





This Annual Report is dated 17 October 2016
and is signed on behalf of the Board by:

Sir Stephen Tindall
Founder

Keith Smith
Deputy Chairman

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
25 November 2016 at 10:00am.

FRIDAY
25
November
2016



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The Warehouse

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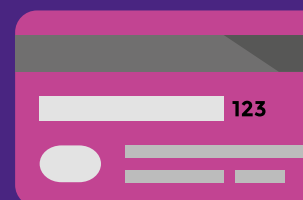
Noel Leeming

Page 24



Financial Services

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Everything in one place



The Warehouse:

**Making the desirable affordable
and the affordable desirable**

— House of Bargains, Home of Essentials

Online
up 30% vs
last year



More than 1 in 4 online customers
choose to pick up in store
showing true omnichannel



The Warehouse Group brings together everything New Zealanders could need or want while continuing to make the desirable affordable. Our customers' needs are being driven by technological and social change, and expectations around delivery and value are increasing.

The Warehouse Group is committed to delivering relevance to our customers and sustainable profitability to our stakeholders. We will continue to build on our vision of a Group that helps Aotearoa New Zealand flourish.



**Noel
Leeming:**

— Making Kiwi Lives Better
Through Technology

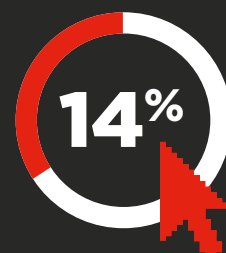
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Appliance, technology
and service stores



**Torpedo7
Group:**

— A diverse group on a
mission to be the best



Online
up 14% vs
last year



Warehouse Stationery:

Our 'Get New Zealand Writing' campaign had 2,700 classrooms taking part with over 80,000 students joining in

80,000
students

No. 1

Destination for
Back to School



Bricks and
mortar stores



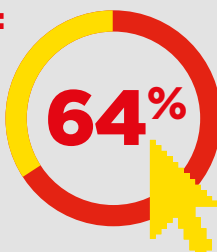
The Warehouse Group:



More than 1 million
Kiwis visit our websites
each month

Noel Leeming:

Online
up 64% vs
last year



Financial Services:

An agile and innovative
financial services business
that puts customers first



167 Schools visited by
the Mobile Learning Centre



The Warehouse Group:

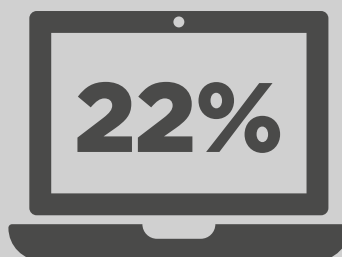
Our combined
unique audience
puts us in the
top 10 websites
in New Zealand



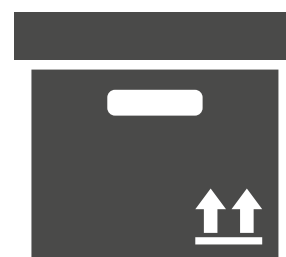
1-day
New Zealand's
#1 Daily Deal
goods site



\$185.8
million
online sales for FY16,
up 22% vs last year



Sent more than
3 million
parcels





Board and CEO's Report

The Warehouse Group has delivered another strong performance, with an Adjusted Net Profit After Tax¹ (Adjusted NPAT) for the financial year ended 31 July 2016 (FY16) of \$64.1 million, which is above the guidance range of \$61-\$64 million indicated to the market. Group retail sales for the year were \$2,924.7 million, up 5.6% compared to last year. What is important to note is that all brands have contributed strong performances, reflecting consistency in The Warehouse and Warehouse Stationery, and improvements in Noel Leeming and Torpedo7.



**Eduard
(Ted) van Arkel**

Our Chairman, Ted van Arkel, retired from the Board on 23 September 2016.

We would like to sincerely thank Ted for his contribution during the five years that he was on the Board, firstly, as a non-executive director and secondly, as Chairman.

As an experienced professional director with significant retail knowledge, coupled with extensive commercial skills, Ted added a breadth and depth to the board where his influence and involvement were greatly appreciated over the years.

49.4%

**Increase in
Reported Net
Profit After Tax**



Nick Grayston
Group Chief Executive Officer

Group Result

For the full year (a return to a normal 52 week period compared with the 53 week period in FY15), the Group Adjusted NPAT was 12.2% higher than last year. The second half of the year brought some challenges in the form of a weaker currency driving up the cost of goods sold, and a late start to what ultimately turned out to be a warm winter. Despite those challenges, the retail group reported 1.5% growth in operating profit for the second half at \$35.4 million compared to \$34.8 million in FY15, which is notable because the second half of FY15 was particularly strong and this year's second half trading period was one week shorter.

This marks the third consecutive half-year where we have delivered profit growth year-on-year, and is part of a growing base of evidence pointing to the turnaround of the business. Sales growth remains strong at 5.6%. Cost control is delivering good profit leverage from that sales growth, already strong employee engagement is increasing, customers are responding well to our product and service strategies, and our physical store refit program is largely complete. Building on these foundations, there is still much opportunity to improve, which is outlined in our strategy below.

Reported Net Profit After Tax was \$78.3 million, up 49.4% on last year, with gains recorded on some property sales (Kaitaia, Hamilton and Gisborne) and business disposals. During the year, the Group sold its interest in pet.co.nz, and acquired the remaining 20% shareholding in Torpedo7 Group and Westpac's 50% shareholding in our financial services joint venture company.

This year, we have streamlined the reporting of our financial statements in line with industry moves to adopt simplified reporting, which is aimed at making the financial statements and their notes more accessible and approachable to users of the accounts. Part of that process has seen us split out the balance sheets for our retail and financial services businesses, now that the financial services business is launched and building scale.

During the year, the Group welcomed Nick Grayston as Group Chief Executive, taking over from Mark Powell in a smooth handover process. The Board has also recently announced the retirement of Ted van Arkel as Chairman of the Board, and the appointment of Joan Withers as incoming Chair, an appointment which took effect after balance date on 23 September 2016.

Segment Performance

The Warehouse (Red Sheds)

A very strong first half year, combined with a solid second half year performance which faced with some currency and weather headwinds, delivered a good overall result with 12.3% profit growth for the year. Same store sales growth in the fourth quarter was up 5.1%, and 4.1% up for the full year.

The Red Sheds continue to focus on improving the product offer, moving more towards an Every Day Low Price strategy in key categories, and delivering excellent customer experience. Particularly strong growth was seen in the core Home, Apparel and Leisure categories. Good cost control and productivity improvement contributed to overall profit improvement.

Warehouse Stationery (Blue Sheds)

Warehouse Stationery delivered a consistently strong result, showing same store sales growth in the fourth quarter of 8.4%, and 6.5% for the full year. Sales growth in Warehouse Stationery translates consistently to profit leverage, with operating profit increasing 12.3% from \$12.7 million in FY15 to \$14.3 million in FY16.

The business delivered record results for this year's Back to School season which was a key focus for FY16, and has relaunched its online offering on an updated platform.

Noel Leeming

Noel Leeming's operating profit was a strong turnaround in performance from a softer FY15 result, increasing 87.6% from \$6.4 million in FY15 to \$12.1 million in FY16. Significant growth in sales overall for the year reflects Noel Leeming's leadership position in key growth categories such as cellular.

The business continues to grow market share with same store retail sales growth in the fourth quarter a very strong 16.7%. The company's focus on people and services continues to drive results in a highly competitive technology and appliances market.

The exit of Dick Smith from the market has consolidated already strong momentum in gaining market share.

Torpedo7 Group

FY16 has seen a positive turnaround in performance for Torpedo7, with operating profit of \$3.4 million a significant improvement on the breakeven result in FY15. Total Torpedo7 sales grew 13.3% in the year. Of particular note this year has been the improved performance of the retail stores and the '1-day' daily deals business.

A new chief executive, Andrew Scott, has been appointed to lead the Torpedo7 Group, after a year of interim leadership while the business searched for a permanent CEO. Thanks in particular to Matt Campbell for leading the business through the first half of FY16.

¹ Certain transactions, which the Group defines as unusual can make the comparisons of profits between years difficult. The Group monitors adjusted net profit which removes unusual items 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. A reconciliation of adjusted net profit to reported net profit is detailed on page 66 in note 5 of the Financial Statements.

Financial Services

The Financial Services business launched to the market in FY16, with a range of retail-oriented Visa credit card products and insurance offers. The acquisition of Westpac's shares in the joint venture company, The Warehouse Financial Services Limited, was also completed. The business recorded an operating loss of \$3.4 million compared to a \$1.8 million loss in FY15, in line with expectations and reflecting the early-stage losses anticipated as the business starts to build scale. Our strategy outlines in more detail where we see the future heading for financial services.

Online

All of the Group's retail brands are trading online. In addition to straight forward home delivery, all brands offer 'click and collect' (order online and pick up in store) and 'endless aisles' (order extended ranges from within smaller stores) services. Total Group online sales were \$185.8 million, up 22.0% compared to last year. The Group includes four of the top ten retailer websites in New Zealand (Nielsen) with online sales now representing over 6% of total Group sales.

Strategy²

The Group has stabilised its performance following a period of investment catch-up that was necessary after a phase of under-investment and sales decline in the late 2000s. The last 18 months show clear signs that the trading results are recovering, which indicates the business foundations and brand strategies are sound. The next phase of our strategy is to build sustainable profit growth, deliver returns on the investments made to date, and position the company to compete strongly in the future.

Our strategy is not a change in direction, it can be better described as a sharpened focus on those essential elements that are critical to the achievement of sustainable profit growth and the success of the business. It builds on the foundations of the past rather than abandoning and reworking the good work that has gone before.

Our strategy can be summarised as a drive to profit growth through operating efficiency, and repositioning the product and service experience to meet changing consumer needs enabled by digital technology.

Changing face of retail

The consumer landscape is changing rapidly as people's lives get busier, and more connected to technologies which increases the complexity, richness and choice of shopping experiences. Technology is not only impacting how customers engage in retail activities, but it is also transforming the businesses who deliver those experiences, enabling more competition from non-traditional players as well as giving rise to different business models and ways to deliver value to customers.

Key trends are emerging in retail as the impact of these changes are felt; the rise of omnichannel which recognises that customers want a seamless experience whether they interact physically or virtually. Data analytics are transforming how retailers understand customer demand and behaviour,

transforming the approach and investment in marketing. Physical space requirements are changing, still reflecting their importance in the channel mix, but requiring a flexibility and adaptability previously not needed. In addition the shopping experience is becoming much more of a focus than the task of putting products into customers' hands.

While the Group has made some good progress addressing these challenges, now it needs to design these as fundamental parts of a successful retail business rather than as adjuncts to a traditional model.

To be successful in the future our retail brands need to:

- Focus on core retail competencies that need evolving
- Simplify their businesses and remove unproductive complexity and cost
- Be fundamentally more agile in being able to adapt to changing customer demand
- Shorten the cycle times in our business to remove risk
- Innovate our marketing activities and mix.

Essentially retail is moving from a supplier-push model to a consumer-pull model and we have to redesign our retail businesses to be able to profitably operate that way.

Both now and in the future we will focus on improving our relevance to customers.

NOW

- Continue to improve our product offer, adjusted range and assortment showing clear value leadership
- Grow our data capability so that we understand better what customers want
- Continue to invest in our staff to deliver the best service and experience to our customers
- Design a more comprehensive customer engagement model into our business.

FUTURE

- Achieve integrated retail leadership in New Zealand, delivering on the promise of omnichannel integration and providing great customer experiences
- Improve and integrate how we 'give back' and support our local communities
- Leverage the strength of the Group better to solve customers' problems.

In order to achieve sustainable profitability we need to:

NOW

- Accelerate changes in our operating model to drive profit:
 - Range and assortment focus in Red
 - Continue our migration to Every Day Low Price (EDLP) in Red
 - Optimise our supply chain and dynamic sourcing to improve cost of goods sold
 - Improve our inventory utilisation and free up working capital
 - Reduce costs

FUTURE

- Reduce complexity and improve efficiency
- Reconfigure the use of physical space across the Group to support omnichannel and reduce costs
- Invest in value and price leadership
- Switch our model from supply-push to customer-pull

² A detailed strategy presentation can be found on www.thewarehousegroup.co.nz.

Brand Strategies

Getting fit – a drive to profit growth through excellent retail fundamentals

Winning the digital future – repositioning the product and service experience to meet changing customer needs and competition, enabled by digital technology

The Warehouse

Helping New Zealand families flourish.

Warehouse Stationery

Providing customers with everything they need to Work, Study, Create, Connect.

Noel Leeming

Making Kiwi lives better through technology.

Torpedo7 Group

Develop each Torpedo7 Group brand to be New Zealand's leading retailer in their respective segment.

Financial Services

To be a leading New Zealand Retail Financial Services Company.

In Summary

The Warehouse Group needs to continue to change and accelerate its performance to be successful in tomorrow's retail and consumer environment. We have made some good progress but now need to focus and bring some additional skills to reposition the business and invest in our digital future. Those investments will be funded from extracting operating cost savings, and represent modest incremental investments, not large, long duration investment projects.

We will focus on execution to extract that value from the business, with our strategy being delivered in market by each brand, supported by some core Group capabilities.

This will enable us to deliver our vision set by Sir Stephen Tindall all those years ago of: *A company that drives sustainable profitability and helps Aotearoa New Zealand to flourish.*

Balance Sheet

The Group remains focused on driving the performance of the current business portfolio, as a consequence M&A activity is limited. We have identified that the Group is not a good owner of small businesses, however successful they may be, and have divested our 50% interest in pet.co.nz. The acquisition of Westpac's share in our joint venture was part of the growth strategy in financial services. That acquisition brought \$57 million of finance receivables onto the balance sheet, and the associated debt financing of \$55 million which has been arranged under a securitization financing plan.

As mentioned above, the financial services balance sheet is disclosed separately as it will be operated under a very different capital structure (a high proportion of debt financing underpinning the lending book) than the retail business. The financial services business has been carved out of any banking and financing covenants in our senior debt instrument, or commercial banking facilities.

We continue to explore incremental property development opportunities (develop, sale and leaseback), which we may fund ourselves or via development partners depending on the scale of the development. The Newmarket property is disclosed as available for sale reflecting the fact that we have been in the market looking for a development partner to redevelop the Newmarket site. Should that project proceed, it will commence in FY17.

Dividend

The Directors are pleased to confirm the final dividend of 5 cents per share, bringing the total dividend for FY16 to 16 cents per share. This is in line with the dividend policy of a distribution between 75% and 85% of the retail adjusted net profit after tax, (excluding financial services). The strategy that has been developed, and is outlined below, has been constructed on the basis of the business self-funding the investment that the strategy requires.

Outlook

As our earnings are significantly influenced by the Christmas trading performance, it is too early to provide specific earnings guidance for FY17. However, the current business performance, coupled with key elements of the Group's strategic plan, should ensure that Adjusted NPAT for the Group in FY17 is above that recorded in FY16.

The challenges that we face over and above the normal challenges expected include increasing competitive activity and pressure; both online as major players strengthen their offers, and offline as global competitors enter the New Zealand market. There are risks around customer demand, influenced by general economic conditions and a push towards higher savings levels, as well as particular factors such as potential slowing of activity linked to the Christchurch rebuild and the Auckland housing market. Global economic volatility is also a relevant input into domestic consumption, investment and funding.

An additional challenge is an internal one – our ability to execute the strategy outlined above. To effect the changes that we are aiming for will require a discipline and focus on execution which is a level above what the business normally experiences. Specific capabilities and approaches will be used to mitigate that risk.



Sir Stephen Tindall
Founder



Nick Grayston
Group Chief
Executive Officer

The Board



Joan Withers
MBA
Chair and Independent
Non-Executive Director



Sir Stephen Tindall
KNZM, Dip.Mgt, FNZIM, CFinstD,
HonD. DCom Honoris Causa
Founder and Non-Executive
Director



Keith Smith
BCom, FCA
Deputy Chairman and
Independent Non-Executive
Director



James Ogden
BCA(Hons), FCA, CFinstD
Independent
Non-Executive Director

TERM OF OFFICE

Appointed Director
23 September 2016

BOARD COMMITTEES:

Member of the Audit Committee, the Disclosure Committee, the Corporate Governance Committee and the People and Remuneration Committee

Joan has been a professional director for 18 years and spent over 25 years working in the media industry previously holding CEO positions at The Radio Network and Fairfax Media. Her current governance roles are Chair of Mercury NZ Limited, Chair of TVNZ and The Warehouse Group Limited and director of ANZ NZ. Joan will step down from the TVNZ role in April 2017 after serving eight years as a director.

Joan is also a Trustee of the Louise Perkins Foundation, and is Chair of a steering committee working to increase the percentage of South Auckland Maori and Pacific Island students taking up roles in the health sector.

