**	0.51%
JP Morgan Chase Bank NA – NZCSD[1]	**1,733,822**	0.49%
The Warehouse Management Trustee Company No.2 Limited	**1,121,984**	0.32%
JB Were (NZ) Nominees Limited	**1,061,878**	0.30%
FNZ Custodians Limited	**1,021,962**	0.29%
Custodial Services Limited	**896,745**	0.25%
Sir Stephen Tindall, K R Smith and J R Avery (as trustees)	**752,798**	0.21%
Custodial Services Limited	**684,571**	0.19%
The Warehouse Management Trustee Company Limited	**667,174**	0.19%
	283,136,184	81.54%

1 New Zealand Central Securities Depository Limited (NZCSD) is a depository system which allows electronic trading of securities to members. As at 18 September 2015, total holdings in NZCSD were 14,961251 or 4.31% of shares on issue.

Statutory Disclosures – continued

Distribution of Shareholders and Holdings as at 18 September 2015

SIZE OF SHAREHOLDING	NUMBER OF SHAREHOLDERS	PERCENTAGE	NUMBER OF SHARES	PERCENTAGE
1 – 1,000	4,956	41.31%	2,782,208	0.80%
1,001 – 5,000	4,760	39.68%	12,327,014	3.55%
5,001 – 10,000	1,238	10.32%	9,318,234	2.69%
10,001 – 100,000	966	8.05%	24,671,491	7.11%
100,000 and over	77	0.64%	297,744,173	85.85%
	11,997	100.00%	346,843,120	100.00%
Geographical Distribution				
Auckland and Northland	4,780	39.84%	292,200,024	84.25%
Waikato and Central North Island	2,085	17.38%	11,954,204	3.45%
Lower North Island and Wellington	2,025	16.88%	14,091,504	4.06%
Canterbury, Marlborough and Westland	1,253	10.44%	15,680,291	4.52%
Otago and Southland	892	7.44%	3,990,592	1.15%
Australia	806	6.72%	7,156,869	2.06%
Other overseas	156	1.30%	1,769,636	0.51%
	11,997	100.00%	346,843,120	100.00%

Distribution of Bondholders and Holdings as at 18 September 2015

SIZE OF BONDHOLDING	NUMBER OF BONDHOLDERS	PERCENTAGE	NUMBER OF BONDS	PERCENTAGE
5,000 – 9,999	677	30.74%	4,286,000	3.43%
10,000 – 49,999	1,282	58.22%	23,644,000	18.93%
50,000 – 99,999	125	5.68%	7,543,000	6.03%
100,000 – 499,999	97	4.41%	14,549,000	11.64%
500,000 – 999,999	6	0.27%	3,500,000	2.80%
1,000,000 and over	15	0.68%	71,478,000	57.17%
	2,202	100.00%	125,000,000	100.00%
Geographical Distribution				
Auckland and Northland	915	41.55%	31,458,000	25.17%
Waikato and Central North Island	316	14.35%	38,823,000	31.06%
Lower North Island and Wellington	479	21.75%	23,643,000	18.92%
Canterbury, Marlborough and Westland	257	11.67%	3,822,000	3.06%
Otago and Southland	228	10.36%	26,131,000	20.90%
Australia	2	0.09%	542,000	0.43%
Other overseas	5	0.23%	581,000	0.46%
	2,202	100.00%	125,000,000	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 18 September 2015 was 346,843,120 fully paid ordinary shares.

Holders of Each Class of Equity Security as at 18 September 2015

CLASS OF EQUITY SECURITY	NUMBER OF HOLDERS	NUMBER OF SHARES OR RIGHTS
Ordinary Shares	11,997	346,843,120
Share Rights		
– Executive share scheme	67	4,239,000

Statutory Disclosures – continued

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.

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 September 2015, commencing from the 2016 financial year. The Group's new dividend policy is the same as the policy advised to shareholders in 2014 except that the adjusted profit base will be limited to the profits generated from the Retail Group only. The Group's new dividend policy is to distribute between 75% and 85% of Retail Group's adjusted net profit to shareholders. The Group's previous dividend policy was to distribute a dividend based on the adjusted profit for the whole Group, which included losses associated with the Financial Services Group.

On 17 September 2015, the Directors declared a fully imputed final dividend of 5.0 cents per share, bringing the total dividend for the year to 16.0 cents per share. The dividends will be fully imputed at a rate of 28.0 percent and will be paid on 10 December 2015 to all shareholders on the share register at the close of business on 27 November 2015.

The dividends declared for each of the last five financial years were as follows:

Cents per share

DIVIDENDS	2015	2014	2013	2012	2011
Interim	**11.0**	13.0	15.5	13.5	15.5
Final	**5.0**	6.0	5.5	6.5	6.5
Total	**16.0**	19.0	21.0	20.0	22.0

Auditor

PricewaterhouseCoopers have continued to act as auditors of the company and have undertaken the audit of the financial statements for the 2 August 2015 year.

Disciplinary Action

The NZX has taken not 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 $632,000 (2014: $620,000) 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 18 September 2015, for the year ended 2 August 2015, 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

Group Chief Financial Officer
Mark Yeoman

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

Sustainable Business Council
wbcsd New Zealand partner to the World Business Council for Sustainable Development

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.

Certified Emissions Measurement And Reduction Scheme CEMARS ISO 14064-1 certified organisation

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.

FTSE4Good

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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