She holds a Masters Degree in Business Administration from The University of Auckland and is a University of Auckland Distinguished Alumni (2015). Joan is the author of *A Girl's Guide to Business* which was published by Penguin Books in 1998. She was awarded the New Zealand Shareholders Beacon Award in 2014. In 2015, Joan was named Supreme Winner in the Women of Influence Awards and was named as Chairperson of the Year at the Deloitte Top 200 Management Awards.

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 KIWI, Sir Stephen has invested in more than 100 New Zealand export-oriented technology companies, with the goal to help New Zealand businesses thrive on the world stage.

As a 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.

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 is Chairman of listed company Goodman (NZ) Limited (the Manager of Goodman Property Trust) and is a director of Mercury NZ Ltd, Westland Co-operative Dairy Limited, and several other private companies.

Keith is a past President of the Chartered Accountants Australia and New Zealand.

TERM OF OFFICE:

Appointed director
4 August 2009, last re-elected
2015 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, he is Chairman of Tegel Group Holdings Limited, a director of Summerset Group Holdings Limited, a director of Vista Group International Limited and is a member of the New Zealand Markets Disciplinary Tribunal.

Former directorships include New Zealand Post Limited, and Kiwibank Limited,



Antony (Tony) Balfour
Independent
Non-Executive Director



Vanessa Stoddart
BCom, LLB(Hons), PGDip
in Professional Ethics
Independent
Non-Executive Director



John Journee
BCom, CMInstD
Non-Executive Director



Julia Raue
MinstD, GAICD
Independent Non-Executive
Director

TERM OF OFFICE:

Appointed Director
15 October 2012, re-elected
2015 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 is also an independent director at Les Mills International (the world's leading provider of group fitness programming), Real Journeys Limited (one of New Zealand's leading tourism companies) and Mt Difficulty Wines.

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 Institute of Directors, an honorary fellow of HRINZ and a Companion of IPENZ. Vanessa is an Independent Director for NZ Refinery Ltd and Alliance Group Ltd. She is a board member of the Tertiary Education Commission, the Financial Markets Authority, the Global Women Board and King's College Board and a member of the Audit and Risk Committees for MBIE and DOC.

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 CEO. He is also Chairman of online electricity retailer Powershop, fashion retailer Max Fashions and Managing Director of equipment distributor Southern Hospitality. John has previously been a non-executive director of multichannel retailer Ezibuy.

TERM OF OFFICE:

Appointed Director
23 September 2016

Julia is an Independent Director for Z Energy Limited, TVNZ, Southern Cross Medical Care Society and Jade Software Corporation. She is also a Member of the Risk & Audit Committee for the Treasury.

Previously, Julia was the Chief Information Officer at Air New Zealand (2007-2015) and she was awarded the New Zealand CIO of the Year award in 2009.

Julia is passionate about growing the number of females working in technology and works with a number of institutions to drive awareness of IT as a career.

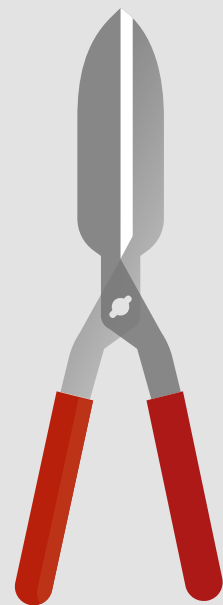
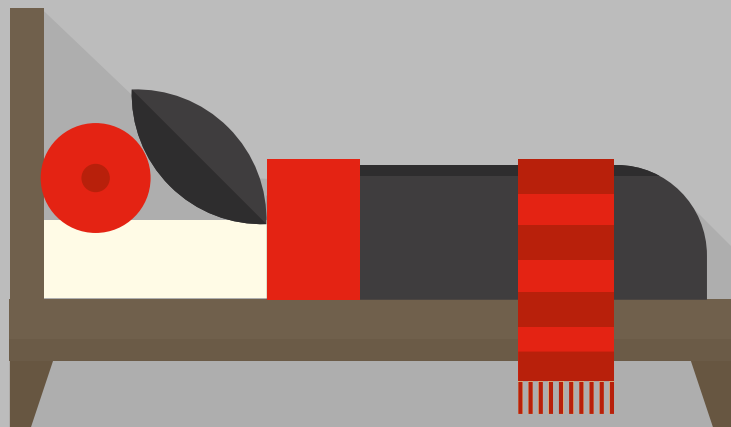
5 Year Summary

	(52 WEEKS)	(53 WEEKS)	(52 WEEKS)	(52 WEEKS)	(52 WEEKS)
	2016	2015	2014	2013	2012
	\$000	\$000	\$000	\$000	\$000
SUMMARY INCOME STATEMENTS					
The Warehouse	1,760,708	1,718,307	1,665,233	1,591,088	1,524,102
Warehouse Stationery	279,155	262,780	250,561	231,838	206,639
Noel Leeming	752,137	665,628	620,520	390,667	-
Torpedo7	148,660	131,231	107,658	24,193	-
Other Group operations	9,166	9,276	14,217	9,688	8,664
Inter-segment eliminations	(25,144)	(16,801)	(9,711)	(7,942)	(7,237)
Retail sales	2,924,682	2,770,421	2,648,478	2,239,532	1,732,168
Finance business revenue	20,352	5,617	2,414	-	-
Total revenue	2,945,034	2,776,038	2,650,892	2,239,532	1,732,168
The Warehouse	89,376	79,600	76,903	85,186	80,874
Warehouse Stationery	14,288	12,723	11,793	10,321	9,844
Noel Leeming	12,050	6,424	11,308	11,011	-
Torpedo7	3,380	34	1,085	656	-
Other Group operations	(7,929)	(5,555)	(4,373)	4,064	5,744
Retail operating profit	111,165	93,226	96,716	111,238	96,462
Finance business	(3,380)	(1,793)	(1,547)	-	-
Equity earnings of associate	723	2,802	3,006	3,464	3,197
Gain on business disposals	9,950	-	-	-	-
Gain on disposal of property	5,533	5,533	16,810	77,368	18,230
Direct costs relating to acquisitions	(479)	-	(1,617)	(2,356)	-
Contingent consideration	675	(977)	5,259	-	-
Goodwill impairment	-	(11,302)	-	-	-
Release of warranty provisions	-	-	-	-	7,355
Earnings before interest and tax	124,187	87,489	118,627	189,714	125,244
Net interest expense	(17,891)	(16,207)	(13,863)	(11,675)	(10,308)
Profit before tax	106,296	71,282	104,764	178,039	114,936
Income tax expense	(23,820)	(20,345)	(26,868)	(28,423)	(24,776)
Profit after tax	82,476	50,937	77,896	149,616	90,160
Discontinued operations (net of tax)	-	-	(642)	(4,288)	-
Minority interests	(4,138)	1,496	496	(580)	(312)
Profit attributable to shareholders	78,338	52,433	77,750	144,748	89,848
ADJUSTED PROFIT RECONCILIATION					
Unusual items (detailed above)	(15,679)	6,746	(20,452)	(75,012)	(25,585)
Income tax relating to unusual items	(2,163)	(941)	2,751	(327)	888
Minority interests	3,614	(1,104)	-	-	-
Discontinued operations (net of tax)	-	-	642	4,288	-
Adjusted net profit	64,110	57,134	60,691	73,697	65,151
THE WAREHOUSE					
Operating margin (%)	5.1	4.6	4.6	5.4	5.3
Same-store sales growth (%)	4.1	1.4	3.2	2.0	2.6
Number of stores	92	92	91	92	89
Store footprint (square metres)	499,547	497,702	494,847	500,769	482,802
WAREHOUSE STATIONERY					
Operating margin (%)	5.1	4.8	4.7	4.5	4.8
Same-store sales growth (%)	6.5	1.4	5.3	2.8	3.0
Number of stores	66	65	63	61	56
Store footprint (square metres)	71,927	70,445	68,194	67,230	64,616
NOEL LEEMING					
Operating margin (%)	1.6	1.0	1.8	2.8	-
Same-store sales growth (%)	14.2	1.0	5.6	-	-
Number of stores	75	78	77	75	-
Store footprint (square metres)	71,169	70,999	69,391	67,972	-
DIVIDEND DISTRIBUTIONS					
Interim (cents per share)	11.0	11.0	13.0	15.5	13.5
Final (cents per share)	5.0	5.0	6.0	5.5	6.5
Ordinary dividends declared (cents per share)	16.0	16.0	19.0	21.0	20.0
Basic earnings per share (cents)	22.7	15.2	24.1	46.7	29.0
Basic adjusted earnings per share (cents)	18.6	16.6	18.8	23.8	21.0

	2016	2015	2014	2013	2012
	\$000	\$000	\$000	\$000	\$000
SUMMARY BALANCE SHEETS					
Inventories	501,713	510,461	492,109	458,109	309,421
Trade and other receivables	150,624	86,361	91,253	69,887	28,455
Creditors and provisions	(347,073)	(315,565)	(328,706)	(315,679)	(171,506)
Working capital	305,264	281,257	254,656	212,317	166,370
Fixed assets	364,673	386,709	353,376	318,653	368,606
Investments	-	2,778	5,541	5,671	6,372
Funds employed	669,937	670,744	613,573	536,641	541,348
Taxation (liabilities) /assets	47,529	25,185	34,071	17,959	(2,823)
Contingent and deferred consideration	(1,000)	(3,250)	(22,316)	(21,759)	-
Goodwill and brand names	125,041	115,818	127,120	95,428	-
Derivative financial instruments	(28,619)	35,358	(7,653)	370	(8,465)
Capital employed	812,888	843,855	744,795	628,639	530,060
Net debt	299,980	299,573	220,878	216,874	212,693
Equity attributable to shareholders	512,741	541,857	519,600	400,029	317,134
Minority interest	167	2,425	4,317	11,736	233
Sources of funds	812,888	843,855	744,795	628,639	530,060
SUMMARY CASH FLOW					
Continuing operating profit	107,785	91,433	95,169	111,238	96,462
Continuing depreciation and amortisation	59,660	58,634	51,349	44,017	41,630
Continuing operating EBITDA	167,445	150,067	146,518	155,255	138,092
Change in trade working capital	35,198	(35,343)	(22,742)	(9,243)	(53,757)
Income tax paid	(28,037)	(22,398)	(37,492)	(40,803)	(31,291)
Net interest paid	(16,495)	(18,662)	(13,351)	(12,270)	(11,714)
Share-based payment expense	3,208	2,114	2,266	2,545	1,616
Discontinued EBITDA	-	-	(872)	(5,748)	-
Loss on sale of plant and equipment	1,141	691	2,282	3,965	1,538
Operating cash flow	162,460	76,469	76,609	93,701	44,484
Capital expenditure	(75,180)	(109,345)	(91,010)	(93,315)	(101,392)
Advances	-	-	(17,901)	(12,071)	-
Advances repaid	-	-	25,013	-	-
Proceeds from divestments	45,870	31,120	27,544	195,572	30,318
Proceeds from equity raise	-	-	114,072	-	-
Dividend from associate	2,695	5,565	3,136	4,165	4,410
Net dividends paid	(58,162)	(59,640)	(58,193)	(69,075)	(62,989)
Employee share schemes	(2,528)	(2,455)	(2,818)	(2,310)	236
Acquisition of subsidiaries and minorities	(74,367)	(20,043)	(80,181)	(116,648)	-
Other items	(1,195)	(366)	(275)	(4,200)	(1,647)
Net cash flow	(407)	(78,695)	(4,004)	(4,181)	(86,580)
Opening debt	(299,573)	(220,878)	(216,874)	(212,693)	(126,113)
Closing debt	(299,980)	(299,573)	(220,878)	(216,874)	(212,693)
FINANCIAL RATIOS					
Operating margin (%)	3.8	3.4	3.7	5.0	5.6
Interest cover (times)	6.3	5.9	7.2	9.8	9.7
Fixed charge cover (times)	2.1	2.1	2.2	2.5	2.8
Net debt/EBITDA (times)	1.3	1.4	1.1	1.1	1.3
Net debt/Net debt plus equity (%)	36.9	35.5	29.7	34.5	40.1
Return on funds employed (%)	16.7	15.0	17.3	21.3	20.4
Capex/Depreciation (times)	1.2	2.0	1.8	2.2	2.6

the **warehouse** //

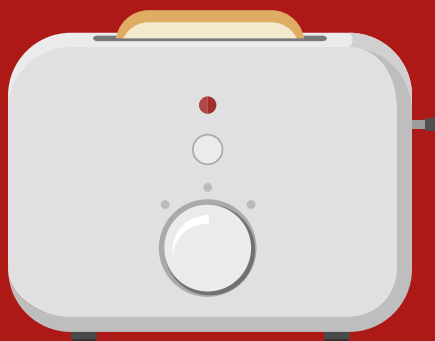
where everyone gets a bargain



4.1%

Same-store
sales growth

12% — Increase
in EBIT
performance





Delivering strong profit performance

- House of Bargains, Home of Essentials

Making the desirable affordable and the affordable desirable. Good progress on strategy while delivering strong profit performance.

The 'Red Sheds' continue to deliver positive same-store sales growth, with an increase of 4.1% for the full year FY16. Continued progress has been made through our key result areas of:

1. Strengthen brand and price positioning
2. Continue to invest in our People
3. Deliver sustainable Sales and Gross Profit Growth
4. Build foundations to be a digital retailer
5. Operate Better, Simpler, Cheaper

Our customers are telling us that our product design, quality and price are improving relative to our competitors.

We are now being recognised more widely as making the desirable affordable and 'helping New Zealand families flourish' through delivering great value for money.



Significant growth in the Leisure category has been a particular standout for the year



Trading performance gathers momentum

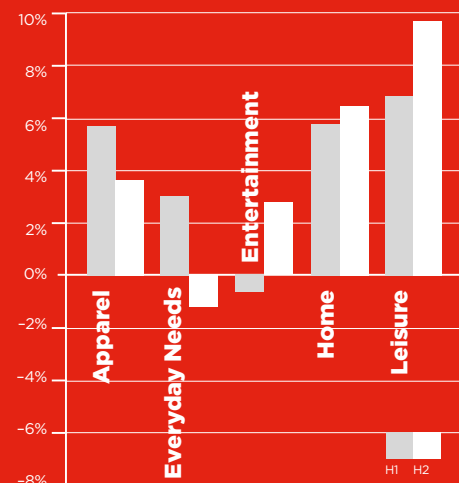
Retail trading conditions were favourable in the first half of the year, but became more challenging into the second half, particularly as a result of changes in currency, increased competitive pricing activity and a later start to the 2016 winter season. Despite this, we finished the 2016 financial year with a 12% increase in EBIT performance for the Red Sheds.

Strong growth in the Leisure, Apparel and Home categories contributed to the overall increase in gross margin percentage over the previous year. The business maintained gross margin percentage versus the prior period, while continuing to invest in favourable prices for our customers, and absorbing the impact of increasing pressure on the imported product as a result of currency movements. Closing inventory is both lower in value and better in quality as compared to the previous year, which has resulted in a reduced negative impact of clearance burn in the current year and establishes an improved starting point for FY17.

Significant growth in the Leisure category has been a particular standout for the year. Like Home and Apparel, the Leisure category performed well as a result of the strong summer season. In addition, a number of sub-categories within the Leisure category have been reset during the period with improved results. These include Hardware, Automotive and Gardening.

Significant focus on cost management and productivity improvements across the business show ongoing positive results, with total costs continuing to reduce as a percentage of sales during the year.

Sales Growth by Category H1 and H2 FY16



'House of Bargains' and 'Home of Essentials'

The Warehouse has continued to extend our range of quality products at leading everyday pricing. Customer feedback has been very positive and has helped to underpin our role in their regular shopping experience.

In addition, we have maintained the excitement through the many successful in-store events that are now part of the DNA of the Red Sheds. Record performance was achieved in Christmas, Fireworks, Back to School and Toy events during the year.

The success of both of our everyday ranges along with these events, has helped our customers to 'get that Bargain feeling' in all that we do.



**'Click and Collect'
and 'Endless
Aisles' are now
well established
in the business**

Customer shopping experience continues to evolve

'Click and Collect' and 'Endless Aisles' are now well established in the business as part of our core strength, underpinning our strong digital capability.

Customers continue to expect more from us as their time and budget are limited. To this end, we remain committed on progress to ensure that we help our customers to be able to find the right product, regardless of the channel through which they choose to shop. By means of our significant global sourcing capability both in China and expanding into other markets, we continue to drive an increased level of direct sourcing in order to deliver products at the best price while maintaining control on quality. As new ranges become available in store, feedback has been very encouraging to date.

Investing in our People and their safety remains core

Our investment in the Career Retail Wage for our store teams and ongoing focus on training and development are reflected in record levels of engagement among our teams across the business.

In terms of Health and Safety, our safety record continues to progress, with measures improving and remaining a key area of focus. We have introduced a number of specific initiatives, including:

- Situational Awareness training to give teams skills to de-escalate conflict situations
- Cross-functional Health and Safety teams that co-ordinate and align the functional areas of focus, and identify companywide issues and solutions
- Lead indicators for Health and Safety through our store network, with monthly updates from each region on the safety conversations the teams have been having in store, which builds awareness and understanding.

Contributing to strong communities is what we do

We recognise the role that we play in many communities throughout New Zealand and the impact that we can have in helping to build stronger communities, in partnership with our customers and many community groups, both large and small. We don't take this role for granted. (Please see pages 40 to 53 for an update on our community activities.)



Our safety record continues to progress, with measures improving and remaining a key area of focus





Replacement stores opened in both Rangiora and Kaitia during the year



Looking forward

Although 2017 will inevitably bring about challenges to trading, we are delivering on our strategies to operate a sustainable business, while delivering strong results to our many stakeholders. We will continue to help New Zealand families flourish, making the desirable affordable.

We continue to respond to customer feedback as to the shopping experience with the Red Sheds and are committed to evolving our store look and feel to enable us to stay relevant as a retailer of choice for New Zealanders. Our store network continues to be refreshed, with replacement stores opened in both Rangiora and Kaitia during the year.

The lower level of investment required, along with strong cost and working capital management, will, we believe, result in improving operating leverage.

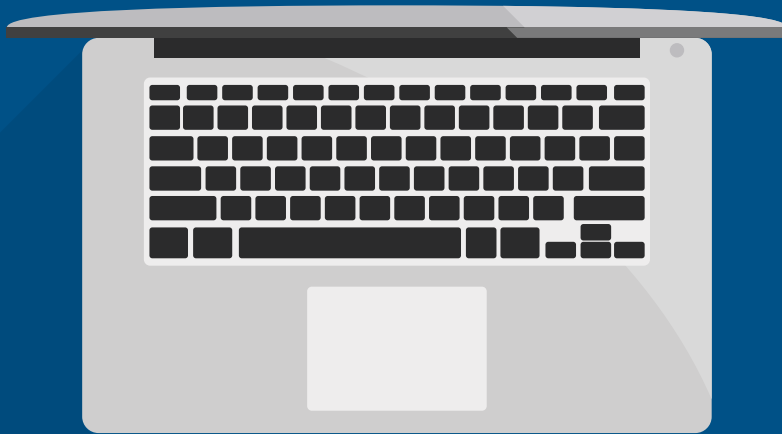
Finally, I would like to acknowledge and sincerely thank all our Red Shed team members around the country for their passion and commitment to make the Red Sheds be the best they can possibly be.

Simon Turner

*Chief Executive Officer
The Warehouse Limited*



warehouse
stationery

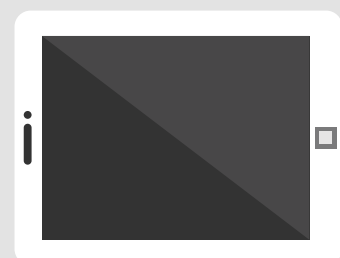


7th consecutive
year of growth,
with sales up

6.2%

Profits up by

12.3%





A record breaking year for Blue

- Everything you need to Work, Study, Create, Connect

Consistently strong results for Warehouse Stationery, which proves our continued commitment to following our customers and providing them with everything they need to Work, Study, Create, Connect.

Customers and our people remain at the heart of what we do and continued same-store sales growth shows we are on the right track.

We are proud to announce our seventh consecutive year of growth, with sales up 6.2% and profits up by 12.3%.

Customers

Key to this success has been responding to our customers' needs and desires, which has resulted in enhanced customer engagement along with increased foot traffic to our stores and an uplift in market share.

Technology and digital continues to invigorate and disrupt the retail industry and this, together with a softening in the core stationery market, increases the need for us to be on top of our game. Understanding our customers is vital, as is engaging with them on a personal level.

Our customers tell us what they want: choice, value and quality, inspiration, ease and convenience, reliability – and knowledge, and value-add services – and our goal is to continue to give them what they want.



Products and services

Product range assortment with innovation and newness has been critical to the success of the year.

'Fashionery' and a resurgence in writing, as well as a focus on key business essentials, have led to increased core stationery sales. We have added a teenager-focused range, 'Banter', to our existing fashionery offer of 'Kookie' and 'Uniti' which has resulted in good sales growth.

In Technology a key highlight has been the extension of brands and range of accessories, which included the introduction of iPhone, Huawei and wearable technology.

The addition of adult colouring to the Art and Craft range generated strong sales growth. A highlight was the production of our own book which included artwork from our many passionate and talented customers. We have had great fun holding Art and Craft evenings in our stores enabling our customers to learn about new products and become creative with our teams and suppliers.

Furniture continues to be a key reason our customers visit our stores and the selection of contemporary ranges for home offices and study spaces has been received well.

In addition, our business customers have enjoyed the opportunity of bespoke furniture options.

We have continued to see high levels of customer engagement with our Print and Copy Centres contributing yet another year of double-digit growth. We have seen business customers appreciating the additional services provided, such as personalised stationery and promotional signage, and creative customers relishing the many additional ways to produce their own artwork. A key driver in this area has been the addition of the popular 'Printicular' app which allows customers to print photos from their phones.

Number 1 destination for Back to School

This year we have delivered an enhanced education offering for both parents and schools, delivering our biggest Back to School campaign ever.

Key to this success was providing parents with choice, an exclusive 'bring your own device' offer, the ability to shop online and the confidence in our Parents' Price Pledge.



80,000

Students joined in our 'Get New Zealand Writing' campaign

Education

Our annual quest to find 'New Zealand's Most Inspiring Teacher' received unprecedented exposure and feedback and it was an honour to be part of recognising the great work that teachers accomplish.

Our congratulations this year goes out to our fantastic winner, Richard Smith, from Wadestown School, Wellington, and to our nine runners-up.

With social media so dominant, it is fantastic that we can highlight our 'Get New Zealand Writing' campaign, which had 2,700 classrooms taking part with over 80,000 students involved. A total of 140,000 postcards were sent out bringing back excitement to writing and receiving mail.

Last year we introduced our Art for Books competition, a great initiative with All Black Keven Mealamu on the judging panel. Three lucky winners had their designs printed on 120,000 limited-edition exercise books which were sold in our stores. The money from the sales of the books was donated to The Warehouse Stationery Scholarship Fund. The Fund is a partnership between The Salvation Army and Warehouse Stationery, providing scholarships for up to six young New Zealanders who aren't able to afford tertiary education.

People

Our people remain our biggest asset and the key to our success. Team engagement remains high and it is the ongoing enthusiasm and commitment from our team members, both in stores and at our support office, that enable us to deliver excellent results for our customers and shareholders.

Team member training has focused on product knowledge, along with providing our customers high-quality experiences; this is reflected in our increased customer satisfaction numbers year-on-year.

For the sixth consecutive year we were a finalist in IBM Kenexa Best Places to Work, maintaining a place in their Hall of Fame. We were also the winners of the 2016 Retail Employer of the Year.

Keeping people safe in our stores is of utmost importance to us and our 'Take Time to Think' programme keeps that front of mind for our teams going forward.

BizRewards

The business market for office supplies and stationery remains highly competitive, and increased levels of engagement with our core B2B customers through the growth of our BizRewards programme has continued to add to our success in this sector. Account sign-up levels have been at an all-time high as businesses choose this smart and rewarding way to shop, resulting in membership numbers up 31% year-on-year.

Another great benefit to our business customers during the year was the introduction of The Meeting Room website with informative blogs, ideas and articles to help them run their businesses more efficiently.

www.meetingroom.co.nz

Store network

Our customers enjoy the easy, fast and friendly experience that they receive in our stores.

We have continued to invest in our physical network, opening two new stores, one in Queenstown and the other at Westgate in Auckland. We also trialled a Pop-Up store during Back to School in Taranaki with great learnings.

Sadly, due to the closure of the Downtown shopping mall in the city of Auckland we closed our Downtown store. However, pleasingly, most of our customers continue to shop with us in the Victoria Street store in the Auckland CBD.

In addition, we refreshed four of our existing stores and continued to add inspiration to the interior of our shops to ensure we provide ongoing unique shopping experiences.

We do know our customers need to be able to shop with us any time they like and the launch of our new website, which includes inspirational ideas for shoppers, made that even easier this year.



66

**Bricks and
mortar stores**

2

**New stores
opening**



Partnering with
you for a
**better
community
and
environment**

\$370,870

**Raised to
support our local
communities
and partners**

**passionate
about making
a difference**



innovative



excellence



passion



team
success



people
focused



accountability



Working with our community

Being a Kiwi brand that is loved and trusted by our customers and community is at the heart of what we do.

Our commitment to and support of our local communities and partners (The Salvation Army, CanTeen and six regional partners) has gone from strength to strength raising funds of \$370,870. (Please see page 47 for a more detailed update.)

Looking forward

Over the next five years, our strategy is to deliver continued profitable growth.

The next horizon will see Warehouse Stationery further develop into becoming a seamless omnichannel retailer, providing our customers with the best one-stop-shop for everything they need to Work, Study, Create, Connect.

We have six key result areas:

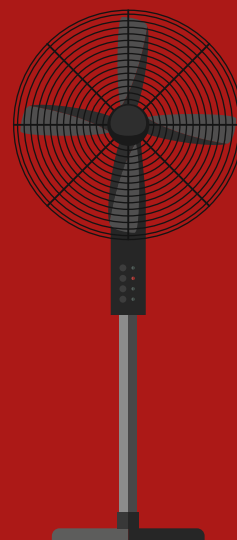
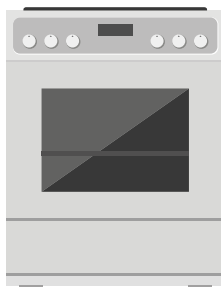
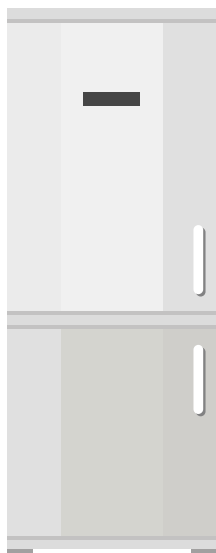
1. **Brand positioning and engagement**
2. **Products and services**
3. **BizRewards and education**
4. **Digital retailing**
5. **Store experience**
6. **Way of Working**

Our continued growth stems from the passion and commitment of our team members and I am incredibly proud and thankful for their extraordinary effort together with their unwavering support.

Pejman Okhovat

Chief Executive Officer

Warehouse Stationery Limited

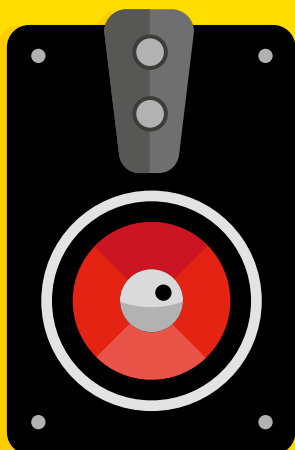


Same-store
sales increased

14.2%

Noel Leeming sales were

\$752.1M





Increased demand improves performance

- Making Kiwi Lives Better Through Technology

Noel Leeming sales were \$752.1 million with same-store sales increasing 14.2% for the year. On a like-for-like basis same-store sales increased by 13.8%. Total sales increased by 13.0% (52 weeks compared to 53 weeks). The second half sales of \$372.3 million were up 11.1% (26 weeks compared to 27 weeks) and same-store sales were up 17.1% (like-for-like 16.6%).

Same-store sales in the fourth quarter were up 16.7%. The strong performance in this quarter reflected continued strong demand for both Whiteware and Communication products, as well as demand for televisions.

Operating profit was \$12.1 million, 87.6% above last year. The second half saw operating profit of \$5.7 million, which was up 39% on the second half last year (\$4.1 million).

Noel Leeming continues to be the market leader, outpacing its competitors and growing market share throughout the year. We have benefited from the exit of Dick Smith Electronics from the market during the year, by gaining market share and incremental sales in the second half.



30

**Connected
solutions zones
operating**



Highlights

myNoelLeeming

We launched myNoelLeeming in December 2015 so that we could offer a more personalised service to our customers. To date, more than 250,000 Kiwis have joined. myNoelLeeming allows customers to manage their purchases, tell us about their product preferences and they also receive invitations to exclusive store and product events. It's all about us offering more to our customers.

Built-in Cooking Centres

We have recently rebranded our Lifestyle Appliance stores to 'Built-in Cooking Centres' (BICC). We now have 21 sites with a full Built-in Cooking offering.

Cellular/Connected Solutions

We have had an excellent year of trading in the Communications category.

Central to this are our Connected Solutions Zones. These zones have dedicated and informed team members who are able to assist customers with both a mobile phone and a plan. This enables customers to compare plans and walk out with a 'working' phone. Connected Solutions complements our strategy of having passionate experts across our business and our strategy of 'product authority'.

We now have 30 Connected Solutions Zones operating across our store network.

Competition

Noel Leeming has maintained its position as market leader throughout the year and we continue to grow market share in a challenging environment.

Dick Smith Electronics exited the market during the year, following the announcement of its receivership.

ALL NEW ZEALAND CUSTOMERS

RIGHT PRODUCT

Best range, first to market, exclusive product

RIGHT PRICE

Great value for money

PASSIONATE PEOPLE

Confident, enthusiastic and likeable we live our values

EXPERT SERVICE

We always deliver over and above service

LEADING SERVICES

Our point of difference end-to-end solutions

PASSIONATE EXPERTS

250,000

Kiwis have joined myNoelLeeming

New and relocated stores

During the financial year, we opened a new store in Kaitaia.

We completed a major redevelopment of our stores in Moorhouse, Christchurch, to become one larger store. We also consolidated our two sites at Riccarton Mall, Christchurch, into one integrated offering.

We consolidated our three clearance stores into one site at Mt Wellington, Auckland, during the year, and combined our two sites in Whangarei into one location.



1

**New store
opened
in Kaitaia**

167

**Schools visited
by the Mobile
Learning Centre**

Community

We recognise the importance of training and support, particularly for younger Kiwis as they embrace new technology.

Our Mobile Learning Centre started travelling around New Zealand in February 2015 and has now visited over 167 schools and engaged with many thousands of students. We continue to be very excited about this initiative, which has seen the Mobile Learning Centre travel around New Zealand visiting decile 1 to 3 primary and intermediate schools.

The Mobile Learning Centre is connecting Noel Leeming and communities by positively impacting on people's lives throughout New Zealand.

Strategy

Our purpose is to 'Make Kiwi Lives Better' through technology.

To do this we will have the right product at the right price, with passionate people providing expert service, together with leading services. These are the pillars of our business – stated simply: Passionate Experts and End-to-End Service.

Our business strategy has six key result areas:

1. Understanding and delighting our customers

It's our desire to ensure that all stores deliver a unique and memorable customer experience. Many of our stores include a Tech Solutions and Open Learning Centre area, a Built-in Cooking Centre and a Connected Solutions Zone.

We are continuing to improve our customer experience with the launch of myNoelLeeming. This is enabling us to personalise the experience we provide to customers. Operating in parallel with our Fly Buys offering, we believe we will be understanding and delighting customers even further in the year ahead.

2. The authority on products

It's important to us that we continue to be 'The Authority' on products. We will be first to market with new products and technology based on the strong relationships we have with our suppliers. We will offer our customers the best product knowledge available.

Supporting this authoritarian position is our deeper understanding of our customers through myNoelLeeming, including their preferences of product categories.

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

3. Passionate experts

We continue to develop our 'passionate experts' that 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.

In conjunction with our suppliers, we have an ongoing programme of product knowledge development for our passionate experts. In the year ahead we will be placing emphasis on specialist areas such as Connected Solutions, Tech Solutions and the Open Learning Centre to further develop the knowledge and expertise of these team members.

We continue to focus on delivering an effective Health and Safety culture, ensuring our team members remain safe in all that they do.

4. Commercial

Our Commercial business continues to grow strongly. We maintain our focus on utilising our resources in different business sectors such as building, hospitality, education, aged care and government. We will continue to build our Commercial business in the year ahead with an emphasis on understanding and delighting our commercial customers.

Our commercial services offering provided by Maclean Technology remains a key differentiator for us going forward.



We will be first to market with new products and technology based on the strong relationships we have with our suppliers





We will 'add value' to our customers in our stores and when visiting their home or business premises



5. Services

Our Tech Solutions offering (Set Up, Install, Deliver and Repair) and our Open Learning Centre (Learn, Discover, Connect and Share) will continue to provide us with competitive advantage in the coming year. Emphasis will be placed on growing awareness of the services we offer and 'connecting' with our customers. We will 'add value' to our customers in our stores and when visiting their home or business premises. We intend to expand our services business while maximising the 'halo' effect of these services in our wider business.

6. Productivity

We will continue to focus on the key resources our business has in inventory, space, labour and promotion, ensuring we are productive in each area. Management of our cost of doing business will remain key to our overall profitability.

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.

I would like to thank our team members and suppliers sincerely for their ongoing support and dedication to our customers. Noel Leeming is a great business and I'm proud of the way we are all delivering on our commitments every day.

Tim Edwards

*Chief Executive Officer
Noel Leeming Group*

Torpedo7

SEE YOU OUT THERE



\$149M

Torpedo7 Group sales

4

Distinct businesses:

**Torpedo7, 1-day.co.nz,
No.1 Fitness and Shotgun
Supplements**





Growth and change drive profit

- A diverse group on a mission to be the best

A year of change and growth was the theme of Torpedo7 Group for the financial year.

The four distinct businesses within the Group – from the ‘See you out there’ culture of Torpedo7, the ‘best prices at midday, every day’ on 1-day.co.nz, and the ‘fitness fanatics’ of No.1 Fitness to Shotgun Supplements – all add to the challenge and complexity of this business. Torpedo7 Group achieved sales of \$149 million which was an increase of 13% on FY15 performance and was underpinned by the strong sales in both Torpedo7 and 1-day.co.nz. No.1 Fitness and Shotgun remain a challenge in some very competitive segments.

Our focus for the next financial year across the Group is to develop each brand to become the leading player in its segment in New Zealand, with specific potential growth opportunities to be explored:

- Building a better digital capability with data at its core, thus enabling our brands to be the leading digital retailers in each of their segments
- Continuous improvement in our ability to run our business more

effectively and efficiently through people and capability, process and system, and technology and tools.

- Torpedo7 will build on a great year of trade by focusing on continuous improvements, and extension of our range of products and services, always with the needs of the customer in mind. Our potential for growth lies in reaching more customers and inspiring and enabling them to get outdoors, regardless of their budgets or ability, and also ensuring they can shop seamlessly and conveniently across any channel.
- 1-day will focus on continued growth in New Zealand with opportunities in database growth, wholesale prices and synergies within The Warehouse Group.
- Our No.1 Fitness and Shotgun key focus areas will continue to be on turning around trading performance through a more aligned customer offering, growing our customer base and improved cost of doing business.

Torpedo7

Torpedo7's year was characterised by increased online intensity and promotional drive in stores. Coupled with a full year of House Brand trading, the business demonstrated Torpedo7's capabilities. Year-on-year sales growth of 24% to \$70 million added challenges to all parts of the business whilst maintaining cost of doing business at a much lower growth rate.

A significant shift in our digital marketing activities with our customer base has proven the benefit of operating an integrated omnichannel business. Event-driven marketing to our email database helped with both brand recognition and store foot traffic as well as growing our database.

The physical stores and the New Zealand online store saw significant growth on last year. The Australian website grew sales too, by over 10% in a very competitive market.

The major IT project of an 'in-house' point-of-sale (POS) system to integrate into the established operating inventory management system was completed in the second half and will allow many efficiencies in the future. This will give the business the ability to be more agile and efficient as we embed new processes to harness this capability.

Introducing new disciplines to Merchandise Planning and Category Management has helped identify the future position of categories and how the House Brand can contribute to our future success. This activity is seen as a catalyst for profitability for FY17 and beyond.

The Torpedo7 House Brand grew to the largest brand in the stable and is set for even greater growth in the coming financial year. The quality of the product is helping build the Torpedo7 reputation as a genuine and credible offering in all categories in which we operate.

Building our community profile saw Torpedo7 join forces with the Hillary Outdoors Education Centres with the aim of giving less fortunate Kiwi kids, who might not otherwise have the opportunity, the chance to grow through adventure and outdoor learning experiences. Our partnership with Hillary Outdoors focuses on youth from lower-decile schools, enabling them to build life skills and experience personal growth.

The future for Torpedo7 is bright. Focus on growing every category we already play in and exploring other opportunities will ensure we stay ahead of the competition. The team has had a year that they can be proud of, but are all aware of the challenge ahead and are ready to take it head-on!

It is fitting to acknowledge the hard work and determination of our team on what has been a very productive year of growth.

See you out there!





1-day.co.nz

As the leading product daily deal site in New Zealand, 1-day.co.nz again grew during the period, achieving an increase of 13% growth in FY16 with a total trading revenue of \$54 million. This performance is a reflection of the passion and the experience of our team in delivering 'best products, best prices, every day at midday' to our customers.

Key areas of focus for the year were around brand awareness, increased product offerings, speed of delivery and overall customer experience.

Increased activity in marketing and getting the brand in front of more people aided in new customer acquisition, to the highest level in several years. Visibility at the National Fieldays and aligning 1-day.co.nz to Ronald McDonald House Charities® helped legitimise 1-day as a genuine offer to the New Zealand public.

The high-speed nature of the 1-day business and the ability to bring great products at great prices to the market quickly are critical to its success. Increasing the broad range of products by opening new supply lines continued to mitigate the business against risks and provide our customers with a greater offering. Coupled with the work done with different distribution models, 1-day has built a sustainable and robust offering for its customers.

Speed of delivery was a major focus for FY16 and this activity continued to drive the reputation of the business to its most loyal customers.

Add to all of this the focus put into the customer service and after-sales service, 1-day is positioned for another positive year.

Based on our track record of growth in a challenging market the outlook for FY17 looks to be strong for 1-day. With a solid team and good resources around them, increased strategic focus around brand awareness, data capability and customer acquisition there is every reason to be optimistic about the coming year's performance.

I would like to extend a special note of thanks to the 1-day team for their contribution in driving the 1-day business and the important role they play in the Torpedo7 Group.

No.1 Fitness

No.1 Fitness has had a challenging year within the fitness equipment sector, which has seen decline in the past 12 months. Some operators have closed down and another major player scaled down their operations in the past 18 months. The expansion of 24/7 cheap subscription gym formats and new fitness trends have been the main impact on the fitness market during the period.

Accordingly, some key categories such as treadmills, elliptical machines, and home gyms within No.1 Fitness experienced reduced sales compared to the previous year. Other categories performed very well to offset some of this impact – especially trampolines, which grew in double digits from last year. New categories such as wearable tech continued to grow, as did weights and bars, yoga accessories and rehab equipment. Much work has also been done on refining brands and categories that are suited to our customers – with the goal of improving availability and selection for shoppers as well as increasing returns through better stock turns and reduced working capital.

From a customer perspective, No.1 Fitness continued to evolve its marketing activities, investing more into digital channels such as Facebook, YouTube and Google while reducing spend and activity through traditional channels. The Call Centre started using a customer relationship management programme for the first time, which will enable improved insights and data to help the customer experience, as workflows and reporting are evolved in the year ahead.

Another focus during the year was on improving efficiencies and a major transition in logistics was completed with the shift from Hamilton back to Christchurch as a hub for importing stock from overseas. The benefits from this change will see reductions in cost of goods sold and operating costs in the new financial year.

Our focus in FY17 will concentrate on evolving our offering to provide a better choice to our customers and drive sales while we continue to improve the efficiency of our business.



**New categories
such as wearable
tech continued
to grow**





**Doubled EBIT
result in 2016**



Shotgun Supplements

Shotgun Supplements rebounded from a challenging year in 2015 to post a doubled EBIT result in 2016. This was due to a combination of delivering both margin improvement and a reduced cost of doing business.

The sports supplements specialty channel continued to see significant price activity and margin erosion as a result of multiple new entrants in 2016, both online and in retail stores. Shotgun was able to combat this through the use of exclusive deals, House Brand development, and the acquisition of a direct supply of a key international brands, as well as good cost control in fulfilment, marketing and back-office activities.

From a product perspective, Shotgun introduced new packaging and products within their House Brands during the year, as well as securing exclusive new product releases from international brands.

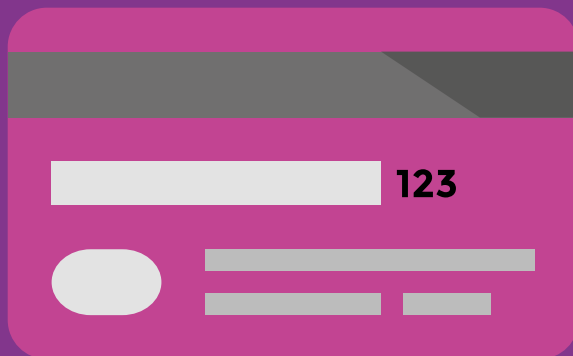
From a customer perspective, the user experience on the website was improved by better search capability, category navigation, and content all introduced in 2016. There is a pipeline of further enhancements to be continued throughout the coming year. Shotgun also increased activity in digital channels, with content produced both in-house and through partnering with international brands for use on Facebook, YouTube and Instagram.

The focus for the year ahead will be on further differentiating Shotgun from the competition through exclusive products, House Brand development, and improving our customers experience, in both fulfilment speed and accuracy and website functionality.

I would like to recognise the commitment of the Shotgun team in working within a challenging sector and remaining passionate and responsive to the market and delivering improved profitability.

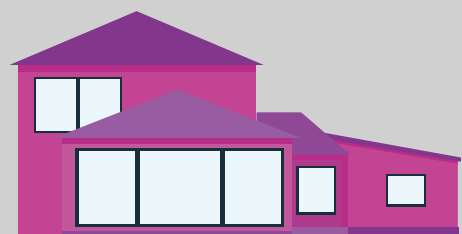
Pejman Okhovat

*Chief Executive Officer
Torpedo7 Group*



**Payment Card
Industry Compliance
Highest Certification
Achieved – Warehouse
Money**

**In FY16, The Warehouse
Group launched its
Financial Services
business to market**





Building on launch

- Leveraging the Group's retail distribution

This has been a year of setting up the business for improvement and efficiency, with systems that enhance our offerings and the experience we give to our broad range of customers.

In FY16, the Warehouse Group launched our Financial Services business to market. This was a significant achievement, made possible by the hard work of our skilled and experienced team as well as through the support of the many business partners who have assisted us. The speed and quality with which we have set up the business has been recognised by industry participants as world class.

We have refined our strategy further for financial services, building on our overarching objective to provide Kiwis with simple, value-driven financial solutions that enhance their everyday lives.

Our key competitive advantage is the ability to integrate and leverage the broader Group's retail distribution businesses, rather than as just another one of many financial services players in the market.

In the past year, we reported a full year net loss before tax of \$7.1 million for our Financial Services business, a figure that is in line with expectations within the first year of our business launching to market.

H1. The first half of FY16 was heavily focused on creating the infrastructure, systems and processes needed to support our new products – The Warehouse Money Visa Card and Purple Visa Card – as well as five new insurance products. We successfully launched our new card products in November 2015.

In addition to our product and platform launch, the first half year also involved two major projects: the acquisition of Westpac's shares in The Warehouse Financial Services Limited joint-venture; and establishing a securitisation funding facility to support our expected asset growth over the coming years.

H2. In the second half of the year, the business transitioned from that of a complex project implementation to an operational financial services business. A major activity has been the transitioning of the old joint-venture customers onto our new card products, and performing the associated customer verification and processing associated with that.

The demand experienced in the early months of our new products and through the joint-venture transition project has placed significant pressure on our customer service desk and operational systems. Pleasingly the systems have performed well, but our customer services levels were not delivered to expectations, and required additional resources and focus throughout the second half to bring service standards back to target. We acknowledge and appreciate the patience of our customers during this period.

Highlights

Alongside the successful launch of the Warehouse Money brand, the Financial Services business has seen a number of highlights in our first year of trading.

CANSTAR 5-Star Award for Warehouse Money purple card

The Warehouse Money Purple Visa Card was awarded a 5-star rating in CANSTAR's annual ratings for Rewards cards in the New Zealand market. The award was for the \$12,000 and under annual spend category. This was achieved within just six months of the product launching to market.

The CANSTAR rating system compares the dollar value of points earned each year with the cost of a card and its annual fees. The CANSTAR rating recognised that the Purple Visa Card offers a high-value combination of both reward returns and features, and outstanding value to customers.

Finalist in the TVNZ NZ Marketing Awards

The launch of Warehouse Money has also been recognised by our selection as a finalist in the TVNZ NZ Marketing Awards. These awards are based on the execution of a strong marketing strategy.

Payment Card Industry compliance

Warehouse Money received the highest certification possible for payments security – within the first year of launching the new Warehouse Money Visa cards.

The certification – named Payment Card Industry Data Security Standard, or PCI-DSS – is a standard assessed by a Qualified Security



**CANSTAR 5-Star
Award for
Warehouse Money
Purple Card**



Assessor (QSA) and endorsed by global payments technology provider Visa, to ensure financial services organisations have all possible controls in place to reduce credit card fraud for their customers.

The compliance certification is confirmation of our ongoing work to ensure our payment card data security is of the highest level from the beginning, so we can protect our customers from any breaches or theft of cardholder data.



Being a growth business, we focus on building our team and capabilities for the future



Lowlights

1. A lowlight for Warehouse Money consequently also provided some good insight into how to build on the success of our launch for our customers. In the months following launch, demand for our products meant our processes for on-boarding customers were tested. This led to longer timeframes than we would have liked to get our cards into our customers' hands. The upside is that the business learnt from these teething problems and established processes – using our Agile methodology – to improve the processing time within a short period.
2. In H2, the business faced a second phase of high demand when transitioning existing customers from the Westpac joint-venture to the new Warehouse Money Visa Card and Purple Visa Card. Once again, customer experience was tested – but processes were immediately put in place to extend the timeframes for transferring customers successfully and expanding our customer experience team member numbers to help with the quantity and quality of enquiries.

Non-financial areas

Being a growth business, we focus on building our team and capabilities for the future. We remain committed to continuing to build a high-performing team and culture that collaborates with the Group, is agile and works together for a common purpose. The opportunity to create an innovative and agile financial services business that puts the customer first is an attractive recruitment and retention platform for people with valuable skills and experience.

The future

FY16 was focused on establishing the foundations for our new business including the launch of our new Warehouse Money Visa cards and insurance offerings. Moving into FY17, our focus will be on developing excellence in customer services, bedding down our systems and processes, continuing to grow our card base, and prioritising our future product roadmap.

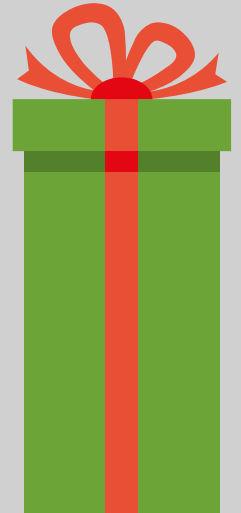
Looking further ahead, we will be aiming to break-even during the FY18 year, which we have set as a key milestone that can be achieved within our existing capital resources.

The establishment and market launch of Warehouse Money has been a highlight of FY16. I would like to thank the many people across the Group who contributed to the success of our launch, in particular the team at The Warehouse Group Financial Services whose dedication and commitment has created a solid foundation for the business. I'd also like to thank those customers who have joined us, and I look forward to delivering some great value services to you in the future.

Mark Yeoman

CEO The Warehouse Group Financial Services

COMMUNITY AND ENVIRONMENT



Worked with
more than
800
charities and
community
organisations

\$4,712,740

Raised and distributed
during our financial year





Helping New Zealand flourish

- Our brands' commitment to the community

Our vision is to help communities throughout New Zealand to flourish and to contribute to a more sustainable country and planet. All businesses within The Warehouse Group share this commitment and the last financial year has seen continuing evolution of each brand's activities.

The relationships we have with many of our community partners have grown well beyond that of purely fundraising to deliver better outcomes for thousands of New Zealanders. Collectively we have worked with over 800 charities and community organisations from Kaitia to Invercargill to help them assist the most vulnerable New Zealanders.

Thanks to company contributions and the continuing engagement and generosity of our customers and suppliers, we raised and distributed \$4,712,740 during the financial year.

We have also developed a bolder environmental strategy to reflect our responsibilities in this area, the results of which will be evident over the coming years.

The Warehouse:

The Warehouse continued to focus on working with organisations that support families and young people in three key areas: education, well-being and youth employment. At a national level we partnered with five leading charities.

Shielded website

One of the most exciting extensions of our community partnerships occurred with Women's Refuge and saw the company being the first business to provide a 'Shielded Website' on our own website that enabled people to access the Women's Refuge site without fear of an abusive partner being able to trace their viewing history. This will make it much safer and easier for people in an abusive relationship to gain the help they need.

We also ran our annual 'Elves on Shelves' programme over the Christmas period when all 92 of our Warehouse stores set up in-store collection bins for community gifts. These gifts were then donated to Women's Refuge, which distributed them to mothers and children families who had to flee their homes due to domestic violence. As many in this situation leave with nothing, the Elves on Shelves campaign helps families to receive some gifts at Christmas from their community during this difficult time.

Wild about conservation

The Warehouse Zoofari Programme saw Orana Wildlife Park join Auckland, Hamilton and Wellington Zoos in this excellent initiative that enables kids from low-decile schools to visit zoos and learn about conservation and the environment, as an integrated part of their school learning programme. Over 7,000 children from Kaitia to Auckland, the Waikato, Wellington, Nelson, Marlborough, Canterbury and Greymouth participated during this financial year.



Variety – The Children's Charity

Providing digital devices to low-decile schools throughout New Zealand through the 'Laptops for Learning' programme because Variety and The Warehouse believe no child should be disadvantaged by lack of access to technology.



Life Education Trust

Funding to continue Life Education's shift to a digital platform and extend the learning experience for Kiwi school children outside of the classroom.



Women's Refuge

Supporting Women's Refuge 'Shero' programme, working with youth organisations and schools to educate young people to become more confident, more assertive and aware of how to deal with family violence.



The Parenting Place

Enabling families in communities throughout New Zealand to attend one of The Parenting Place's life-changing Toolbox parenting courses because The Warehouse believes being a great parent is the most valuable job in the world.



Barnardos

Helping fund the 0800 'What's Up' Helpline.



7,000+

**Children participated in
The Warehouse Zoofari
Programme**



Youth employment

Youth employment is a crucial issue in New Zealand and The Warehouse has been operating its 'Red Shirts in Schools' programme in conjunction with Industry Training Organisation, Service IQ, for many years. The Red Shirts in Schools programme provides Year 11 to 13 students nationwide the opportunity to glimpse into the working world. They are taught about health and safety and customer service skills, all while earning credits towards their NCEA qualifications. Students' report they have increased confidence and self-awareness as a result of partaking in the programme, which provides them with practical work experience and forms a great foundation for their CV. Since it was first launched in 2009, over 7,700 secondary-school students have taken part in this initiative.

The success of this programme has seen The Warehouse partner with the Ministry for Social Development (MSD) to extend access to 18 to 24-year-olds not in education, employment or training. The Red Shirts in Community programme provides 16 to 24-year-olds with a foundation to equip them for future job applications and placements through supported work experience. It allows them to gain insight into the working environment and on completion they are awarded The Warehouse 'RSIC Customer Service Award'. The participants' most common feedback was that their confidence increased tenfold and they had grown as a person. After a pilot in three locations which saw a significant percentage of participants gaining employment, MSD and The Warehouse have extended this programme to other areas and we are excited about the possibilities it has in helping to address the issue of youth unemployment across the country.

Connecting communities

Plunket is an iconic Kiwi organisation that has helped millions of babies thrive over the 108 years of its existence. This year our partnership with Plunket evolved to see us helping connect Plunket with those it sometimes struggles to reach by offering access to Plunket and its services such as mobile clinics and car seat checks in a number of our stores. The success of this pilot will see this programme extended further in the coming year and has encouraged The Warehouse to broaden its 'connecting communities' programme to include a wider range of community organisations in an event to be held in Kaitia in late 2016.

The Warehouse also stocks Plunket-approved car seats ensuring baby's safety and donates between \$5 and \$10 per car seat sold.

Helping at a neighbourhood level

The Warehouse has stores in over 92 locations across New Zealand and we recognise that it is just as important to support the many neighbourhood community organisations that help suburbs, towns and regions thrive as it is to help the large national charities. That's why each of our nine trading regions have their own community partners and that's one of the reasons we operate our 'Bags for Good' programme. This sees the profits from our 10 cent plastic shopping bag charge being used to support local community organisations. The other reason is to reduce the number of plastic bags we use and the programme has seen a 67.3% fall in numbers (2016 compared with 2008).

We also know that it's sometimes difficult for smaller community organisations to gain the profile they deserve. That is where our 'Community Clips' programme comes in. We invite the 552 organisations that were recipients of the 'Bags for Good' programme to submit videos of how the funds The Warehouse has provided them have helped them do their great work and then, using social media, we invite the public to vote for their favourite 'community clip'. This year we received more than 3,000 votes and eight organisations that received the highest number of votes shared prize money of \$10,000 between them. (The videos can be seen via our Group website under 'Community'.)

Helping our team be the best they can be

The Warehouse is committed to helping our team be the best they can possibly be, not only in developing their work skills but also in helping them in their daily lives. This year, we have had over 500 team members participate in a range of programmes covering literacy and numeracy, financial literacy, life planning for over-50s, and well-being. Next year will see us adding parenting skills and identifying and **stopping** domestic violence to our programmes.

Literacy and numeracy

Having completed its third year, the 'Understanding Words and Numbers' literacy and numeracy programme, in partnership with Literacy Aotearoa, has provided real benefits to many of our team members. The programme provides participants with the required skills and knowledge to improve their literacy and numeracy both at work and at home. Those who elected to participate in the programme had the opportunity to obtain NZQA credits. Many team members reported that this initiative gave them a second chance to learn what they didn't have the opportunity to learn while at school. A total of 120 team members have participated in the programme in 2016. "I get to share everything I learn with my family, it had helped us all. Now I can read every day. I can read to my nephew and help him with his homework." – *Team Member, The Warehouse*



67.3%

Fall in plastic bag numbers





30

The Warehouse stores participated in well-being programmes

FIVE WAYS TO WELLBEING



Your time,
your words,
your presence



DO WHAT YOU CAN,
ENJOY WHAT YOU DO,
MOVE YOUR BODY



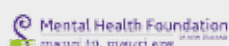
EMBRACE NEW
EXPERIENCES,
SEE OPPORTUNITIES,
SURPRISE YOURSELF



TALK & LISTEN,
BE THERE,
FEEL CONNECTED



REMEMBER
THE SIMPLE
THINGS THAT
GIVE YOU JOY



INTRODUCE THESE SIMPLE STRATEGIES INTO YOUR LIFE AND YOU WILL FEEL THE BENEFITS.

Financial literacy

'You and Your Money' is a financial literacy programme offered to The Warehouse team members in partnership with the Commission for Financial Capability. It covers a range of topics from budgeting to superannuation. This year, over 250 employees have participated in the programme with the benefits not only impacting them but also their families. "I've really enjoyed these sessions and now have a better and smarter way of thinking towards money, debt, life and insurances. These sessions have changed my life. Thank you for sharing, caring and being a part of, not only my life but my whanau's too." - Team Member, The Warehouse

Well-being

In 2014, we began exploring what well-being for our team would look like and how a framework could support them to 'be the best I can be'.

An initial four-store pilot developed into a well-being programme which to date has seen 30 Warehouse stores elect participation.

National and international empirical evidence supports the return on investment in well-being and encourages team members to make healthy choices. This pays dividends with reduced absenteeism, presenteeism and on-site injuries, as well as increased engagement, business profile and productivity.

Store well-being champions and teams, in consultation with team members, identify target areas around nutrition, exercise, smoking cessation and emotional support. Under the umbrella of the Mental Health Foundation's '5 Ways of Well-being', store and external activities are organised to build health literacy capacity for the team, their whanau and the community to improve health outcomes.

Working in partnership with local and national health providers and promoters, The Warehouse stores are leading the way to have workplace health a significant contributor to individual health knowledge and awareness of local health services, with an opportunity to participate in community activities to benefit all. Working with Healthy Families, a Ministry of Health initiative in 10 settings across New Zealand, has enabled our teams to be supported with their well-being programmes at a local level. The Healthy Families initiative is the conduit to ensure those with needs and knowledge gaps can access appropriate services and information.

It has been gratifying to have national government organisations use The Warehouse Well-being Workplace model as an example for other businesses to take up the challenge to utilise the workplace space as a way to inform and encourage better health choices. The positive feedback from our team, our customers and the community will continue to drive innovation as we contribute to solutions for better health outcomes for New Zealanders.

The Warehouse:

NATIONAL FUNDRAISING

AUGUST 2015 TO JULY 2016

\$

Variety – The Children's Charity	291,403
Women's Refuge	325,751
Life Education Trust	287,794
The Parenting Place	264,979
Barnardos	171,000
TOTAL NATIONAL FUNDRAISING	1,340,927
TOTAL REGIONAL FUNDRAISING	764,106

LOCAL FUNDRAISING

AUGUST 2015 TO JULY 2016

\$

Coin boxes	135,441
BBQ Fundraising	384,158
Bags for Good	529,814
Other	41,608
TOTAL LOCAL FUNDRAISING	1,091,021
MISCELLANEOUS	188,928

\$3,384,982

Grand total national, regional and neighbourhood fundraising for 2015/2016

18,000

Students have benefited from the Mobile Learning Centre



National	\$
CanTeen	115,856
The Salvation Army	126,323
TOTAL NATIONAL	242,179
Regional	
Regions 1 and 6 – Scouts	36,183
Regions 2 and 3 – Duffy Books	57,099
Region 4 – Bluelight	16,737
Region 5 – Child Cancer Foundation	18,672
TOTAL REGIONAL	128,691
GRAND TOTAL	370,870

Noel Leeming:

Making a Difference with our Mobile Learning Centre

December 2016 will see the Mobile Learning Centre having visited 200 low-decile schools with over 18,000 students having benefited as a result. We have also helped an additional 12,000 Kiwis develop their technology skills through aged care and holiday events.

The next 12 months will see us launching the Noel Leeming Community Learning programme where every Open Learning Store will partner with a local low-decile school with regular visits from an open learning specialist. We will also be providing quarterly in-store events for teachers from local schools, which will cover everything from robotics to coding 3D printing.



Warehouse Stationery:

Warehouse Stationery's national partnerships with CanTeen and The Salvation Army continued to flourish during the year. CanTeen's mantra is that 'no young person should have to deal with cancer alone and cancer impacts young people well beyond physical illness'. The funds raised by Warehouse Stationery for CanTeen are dedicated to helping those whose education has been affected by cancer 'get back up to speed'.

Our partnership with The Salvation Army helps communities in a number of ways. Many families find 'back to school' a real struggle to make ends meet with all the financial demands that occur and our funds help make this time a little easier for many thousands of people.

Our funding also enables several 'Aspire' programmes to operate across the country helping youth who are struggling to cope with the demands of society by providing them with practical life skills and reinforcing their self-belief.

Working with The Salvation Army, Warehouse Stationery has also established the Warehouse Stationery Scholarship scheme which has funded four young people from across New Zealand to enable them to undertake tertiary education qualifications over a multi-year timeframe. The number of scholarships offered will increase to a minimum of 10 over the coming three years.

Torpedo7 Group:

This year saw one of the newer members of The Warehouse Group, Torpedo7, begin its community partnership with the Hillary Outdoors Education Centre. Our team at Torpedo7 live and breathe the outdoors and want to give others the opportunity to experience this too. During our childhoods, most of us have been privileged to have had an environment and culture that has encouraged this, giving us a love of the outdoors and enriching our lives through travel and adventure. It has become a way of life for us and we have built friendships, communities, marriages and more through our experiences.

The partnership with Hillary Outdoors Education Centre raised \$17,826 over the past year, which enables more than 70 young people from low-decile schools the chance to grow through adventure and outdoor learning experiences. These can often be life-changing for the individual, building skills and resilience with a positive flow-on effect to their school, family and community life.

1-day:

1-day.co.nz has partnered with Ronald McDonald House Charities® (RMHC®) with the aim of helping to provide stability and resources to families when their child is receiving medical treatment.

Ronald McDonald House® provides free accommodation and support services to over 3500 families each year ensuring they are better placed to cope and help their children heal. More than just a place to sleep, these facilities seek to alleviate the emotional, practical and financial burdens a family can face so that they can focus on the most important things - their child's recovery.

Through their efforts and the generosity of their customers, 1-day.co.nz has contributed \$15,000 to the donation of Christmas toys and gifts for all families staying in a Ronald McDonald House®. The team at 1-day also volunteered at the Auckland House to cook a festive Christmas feast allowing families to have a night off cooking their own meals to spend this special time with loved ones. Santa added Christmas cheer too, with a visit on the night and he handed out 1-day presents to the children. Over 1,000 gifts were donated nationwide to all Ronald McDonald Houses for children and their families.

There will be a number of opportunities to assist Ronald McDonald House Charities in the coming year - we are very excited about being able to help raise awareness of such a worthy cause.



1,000+

Gifts were donated nationwide to all Ronald McDonald Houses for children and their families





GROUP FUNDRAISING

AUGUST 2015 TO JULY 2016 \$

The Warehouse Group Gala Dinner (proceeds to The Salvation Army and Variety's Kiwi Next Generation programme)	725,000
Bob Tindall Golf Day (proceeds to CanTeen)	61,000
Payroll Giving	138,062
TOTAL NATIONAL	\$924,062

The Warehouse Group's annual Gala Dinner is a highlight of our community programme

The Warehouse Group:

The Warehouse Group's annual Gala Dinner is a highlight of our community programme. Each year, funds from the dinner are used to support a major social programme facilitated by one or more of our community partners. In 2015, more than \$725,000 was raised on the night for a joint project, 'Kiwi Next Generation', between The Salvation Army and Variety - The Children's Charity.

This two-year programme has been designed to address a group of people who were not finding success in existing programmes. It involves over 700 young people, aged 16 to 18 years by drawing on the skills and experience that the two leading charities bring to the table - specifically Variety's Nurturing and Well-being Programme and The Salvation Army's Education and Employment Programme.

Kiwi Next Generation integrates education, training or employment programmes suited to participants with wrap around support, mentoring and other services. This maximises the likelihood that each young person will complete the programme and attain further education or employment, enabling them to move to their next step of development.



Environment:

FY16 Greenhouse Gas Emissions

This year is the second year of reporting the greenhouse gas (GHG) emissions generated by all the major Group businesses: The Warehouse, Warehouse Stationery, Noel Leeming, Torpedo7, and Financial Services. We have achieved Certified Emissions Measurement and Reduction Scheme, (CEMARS®) certification for these emissions, which recognises our commitment to managing and reducing our GHG emissions. To receive CEMARS® qualification, our GHG emissions and emissions reduction plans were independently reviewed and audited.

The Group's top emissions activities are electricity (34.0% of emissions), international shipping (31.9%), and domestic freight (9.9%), which includes road, rail and sea freight. International shipping emissions are reported for the products we directly source from overseas; we do not include international shipping emissions for products sourced within New Zealand (our suppliers are responsible for these emissions). Overall, Group emissions rose 2.8% to 41,105 tonnes of carbon-dioxide equivalent (CO₂e). This increase makes our 2020 emissions target (see below) more challenging, requiring significant savings over the next three years.

The Warehouse generates 78.0% of the Group's emissions, reflecting their greater store footprint and sales within the Group. In addition, The Warehouse directly sources the greatest proportion of products from overseas, and so has a significantly greater amount of international shipping emissions. The Warehouse's emissions grew 3.6% last year, driven largely by emissions increases from international shipping and air travel. This growth offset emission reductions from improved control over the vehicle fleet (moving to more efficient vehicles and better management of fuel purchasing), reduced landfill, and improved domestic logistics with rail freight reducing considerably with a minimal impact on road freight. Electricity emissions fell slightly, partially due to reduced heating needs of stores as a result of the warmer winter. We began to implement highly efficient LED lighting in a small number of stores from November, though this would have a minimal impact on emissions – greater results will be seen in the future as we expand this to more stores.

Warehouse Stationery's emissions grew 1.1%, largely due to increases in electricity and air travel, which offset significant reductions in emissions from our vehicle fleet and air-conditioning systems emissions.

Noel Leeming's emissions grew 2.9% as a result of increased emissions from air travel. A significant reduction in emissions from air conditioning systems reflects an improvement in the information used to calculate these emissions.

Torpedo7's emissions fell 5.5% with the greatest reduction in company vehicle fuel. This decrease reflected vehicle policy changes, which has caused a very small increase in employees' private mileage claim emissions.

Emissions from Financial Services fell 37.4%, from an already low level. The emissions reductions primarily came from travel and vehicle use.

During FY16, we reviewed our current emissions targets, replacing them with ambitious, 'science-based' target of a reduction (on FY15) of 10.0% by 2020 and 32.0% by 2030. A science-based target is one that provides the level of emissions reductions necessary to keep the global temperature increase below 2°C by 2050 – the level at which the most significant impacts of climate change would be mitigated. This is the level nations internationally committed to at the 2015 United Nations Climate Change Conference, COP 21.

To achieve these targets The Warehouse Group is focusing on two key steps. The first one is to reduce the amount of energy we use by eliminating inefficient use; for example replacing inefficient lighting with efficient lighting or making sure we utilise shipping containers fully by not shipping partially empty containers. The second step is then substituting to less carbon-intensive energy sources; for example, on-site power replacing grid power, or electric forklifts replacing LPG-powered ones. Extensive research has been done to identify and prioritise activities in both steps based on their potential impact on emissions. The following activities have been prioritised for FY17 to FY20: continued roll-out of LED lighting systems, improved electricity monitoring and management, improved sea-freight container utilisation, conducting and acting on site energy audits, and minimising standby appliance power.

While we have been developing our emissions targets and identifying our priority activities, we have still continued to work on reducing our emissions. Many of the activities in the past year have focused on putting in place the policies and processes to realise future emissions savings.

In FY16, we began to implement highly efficient LED lighting, which will provide our greatest source of emissions reductions over the next few years. For The Warehouse stores, switching to LED required comprehensive testing as we sought an LED technology that would provide bright enough lighting for our larger stores, and be dimmable to reduce output when more natural light was available through roof skylights. In November 2015, we switched on our first stores with full LED lighting at The Warehouse and Noel Leeming in Kaitia. Since then, LED lighting has been installed in four more Warehouse stores and will be used in all future lighting upgrades. The previous lighting technology, T5, is in 55 of our Warehouse stores and will be replaced with LED when this lighting reaches the end of its financial life.

We are also working on electricity savings through improved monitoring and management of electricity at site level. Systems are in place to monitor electricity trends to identify under- and over-performing stores so corrective actions can be established to prevent electricity being inefficiently used.

Changes are being made to where we ship products into the country and how we move them around nationwide. We are currently expanding our South Island Distribution Centre in Canterbury, allowing us to ship more products directly to the South Island.



We are committed to adopting electric vehicles in the future and recently installed two electric vehicle-charging stations at our Support Office

This reduces the amount of products shipped from the North to the South Island, saving on road and inter-island sea-freight emissions. In addition, we are working with the Sustainable Business Council together with several other New Zealand businesses on improving freight efficiency solutions through reverse logistics, moving to lower emission modes of freight, like sea and rail, and strengthening transportation procurement requirements.

A small but important source of emissions is those coming from our own leased fleet of passenger and delivery vehicles. All new vehicles must meet the highest European Union vehicle emission standards, currently 'Euro 6', the highest emissions standard internationally. These standards ensure that any vehicles, petrol or diesel, are both fuel-efficient and have the latest technologies to clean exhaust emissions. Because of a limited range of Euro 6 vehicles available locally, it is not possible for all of our vehicles to be Euro 6; these vehicles must be Euro 5.

We do not have any electric vehicles in our fleet, as the current range available in New Zealand is not suitable. We are committed to adopting electric vehicles in the future and recently installed two electric vehicle-charging stations at our Support Office.

Partnering with ChargeNet, we have a public charger at The Warehouse's Albany store. We are considering others for several more of our Red Sheds.



Environmentally sustainable sourcing

We want to help our customers live more sustainably by giving them peace of mind that the products they are buying have been sourced in an environmentally sustainable manner. We started this journey in FY15 with our Wood Product Sourcing Policy which covers any product that contains wood or wood pulp – from paper products to pencils to furniture. This policy commits us to improve the sustainability of these products by only sourcing those which meet stringent sustainability standards.

During FY16, we introduced our Palm Oil Sourcing Policy which covers any product that contains palm oil (or a palm oil derivative). Palm oil is an ingredient in a wide range of product categories, most common in food, pet food, household cleaning products, personal care, health and beauty, and automotive cleaning products and additives. This policy commits us to ensure that any palm oil ingredients come from certified sustainable sources.

We have also begun developing a policy prohibiting the use of microplastics in health and beauty, personal care, and cleaning products. Microplastics are minuscule balls of plastic, often called microbeads, which are used in products for functions such as abrasion (exfoliation), bulking or controlling viscosity. The plastics are washed down the drain after use and sewer systems cannot capture them, and they consequently end up in the ocean as pollutants and are often eaten by sea creatures.

Beyond these sourcing policies, over the medium term we will be focusing on better understanding of the ingredients in our products, particularly in the food, health and beauty, household cleaning products, and personal care categories. This understanding will enable us to identify any ingredients that are potentially harmful to the environment – either in their manufacture or in use – and replace them with safer ingredients.

Plastic bags and recycling

In FY16, The Warehouse Stores ordered 14.2 million plastic checkout bags, 548,000 or 3.7% less than last year. Customers can now recycle these plastic bags in-store in some locations, together with other 'soft' plastics like bread bags, cereal bags and other food packaging. These are all items that customers cannot readily recycle at home. The Warehouse is part of a voluntary, industry-led initiative that enables customers to recycle these plastics in special recycling bins in our stores. The soft plastics recycling programme launched in Auckland in October 2015, and has since expanded to Hamilton and Canterbury, with Wellington beginning in October 2016 and Dunedin in early 2017. By 2018, the scheme will cover most parts of the country.

As at July 2016, the scheme had collected over 40 tonnes (approximately 10.5 million pieces of plastic), which has significantly exceeded expectations. The plastics collected through the programme are recycled into a range of items, mainly plastic 'timber' products that are used for park benches and walkways. Customers recycling their plastic checkout bags helps reduce their environmental impact and to achieve even more we also encourage The Warehouse customers to switch to using reusable bags. We do this by drawing customers' attention to reusable bags with our annual The Warehouse Reusable Bag Design competition. The competition attracts hundreds of environmentally inspired designs, with the winning design printed on reusable bags sold in store.

Waste and recycling

We take reducing our waste seriously, because it is important for both the environment and the business. Over the past year, we have focused on improving recycling at our stores in small towns as they typically have the most limited recycling services. We can now recycle more materials at these stores, and these materials are collected from stores where historically they were freighted to recyclers in the major centres. Avoiding this freighting reduces road-freight emissions because rather than a store sending a single load on a truck, our recyclers' pick up multiple loads in the area and freight all of it at once.

Nationally, recycling of polystyrene and hard plastics (particularly plastic numbers 5, 6 and 7) remains a challenge. In the past 12 months, we have had some recyclers stop taking these materials. However, we are continuously investigating new solutions for recycling these waste products.

Implementing better recycling services is one of two fundamental parts of reducing landfill with the other being engaging stores to recycle more. Over the past year, we have been strengthening our processes of engaging stores by providing greater information on the impact of landfill, together with waste audits and best-practice examples. This is reinforced by transparent reporting and senior management consistently highlighting the importance of reducing landfill. The impact of this engagement has been significant in many parts of the Group and has seen reductions of up to 30% in some locations.

GHG Emissions Breakdown

Tonnes of carbon dioxide equivalent (CO₂e)

	The Warehouse			Warehouse Stationery			Noel Leeming			Torpedo7			Financial Services			Total		
	FY16	FY15	CHANGE	FY16	FY15	CHANGE	FY16	FY15	CHANGE	FY16	FY15	CHANGE	FY16	FY15	CHANGE	FY16	FY15	CHANGE
Shipping	12,048	10,795	11.6	643	717	-10.4	0	0	-	411	450	-8.6	-	-	-	13,102	11,962	9.5
Electricity	10,571	10,649	-0.7	1,227	1,163	5.5	1,862	1,875	-0.7	262	247	6.1	36	38	-4.9	13,958	13,972	-0.17
Road freight	2,455	2,415	1.7	139	126	10.6	17	23	-27.9	79	93	-15.4	-	-	-	2,689	2,656	1.2
Employee air travel	2,251	1,812	24.2	378	294	28.4	794	399	98.9	178	208	-14.3	-	11	-100.0	3,601	2,724	32.2
Landfill	1,224	1,413	-13.4	160	178	-10.4	261	255	2.2	46	61	-23.9	-	-	-	1,691	1,907	-11.4
Rail freight	1,249	1,472	-15.1	115	120	-4.8	-	-	-	-	-	-	-	-	-	1,363	1,592	-14.4
Company-owned vehicles and lifts	881	1,101	-20.0	20	34	-40.2	1,144	1,207	-5.2	14	64	-78.6	7	21	-64.3	2,066	2,426	-14.8
GHG losses from air-conditioning systems	865	844	2.5	18	40	-54.5	7	189	-96.5	-	-	-	-	-	-	890	1,074	-17.1
Courier freight	521	482	8.1	60	62	-3.7	83	107	-22.6	864	842	2.6	-	-	-	1,528	1,493	2.3
Employee private km claims	159	134	18.6	23	16	45.5	26	22	19.8	6	5	32.8	3	4	-31.6	217	180	20.4
Total emissions	32,222	31,116	3.6	2,783	2,752	1.1	4,193	4,076	2.9	1,862	1,970	-5.5	46	73	-37.4	41,105	39,998	2.8
Total emissions per \$m sales	18.30	18.11	1.1	9.97	10.47	-4.8	5.58	6.12	-9.0	12.52	15.01	-16.6	-	-	-	11.60	14.39	-19.5



Statistics

		The Warehouse	Warehouse Stationery	Noel Leeming	T7G	Total
Landfill						
kg total	2016	2,321,209	269,013	420,437	110,814	3,121,474
	2015	2,383,683	322,096	381,225	138,515	3,225,518
	2014	2,481,645	587,679	338,660	na	3,407,984
AVERAGE						
kg per \$m sales	2016	1,318	964	559	745	897
	2015	1,387	1,226	573	1,056	1,060
	2014	1,490	2,345	546	na	1,460
Store electricity						
kWh total	2016	67,416,524	8,723,446	13,239,335	1,865,900	91,245,205
	2015	67,949,942	7,865,957	13,312,421	1,744,219	90,872,538
	2014	67,168,416	8,545,690	15,479,178	na	91,193,284
AVERAGE						
kWh per m ² per month	2016	11.28	10.93	14.35	10.41	11.74
	2015	11.31	9.94	16.38	9.74	11.84
	2014	11.18	10.44	19.32	na	13.65
GHG						
CO ₂ e total	2016	32,222	2,783	4,193	1,862	41,060
	2015	31,116	2,752	4,076	1,970	39,914
	2014	29,819	2,972	4,339	na	37,130
AVERAGE						
CO ₂ e per \$m	2016	18.30	9.97	5.58	12.52	11.60
	2015	18.11	10.47	6.12	15.01	12.43
	2014	17.91	11.86	6.99	na	12.25
Plastic bags ordered - The Warehouse						
			% YOY CHANGE		% CHANGE ON '08	
Total	2016	14,178,000	-3.7%		-67.3%	
	2015*	14,726,000	25.6%		-66.0%	
	2014	11,722,000	-73.0%			
	2008*	43,370,500				
Total per \$m	2016	8,052	-6.0%		-71.6%	
	2015*	8,570	21.7%		-69.8%	
	2014	7,039				
	2008*	28,347				

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

*2015 restated upwards from 14,202,000 due to error in data originally provided

A significant waste stream for the North Island Distribution Centre is wooden pallets. We reuse as many as possible but always have an excess as well as many broken, unusable pallets. These pallets are now taken by Reharvest, which fixes as many of the broken pallets as possible with the unfixable ones processed into garden bark that is sold at The Warehouse stores nationwide.

Another waste stream we have started to investigate is team member uniforms. Every year, the Group orders over 15,000 new uniforms, with the old uniforms going to landfill. To identify recycling options we are collaborating with textile consultancy The Formary and Air New Zealand, Fonterra, New Zealand Post, and SkyCity. This collaborative project, still in its early stages, has identified common textile fibre types and it is now consolidating information on the most appropriate recycling technologies to support current and future textile recycling. Once the project is complete, the findings will be available publicly to encourage other organisations to recycle textiles.

October 2016 will see the inaugural The Warehouse Great Community Clean-up. This event, in partnership with Neighbourly, encourages The Warehouse team members and Neighbourly members to volunteer their time to clean up their local communities.

The future

During the past few months, we have been developing new strategies to direct our efforts over the next few years. Strategies have been developed for carbon emissions and eco products and services, with others being created in the near future on customer engagement, waste and recycling, and product stewardship.



HEALTH AND SAFETY

OUR 5 STRATEGIC KEY RESULTS AREAS



LEADERSHIP

Ensure leaders know how to lead to keep our people safe and well

WELLNESS

Create an environment where workplace wellness takes priority

INTEGRATION AND SIMPLIFICATION

H&S systems and processes using data for targeted injury and wellness initiatives

RISK AND COMPLIANCE

Managing our risks and compliance obligations

PARTNER WITH BUSINESSES AND CUSTOMERS

Partner with like-minded businesses and our customers to drive step change in understanding of safety practices in New Zealand





Positive health & safety outcomes

The Group has continued to focus its energies on Health and Safety. This year, both the Health and Safety Strategy and our Key Result Areas (KRAs) have been reviewed and refined to ensure that we focus on the activities that lead to positive health and safety outcomes for the Group.

We have made solid progress against our goals. We remain committed to providing a safe environment for our team, customers, contractors and visitors. Strong, visible leadership is key to achieving our goals.

The first half of the year was focused on embedding initiatives and changes across the Group. A key focus area was incident reporting, especially near-miss incident reporting. This reporting focus saw associated rises in our injury rates and increases in near-miss reporting which enables us to identify and respond to the root causes of injuries. The Health and Safety team also focused on working with the business and the Board to understand and plan for the new Health and Safety legislation and its potential impact on the Group.

The second half of the year focused on bringing Health and Safety into the business decision-making processes earlier to ensure that safety is factored into initiatives. This has resulted in a number of successful outcomes that balance the needs of the business with keeping people safe.

The Warehouse's Westgate store has been used as a Health and Safety innovation store where new initiatives are trialled by team members who provide feedback on their impact.

We are pleased that the second year of our Health and Safety Culture survey shows an increase in our performance score over the year as well as significant increases in some of the key questions concerning health and safety activities. Our improved performance is particularly pleasing as our survey partner reports that most companies experience a decline in performance in year two. We retained our ACC Partnership Programme Tertiary status following an audit that was conducted in our Dunedin and Invercargill stores.

The Business and the Health and Safety team are pleased with the progress that has been made throughout the year. While we are disappointed that we have not seen the reduction in incidents, we are confident that we are on the right track, as the Culture Survey indicates, and we expect to see a decrease in incidents during FY17. We believe this is a consequence of increased reporting.



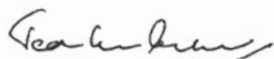
The Warehouse Group Limited Financial Statements

**for the 52 week period
ended 31 July 2016**

Financial Statements

FOR THE 52 WEEK PERIOD ENDED 31 JULY 2016

The financial statements have been presented in a style which attempts to make them less complex and more relevant to shareholders. The note disclosures have been grouped into six sections: 'basis of preparation', 'financial performance', 'operating assets and liabilities', 'financing and capital structure', 'financial risk management' and 'other disclosures'. Each section sets out the significant accounting policies in grey text boxes applied in producing the relevant notes, along with details of any key judgements and estimates used. The purpose of this format is to provide readers with a clearer understanding of what drives financial performance of the Group.



Eduard (Ted) van Arkel
Chairman



Keith Smith
Deputy Chairman

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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 1140.

These financial statements have been approved for issue by the Board of Directors on 22 September 2016.

Consolidated Income Statement

FOR THE 52 WEEK PERIOD ENDED 31 JULY 2016

		(52 WEEKS)	(53 WEEKS)
	NOTE	2016	2015
		\$000	\$000
Retail sales		2,924,682	2,770,421
Finance business revenue	3.1	20,352	5,617
Total revenue	2.1	2,945,034	2,776,038
Cost of retail goods sold	8.1	(1,966,510)	(1,854,669)
Other income	3.2	8,858	8,268
Lease and occupancy expense	3.3	(148,916)	(147,192)
Employee expense	3.4	(483,812)	(449,887)
Depreciation and amortisation expense	2.2	(59,660)	(58,634)
Other operating expenses	3.5	(187,209)	(182,491)
Operating profit	2.1	107,785	91,433
Unusual items	5.0	15,679	(6,746)
Equity earnings of associate	15.3	723	2,802
Earnings before interest and tax		124,187	87,489
Net interest expense (excluding finance business interest received)	10.2	(17,891)	(16,207)
Profit before tax		106,296	71,282
Income tax expense	4.1	(23,820)	(20,345)
Net profit for the period		82,476	50,937
Attributable to:			
Shareholders of the parent		78,338	52,433
Minority interests	11.4	4,138	(1,496)
		82,476	50,937
Basic earnings per share	6.0	22.7 cents	15.2 cents
Diluted earnings per share	6.0	22.6 cents	15.1 cents

Consolidated Statement of Comprehensive Income

FOR THE 52 WEEK PERIOD ENDED 31 JULY 2016

		(52 WEEKS)	(53 WEEKS)
	NOTE	2016	2015
		\$000	\$000
Net profit for the period		82,476	50,937
Items that may be reclassified subsequently to the income statement			
Movement in derivative cash flow hedges		(64,480)	43,360
Movement in de-designated derivative hedges		605	(2,623)
Tax relating to movement in hedge reserve		17,885	(11,406)
Other comprehensive income		(45,990)	29,331
Total comprehensive income		36,486	80,268
Attributable to:			
Shareholders of the parent		32,348	81,764
Minority interest	11.4	4,138	(1,496)
Total comprehensive income		36,486	80,268

The above consolidated income statement and statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheets

AS AT 31 JULY 2016

		CONSOLIDATED		RETAIL GROUP		FINANCIAL SERVICES	
	NOTE	2016	2015	2016	2015	2016	2015
		\$000	\$000	\$000	\$000	\$000	\$000
ASSETS							
Current assets							
Cash and cash equivalents	10.1	49,881	32,195	36,531	28,327	13,350	3,868
Finance business receivables	8.3	73,565	14,228	-	-	73,565	14,228
Trade and other receivables	8.2	77,059	72,133	72,434	71,550	4,625	583
Available for sale property	9.1	52,277	-	52,277	-	-	-
Inventory	8.1	501,713	510,461	501,713	510,461	-	-
Derivative financial instruments	12.2	621	39,127	621	39,127	-	-
Taxation receivable	4.2	-	2,250	-	803	3,352	1,447
Total current assets		755,116	670,394	663,576	650,268	94,892	20,126
Non-current assets							
Property, plant and equipment	9.1	271,043	355,095	269,791	353,879	1,252	1,216
Intangible assets	9.2	166,394	147,432	120,218	120,482	46,176	26,950
Investments	15.3	-	2,778	-	2,778	-	-
Investment in finance business		-	-	76,797	45,527	-	-
Derivative financial instruments	12.2	738	164	738	164	-	-
Deferred taxation	4.3	49,597	22,935	47,304	20,692	2,293	2,243
Total non-current assets		487,772	528,404	514,848	543,522	49,721	30,409
Total assets	2.3	1,242,888	1,198,798	1,178,424	1,193,790	144,613	50,535
LIABILITIES							
Current liabilities							
Borrowings	10.1	125,202	117,164	125,202	117,164	-	-
Trade and other payables	8.4	271,308	256,499	264,424	252,113	6,884	4,386
Derivative financial instruments	12.2	25,133	51	25,133	51	-	-
Taxation payable	4.2	2,068	-	5,420	-	-	-
Provisions	8.5	58,915	44,423	58,108	43,801	807	622
Total current liabilities		482,626	418,137	478,287	413,129	7,691	5,008
Non-current liabilities							
Borrowings	10.1	164,534	214,604	164,534	214,604	-	-
Securitised borrowings	10.1	60,125	-	-	-	60,125	-
Derivative financial instruments	12.2	4,845	3,882	4,845	3,882	-	-
Trade and other payables	8.4	-	1,000	-	1,000	-	-
Provisions	8.5	17,850	16,893	17,850	16,893	-	-
Total non-current liabilities		247,354	236,379	187,229	236,379	60,125	-
Total liabilities	2.3	729,980	654,516	665,516	649,508	67,816	5,008
Net assets		512,908	544,282	512,908	544,282	76,797	45,527
EQUITY							
Contributed equity	11.2	357,685	358,215	357,685	358,215	-	-
Reserves	11.3	(18,816)	26,488	(18,816)	26,488	-	-
Retained earnings		173,872	157,154	173,872	157,154	-	-
Investment in finance business		-	-	-	-	76,797	45,527
Total equity attributable to shareholders		512,741	541,857	512,741	541,857	76,797	45,527
Minority interest	11.4	167	2,425	167	2,425	-	-
Total equity		512,908	544,282	512,908	544,282	76,797	45,527

The above consolidated balance sheets should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

FOR THE 52 WEEK PERIOD ENDED 31 JULY 2016

		(52 WEEKS)	(53 WEEKS)
	NOTE	2016	2015
Cash flows from operating activities		\$000	\$000
Cash received from customers		2,944,555	2,774,126
Payments to suppliers and employees		(2,745,746)	(2,665,960)
Income tax paid		(28,037)	(22,398)
Interest paid		(16,495)	(18,524)
		154,277	67,244
Loans repaid by finance business customers		148,306	88,395
New loans to finance business customers		(140,123)	(79,170)
Net cash flows from operating activities		162,460	76,469
Cash flows from investing activities			
Proceeds from sale of property, plant & equipment and computer software		39,488	31,120
Proceeds from business disposal		6,382	-
Dividend received from associate	15.3	2,695	5,565
Purchase of property, plant & equipment and computer software		(75,180)	(109,345)
Contingent and deferred acquisition consideration		(1,575)	(20,043)
Acquisition of minority interest	11.4	(9,800)	-
Acquisition of subsidiaries, net of cash acquired	15.2	(4,363)	-
Other items		3	299
Net cash flows from investing activities		(42,350)	(92,404)
Cash flows from financing activities			
Proceeds from / (Repayment of) retail borrowings		(41,825)	62,395
Proceeds from / (Repayment of) securitised borrowings		1,496	-
Net proceeds received on senior bond reissuance		-	22,811
Repayment of finance leases		(1,402)	(1,440)
Purchase of treasury stock	11.2	(2,531)	(2,754)
Treasury stock dividends received		280	188
Dividends paid to parent shareholders		(55,920)	(59,432)
Dividends paid to minority shareholders		(2,522)	(396)
Net cash flows from financing activities		(102,424)	21,372
Net cash flow		17,686	5,437
Opening cash position		32,195	26,758
Closing cash position	10.1	49,881	32,195

Reconciliation of Operating Cash Flows

FOR THE 52 WEEK PERIOD ENDED 31 JULY 2016

		(52 WEEKS)	(53 WEEKS)
	NOTE	2016	2015
Net profit		\$000	\$000
Non-cash items		82,476	50,937
Depreciation and amortisation expense	2.2	59,660	58,634
Goodwill impairment	9.2	-	11,302
Share based payment expense	3.4	3,208	2,114
Interest capitalisation		621	235
Movement in deferred tax	4.3	(7,977)	(4,230)
Movement in de-designated derivative hedges		436	(1,889)
Share of profit from associate	15.3	(723)	(2,802)
Total non-cash items		55,225	63,364
Items classified as investing or financing activities			
Gain on sale of property, plant and equipment		(4,392)	(4,842)
Gain on business disposal	15.1	(9,950)	-
Direct costs relating to acquisitions	15.2	479	-
Contingent consideration		(675)	977
Supplementary dividend tax credit	4.2	425	468
Total investing and financing adjustments		(14,113)	(3,397)
Changes in assets and liabilities			
Trade and other receivables		(3,681)	(10,290)
Finance business receivables		(2,327)	4,808
Inventories		7,851	(18,352)
Trade and other payables		18,054	(8,176)
Provisions		15,471	(3,401)
Income tax		3,504	976
Total changes in assets and liabilities		38,872	(34,435)
Net cash flows from operating activities		162,460	76,469

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

FOR THE 52 WEEK PERIOD ENDED 31 JULY 2016

	NOTE	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 52 week period ended 31 July 2016								
Balance at the beginning of the period		365,517	(7,302)	23,551	2,937	157,154	2,425	544,282
Net profit for the period		-	-	-	-	78,338	4,138	82,476
Movement in derivative cash flow hedges		-	-	(64,480)	-	-	-	(64,480)
Movement in de-designated derivative hedges		-	-	605	-	-	-	605
Tax relating to movement in hedge reserve	4.2, 4.3	-	-	17,885	-	-	-	17,885
Total comprehensive income		-	-	(45,990)	-	78,338	4,138	36,486
Contributions by and distributions to owners								
Share rights charged to the income statement		-	-	-	3,208	-	-	3,208
Share rights vested		-	2,001	-	(2,522)	521	-	-
Dividends paid	7.1, 11.4	-	-	-	-	(55,495)	(3,522)	(59,017)
Treasury stock dividends received		-	-	-	-	280	-	280
Purchase of treasury stock		-	(2,531)	-	-	-	-	(2,531)
Purchase of minority interest	11.4	-	-	-	-	(6,926)	(2,874)	(9,800)
Balance at the end of the period		365,517	(7,832)	(22,439)	3,623	173,872	167	512,908
		(note: 11.2)	(note: 11.2)	(note: 11.3)	(note: 11.3)		(note: 11.4)	
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
Profit for the period		-	-	-	-	52,433	(1,496)	50,937
Movement in derivative cash flow hedges		-	-	43,360	-	-	-	43,360
Movement in de-designated derivative hedges		-	-	(2,623)	-	-	-	(2,623)
Tax relating to movement in hedge reserve	4.2, 4.3	-	-	(11,406)	-	-	-	(11,406)
Total comprehensive income		-	-	29,331	-	52,433	(1,496)	80,268
Contributions by and distributions to owners								
Share rights charged to the income statement		-	-	-	2,114	-	-	2,114
Share rights vested		-	4,250	-	(2,886)	(1,364)	-	-
Dividends paid	7.1, 11.4	-	-	-	-	(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: 11.2)	(note: 11.2)	(note: 11.3)	(note: 11.3)		(note: 11.4)	

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Notes to and forming part of the Financial Statements

FOR THE 52 WEEK PERIOD ENDED 31 JULY 2016

1.0 BASIS OF PREPARATION

1.1 Reporting entity

The Warehouse Group Limited (the Company) and its subsidiaries (together the Group) trade in the New Zealand retail and financial services sectors. The Company is a limited liability company incorporated and domiciled in New Zealand. The Group is registered under the Companies Act 1993 and is an FMC Reporting Entity under Part 7 of the Financial Markets Conduct Act (FMCA) 2013. The address of its registered office is Level 8, 120 Albert Street, PO Box 2219, Auckland 1140. The Company is listed on the New Zealand Stock Exchange (NZX).

1.2 Compliance statement

These financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP), FMCA 2013 and NZX listing rules. They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The financial statements also comply with International Financial Reporting Standards (IFRS).

1.3 Basis of preparation

The measurement basis adopted in the preparation of these financial statements is historical cost, as modified by the revaluation of certain assets and liabilities at fair value. The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand, unless otherwise stated.

The principal accounting policies applied in the preparation of these financial statements are set out in the accompanying notes where an accounting choice is provided by NZ IFRS, is new or has changed, is specific to the Group's operations or is significant or material. Where NZ IFRS does not provide any accounting policy choice, the Group has applied the requirements of NZ IFRS but a detailed accounting policy has not been specifically included.

The Group has presented separate balance sheets for the finance and retail segments as part of the primary financial statements. This is a non GAAP financial measure however, the Group has presented the information as it monitors the funding of the finance business separately from the retail operations and to aid in the understanding of how these business segments are structured. The consolidated balance sheet is the sum of each of the balance sheet line items for the retail group and financial services group adjusted for inter group elimination entries.

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. A list of material subsidiaries at year end is listed below.

NAME OF ENTITY	PRINCIPAL ACTIVITY	CHANGE	NOTE	PERCENTAGE OWNERSHIP	
				2016	2015
The Warehouse Limited	Retail			100	100
Warehouse Stationery Limited	Retail			100	100
Noel Leeming Group Limited	Retail			100	100
Torpedo7 Limited	Retail	Minority purchase	11.4	100	80
RRS 2013 Limited	Retail	Minority purchase	11.4	100	80
Torpedo7 Fitness Limited	Retail	Minority purchase	11.4	100	80
Torpedo7 Supplements Limited	Retail	Minority purchase	11.4	100	80
TW Financial Services Operations Limited	Financial Services			100	100
The Warehouse Financial Services Limited	Financial Services	Acquisition	15.2	100	49
Diners Club (NZ) Limited	Financial Services			100	100
TW Money Limited	Financial Services			100	100
Eldamos Investments Limited	Property			100	100
The Warehouse Nominees Limited	Investment			100	100
TWP No.3 Limited	Retail / Wholesale			100	100

1.4 Reporting period

These financial statements are for the 52 week period 3 August 2015 to 31 July 2016. The comparative period is for the 53 week period 28 July 2014 to 2 August 2015. The Group operates on a weekly trading and reporting cycle which means most financial years represent a 52 week period. However, a 53 week year will occur once every five to six years and this occurred in the comparative period.

1.5 Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires the Group to make judgements, estimates and assumptions that effect the reported amounts of assets and liabilities at balance date and the reported amounts of revenues and expenses during the year. Judgements and estimates which are material to the financial statements are found in the following notes:

- (a) Inventory (note 8.1)
- (b) Derivative financial instruments (note 12.2)
- (c) Intangible assets (note 9.2).

Notes to the Financial Statements – Financial Performance

FOR THE 52 WEEK PERIOD ENDED 31 JULY 2016

2.0 SEGMENT INFORMATION

2.1 Operating performance

	NOTE	REVENUE		OPERATING PROFIT		RETAIL OPERATING MARGIN	
		2016	2015	2016	2015	2016	2015
		\$000	\$000	\$000	\$000	%	%
The Warehouse		1,760,708	1,718,307	89,376	79,600	5.1%	4.6%
Warehouse Stationery		279,155	262,780	14,288	12,723	5.1%	4.8%
Noel Leeming		752,137	665,628	12,050	6,424	1.6%	1.0%
Torpedo7		148,660	131,231	3,380	34	2.3%	0.0%
Other Group operations		9,166	9,276	(7,929)	(5,555)		
Inter-segment eliminations		(25,144)	(16,801)	-	-		
Retail Group		2,924,682	2,770,421	111,165	93,226	3.8%	3.4%
Financial Services Group		20,352	5,617	(3,380)	(1,793)		
		2,945,034	2,776,038	107,785	91,433		
Unallocated (expenses) / revenue							
Unusual items	5.0			15,679	(6,746)		
Equity earnings of associate	15.3			723	2,802		
Earnings before interest and tax				124,187	87,489		
Net interest expense (excluding finance business interest received)	10.2			(17,891)	(16,207)		
Net profit before taxation for the year				106,296	71,282		
Attributable to:							
Retail Group				113,412	74,159		
Financial Services Group				(7,116)	(2,877)		
Net profit before taxation for the year				106,296	71,282		

Operating segments

The Group has four operating segments trading in the New Zealand retail sector and a financial services business. 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.

Each of the four retail segments represent a distinct retail chain, synonymous with its segment name. Customers can purchase product from the retail chains either online or through the Group's physical retail store network. The Group's store network currently has 92 (2015: 92) The Warehouse stores, 66 (2015: 65) Warehouse Stationery stores, 75 (2015: 78) Noel Leeming stores and 12 (2015: 12) Torpedo7 stores. The Warehouse predominantly sells general merchandise and apparel, Noel Leeming sell technology and appliance products, Torpedo7 sells sporting equipment and, as the name indicates, Warehouse Stationery sells stationery. The Financial Services business is a credit card company which offers credit to its customers through both an in-house 'Warehouse' branded credit card and a 'Diners Club' credit card operated under a franchise agreement with Diners Club International. The Group monitors the funding of the finance business separately from the retail operations and to aid in the understanding of how these business segments are structured, the Group has presented separate balance sheets for these two segments as part of the primary financial statements.

2.2 Capital expenditure and depreciation

	NOTE	CAPITAL EXPENDITURE		DEPRECIATION & AMORTISATION	
		2016	2015	2016	2015
		\$000	\$000	\$000	\$000
The Warehouse		41,301	35,844	41,105	41,072
Warehouse Stationery		5,296	6,739	6,578	6,713
Noel Leeming		6,875	13,152	7,484	6,342
Torpedo7		781	3,866	1,240	1,286
Other Group operations		10,156	43,816	1,803	2,357
Retail Group		64,409	103,417	58,210	57,770
Finance business		9,017	14,827	1,450	864
Total Group		73,426	118,244	59,660	58,634
Comprising					
Property, plant and equipment	9.1	56,360	96,211	53,135	52,147
Computer software	9.2	17,066	22,033	6,525	6,487
Total Group		73,426	118,244	59,660	58,634

2.3 Balance sheet information

	NOTE	TOTAL ASSETS		TOTAL LIABILITIES	
		2016	2015	2016	2015
		\$000	\$000	\$000	\$000
The Warehouse		481,322	491,532	183,502	165,841
Warehouse Stationery		78,021	83,298	33,084	32,742
Noel Leeming		154,374	152,841	103,548	92,682
Torpedo7		49,504	50,804	10,870	14,843
Other Group operations		150,886	173,093	9,378	7,699
Retail Group		914,107	951,568	340,382	313,807
Finance business		102,903	31,963	7,691	5,008
Operating assets / liabilities		1,017,010	983,531	348,073	318,815
Unallocated assets / liabilities					
Cash and borrowings	10.1	49,881	32,195	349,861	331,768
Derivative financial instruments	12.2	1,359	39,291	29,978	3,933
Associate investment	15.3	-	2,778	-	-
Intangible goodwill and brands	9.2	125,041	115,818	-	-
Taxation assets / liabilities	4.2, 4.3	49,597	25,185	2,068	-
Total Group		1,242,888	1,198,798	729,980	654,516

Notes to the Financial Statements – Financial Performance

FOR THE 52 WEEK PERIOD ENDED 31 JULY 2016

3.0 INCOME AND EXPENSES

Retail sales

Retail sales are recognised at the point of sale when the customer receives the goods or delivery takes place. Retail revenue from the sale of goods is recognised at the fair value of the consideration received or receivable, net of returns, discounts and excluding GST.

Finance business revenue

Revenue from card commissions is recognised at the point of transaction at services establishments. Membership fees are recognised on a time apportionment basis over the membership period.

Lease expense

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.

Employee expense

The employee entitlements expense includes wages and salaries, performance based compensation and share based compensation paid or accruing to team members. Details of how these entitlements are calculated are found in notes 8.5 and 14.0.

3.1 Finance business revenue	2016	2015
	\$000	\$000
Commission	5,532	1,975
Interest received	10,346	2,241
Other	4,474	1,401
Finance business revenue	20,352	5,617

3.2 Other income	2016	2015
	\$000	\$000
Tenancy rents received	5,621	5,328
Other	3,237	2,940
Other income	8,858	8,268

3.3 Lease and occupancy expense	2016	2015
	\$000	\$000
Operating lease costs	115,976	113,886
Other occupancy costs	32,940	33,306
Lease and occupancy expense	148,916	147,192

3.4 Employee expense	2016	2015
	\$000	\$000
Wages and salaries	456,723	438,995
Directors' fees	754	734
Performance based compensation	23,127	8,044
Equity settled share based payments expense	3,208	2,114
Employee expense	483,812	449,887

3.5 Other operating expenses	2016	2015
	\$000	\$000
Other operating expenses include		
Provision / (Recovery) for bad and doubtful debts	2,484	(736)
Loss on disposal of plant and equipment	1,141	691
Donations	747	632
Net foreign currency exchange (gain) / loss	117	(77)
Auditors' fees		
Auditing the Group financial statements	562	535
Reviewing the half year financial statements	90	89
Other services	274	55
Total fees paid to PricewaterhouseCoopers	926	679

Audit Fees – Corporate Governance

Fees paid to PricewaterhouseCoopers for other services related to treasury policy advice and digital services advice. In accordance with the Group's policies regarding audit governance and independence this work was approved by the Group's Audit Committee. The Group's policy permits the audit firm to provide non-audit services that are considered to be not in conflict with the preservation of the independence of the auditor subject to Audit Committee approval.

Notes to the Financial Statements – Financial Performance

FOR THE 52 WEEK PERIOD ENDED 31 JULY 2016

4.0 TAXATION

A reconciliation between the tax expense recognised in the income statement and tax expense calculated in accordance with the statutory income tax rate is detailed below.

4.1 Taxation – Income statement	NOTE	2016	2015
		\$000	\$000
Profit before tax		106,296	71,282
Taxation calculated at 28%		29,763	19,959
Adjusted for the tax effect of:			
Goodwill impairment		-	3,165
Capital gain on business disposals		(2,652)	-
Contingent consideration		(189)	274
Equity earnings of associate		(202)	(785)
Share based payments		339	(598)
Non deductible expenditure		1,039	1,236
Depreciation adjustment on building disposals		(3,708)	(2,490)
Income tax over provided in prior year		(570)	(416)
Income tax expense		23,820	20,345
Income tax expense comprises:			
Current year's income tax payable	4.2	31,797	24,575
Deferred taxation	4.3	(7,977)	(4,230)
Income tax expense		23,820	20,345

Income taxation

The income tax expense 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.

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.

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.

The following table details the movement in income tax receivable during the current and prior year.

4.2 Taxation – Balance sheet current taxation	NOTE	2016	2015
		\$000	\$000
Opening balance		2,250	3,226
Current year's income tax payable	4.1	(31,797)	(24,575)
Acquisition of subsidiary		(814)	-
Net taxation paid		28,037	22,398
Transfer from cash flow hedge reserve		(169)	733
Supplementary dividend tax credit		425	468
Closing balance		(2,068)	2,250

The following table details the major deferred income tax liabilities and assets recognised by the Group and the movements during the current and prior year.

4.3 Taxation – Balance sheet deferred taxation	NOTE	INVENTORY	RECEIVABLES	PROPERTY, PLANT, SOFTWARE AND EQUIPMENT	EMPLOYEE PROVISIONS	DERIVATIVES	OTHER	TOTAL
		\$000	\$000	\$000	\$000	\$000	\$000	\$000
For the 52 week period ended 31 July 2016								
Opening balance		11,118	1,988	2,809	12,295	(9,893)	4,618	22,935
Charged / (credited) to the income statement	4.1	1,486	(1,031)	6,192	549	-	781	7,977
Net charged to other comprehensive income		-	-	-	-	18,054	-	18,054
Acquisition of subsidiary		-	561	-	-	-	70	631
Closing balance		12,604	1,518	9,001	12,844	8,161	5,469	49,597
For the 53 week period ended 2 August 2015								
Opening balance		10,286	2,365	(1,753)	11,792	2,247	5,908	30,845
Charged / (credited) to the income statement	4.1	832	(377)	4,562	503	-	(1,290)	4,230
Net credited to other comprehensive income		-	-	-	-	(12,140)	-	(12,140)
Closing balance		11,118	1,988	2,809	12,295	(9,893)	4,618	22,935

Notes to the Financial Statements – Financial Performance

FOR THE 52 WEEK PERIOD ENDED 31 JULY 2016

5.0 ADJUSTED NET PROFIT

Adjusted net profit reconciliation	NOTE	2016	2015
		\$000	\$000
Adjusted net profit		64,110	57,134
Add back: Unusual items			
Gain on business disposals	15.1	9,950	-
Direct costs relating to acquisitions	15.2	(479)	-
Gain on property disposals		5,533	5,533
Goodwill impairment	9.2	-	(11,302)
Contingent consideration		675	(977)
Unusual items before taxation		15,679	(6,746)
Income tax relating to unusual items		(1,545)	(1,549)
Income tax expense related to depreciation adjustment on building disposals		3,708	2,490
Unusual items after taxation		17,842	(5,805)
Minority interest		(3,614)	1,104
Net profit attributable to shareholders of the parent		78,338	52,433

Certain transactions can make the comparison of profits between years difficult. The Group uses adjusted net profit as a key indicator of performance and considers it provides a better understanding of underlying business performance and the Group also uses it as the basis for determining dividend payments. Adjusted net profit makes allowance for the after tax effect of unusual items which are not directly connected with the Group's normal trading activities. The Group defines unusual items as any profits from the disposal of properties or investments, goodwill impairment, direct costs and contingent consideration adjustments relating to the acquisition of subsidiaries.

Unusual Items

- The gain on business disposals represents, firstly, a gain on the notional sale of The Warehouse Financial Services Limited in September 2015 (\$5.200 million) and secondly, the gain on the sale of the business assets of Pet.co.nz (\$4.750 million). The details of these two transactions and associated acquisition costs are found in note 15.0.
- The gain on property disposals during the year related to 3 store (2015: 2) properties and surplus land (2015: nil), sold for a combined consideration of \$37.426 million (2015: \$30.350 million) and realising a pre-tax profit of \$5.533 million (2015: \$5.533 million).
- A goodwill impairment expense was recognised last year for Torpedo7. Difficult trading conditions and below expectation financial performance from the business unit resulted in the Group reassessing the value of its investment in Torpedo7 and revising the carrying value to a lower reassessment of recoverable value.
- Adjustments to the amount of contingent consideration payable or paid are treated as gains and losses in the income statement. The current year gain represents the lower than estimated final settlement of amounts payable for the Insight acquisition (acquired September 2012). In the previous year the expense related to an upward revision in the amount payable for the R&R Sport acquisition (acquired September 2013). 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 post acquisition deliverables.

6.0 EARNINGS PER SHARE

Earnings per share calculation	NOTE	2016	2015
Net profit attributable to shareholders of the parent (\$'000s)		78,338	52,433
Adjusted net profit (\$'000s)	5.0	64,110	57,134
Basic			
Weighted average number of ordinary shares (net of treasury stock) on issue ('000s)		344,737	345,129
Basic earnings per share (cents)		22.7	15.2
Adjusted basic earnings per share (cents)		18.6	16.6
Diluted			
Weighted average number of ordinary shares (net of treasury stock) on issue adjusted for unvested share rights ('000s)		347,086	347,533
Diluted earnings per share (cents)		22.6	15.1
Adjusted diluted earnings per share (cents)		18.5	16.4

Earnings per share (EPS) is the amount of post-tax profit attributable to each share. Basic EPS is calculated by dividing net profit attributable to shareholders by the weighted average number of ordinary shares (net of treasury stock) outstanding during the year.

Diluted EPS adjusts for any commitments the Group has to issue shares in the future that would decrease the basic EPS. The Group has two types of dilutive potential ordinary shares (performance share rights and award share rights – refer note 14.0). Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of the share rights.

Adjusted basic EPS and adjusted diluted EPS are similarly calculated using adjusted net profit as the numerator.

Notes to the Financial Statements – Financial Performance

FOR THE 52 WEEK PERIOD ENDED 31 JULY 2016

7.0 DIVIDENDS

7.1 Dividends paid	2016	2015	2016	2015
	\$000	\$000	CENTS PER SHARE	CENTS PER SHARE
Prior year's final dividend	17,342	20,811	5.0	6.0
Interim dividend	38,153	38,153	11.0	11.0
Total dividends paid	55,495	58,964	16.0	17.0

Dividend policy

The Board declares two dividends annually in respect of the half year (interim dividend) and full year results (final dividend). The Group's dividend policy is to pay a dividend to shareholders of between 75% and 85% of the Retail Group's adjusted net profit.

All dividends paid were fully imputed.

7.2 Dividends policy reconciliation	NOTE	2016	2015	2016	2015
		\$000	\$000	CENTS PER SHARE	CENTS PER SHARE
Interim dividend		38,153	38,153	11.0	11.0
Final dividend (declared after balance date)		17,342	17,342	5.0	5.0
Total dividends paid and declared in respect of the current and prior financial years		55,495	55,495	16.0	16.0
Group adjusted net profit	5.0	64,110	57,134		
Add back Financial Services Group's net loss		(5,046)	(2,075)		
Retail Group's adjusted net profit		69,156	59,209		
Payout ratio (%)		80.2 %	93.7 %		

On 22 September 2016 the Board declared a final fully imputed ordinary dividend of 5.0 cents per share to be paid on 8 December 2016 to all shareholders on the Group's share register at the close of business on 25 November 2016.

7.3 Imputation credit account	2016	2015
	\$000	\$000
Imputation credits at balance date available for future distribution	113,682	103,228

The above amounts represent the balance of the Group's imputation credit account at balance date adjusted for imputation credits that will arise from the payment of the amount of the provision for income taxation. Imputation is a mechanism that a company uses to pass on credits for tax it has paid on its profits, to its shareholders when it pays dividends. These imputation credits offset the amount of taxation that the New Zealand resident shareholders would otherwise be liable to pay on those dividends, so they do not have to pay 'double tax'.

Notes to the Financial Statements – Operating Assets and Liabilities

FOR THE 52 WEEK PERIOD ENDED 31 JULY 2016

8.0 WORKING CAPITAL

8.1 Inventory	2016	2015
	\$000	\$000
Finished goods	469,592	478,150
Inventory adjustments	(19,676)	(17,500)
Retail stock	449,916	460,650
Goods in transit from overseas	51,797	49,811
Inventory	501,713	510,461

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using a weighted average method and includes expenditure incurred to purchase the inventory and transport it to its current location. Net realisable value is the estimated selling price of the inventory in the ordinary course of business less costs necessary to make the sale. The cost of inventories consumed during the year are recognised as an expense and included in cost of goods sold in the income statement.

Significant judgements and estimates

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 between the most recent store stock counts and balance date. Shrinkage is a reduction in inventory due to shoplifting, employee theft, paperwork errors and supplier fraud. The Group considers a wide range of factors including historical data, current trends and product information from buyers as part of the process to determine the appropriate value of these provisions.

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.

8.2 Trade and other receivables	2016	2015
	\$000	\$000
Trade receivables	41,131	42,651
Prepayments	11,092	8,924
Rebate accruals and other debtors	24,836	20,558
Trade and other receivables	77,059	72,133

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. Trade receivables are initially recognised at the value of the invoice sent to the customer and subsequently at the amount considered recoverable. Collectability of trade and other receivables is reviewed on an ongoing basis and debts that are known to be uncollectable are either impaired or written off when they are identified.

8.3 Finance business receivables	2016	2015
	\$000	\$000
Finance business receivables	78,948	14,964
Allowance for impairment	(5,383)	(736)
Finance business receivables	73,565	14,228
Ageing analysis of finance business receivables		
0 to 30 Days	70,609	13,783
31 to 60 Days	1,509	366
61 to 90 Days	567	40
Greater than 90 Days	880	39
Total	73,565	14,228

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

8.4 Trade and other payables	2016	2015
	\$000	\$000
Trade creditors and accruals	198,828	189,512
Goods in transit creditors	19,673	16,522
Capital expenditure creditors	9,412	11,165
Goods and services tax	11,109	11,208
Reward schemes, lay-bys, Christmas club deposits and gift vouchers	18,010	16,508
Contingent consideration	1,000	3,250
Interest accruals	1,597	1,426
Payroll accruals	11,679	7,908
	271,308	257,499
Less: Non-current contingent consideration	-	(1,000)
Current trade and other payables	271,308	256,499

Trade payables 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. Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

Notes to the Financial Statements – Operating Assets and Liabilities

FOR THE 52 WEEK PERIOD ENDED 31 JULY 2016

8.0 WORKING CAPITAL

8.5 Provisions	CURRENT		NON-CURRENT		TOTAL	
	2016	2015	2016	2015	2016	2015
	\$000	\$000	\$000	\$000	\$000	\$000
Employee entitlements	53,395	39,109	10,861	10,026	64,256	49,135
Make good provision	1,142	705	6,471	6,040	7,613	6,745
Sales returns provision	3,689	3,580	-	-	3,689	3,580
Onerous lease	689	1,029	518	827	1,207	1,856
Total provisions	58,915	44,423	17,850	16,893	76,765	61,316

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Employee entitlements

(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) Performance based compensation

The Group recognises a liability and expense for incentives payable to employees where either a contractual or constructive obligation arises to pay an employee based on achieving an agreed level of individual and company performance.

(iii) 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.

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 make good costs incurred and costs incurred which mitigate the final liability prior to the lease expiry.

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.

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.

9.0 NON CURRENT ASSETS

9.1 Property, plant and equipment	NOTE	LAND AND BUILDINGS		PLANT AND EQUIPMENT		WORK IN PROGRESS		TOTAL	
		2016	2015	2016	2015	2016	2015	2016	2015
		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Cost		172,828	154,415	550,739	522,404	15,264	23,170	738,831	699,989
Accumulated depreciation		(11,875)	(12,923)	(371,861)	(350,261)	-	-	(383,736)	(363,184)
Opening carrying amount		160,953	141,492	178,878	172,143	15,264	23,170	355,095	336,805
Additions	2.2	7,188	45,644	40,830	58,473	8,342	(7,906)	56,360	96,211
Disposals		(31,374)	(24,621)	(3,626)	(1,153)	-	-	(35,000)	(25,774)
Depreciation	2.2	(1,438)	(1,562)	(51,697)	(50,585)	-	-	(53,135)	(52,147)
Closing carrying amount		135,329	160,953	164,385	178,878	23,606	15,264	323,320	355,095
Cost		145,647	172,828	570,260	550,739	23,606	15,264	739,513	738,831
Accumulated depreciation		(10,318)	(11,875)	(405,875)	(371,861)	-	-	(416,193)	(383,736)
Closing carrying amount		135,329	160,953	164,385	178,878	23,606	15,264	323,320	355,095
Less: Available for sale property		(49,982)	-	-	-	(2,295)	-	(52,277)	-
Property, plant and equipment		85,347	160,953	164,385	178,878	21,311	15,264	271,043	355,095

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. 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.

Property, plant and equipment are depreciated on a straight line basis to allocate the cost, less any residual value, over their useful lives. The estimated useful life of property, plant and equipment are as follows:

Freehold land	indefinite
Freehold buildings	50 to 100 years
Plant and equipment	3 to 12 years
Work in progress	not depreciated

The Group annually reviews the carrying amounts of property, plant and equipment for impairment. 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. In assessing whether an asset is impaired, reference is made to individual store profitability and any other known events or circumstances that may indicate that the carrying amount of an asset may be impaired.

Gains and losses on disposals of assets are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. Costs incurred on repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Available for sale property

At balance date the Group was negotiating the possible sale and future development of the Group's Newmarket store property. A third party has commenced due diligence as a precursor to making a proposal for the purchase and redevelopment of the site.

Notes to the Financial Statements – Operating Assets and Liabilities

FOR THE 52 WEEK PERIOD ENDED 31 JULY 2016

9.2 Intangible assets		GOODWILL		BRAND NAMES		COMPUTER SOFTWARE		TOTAL	
	NOTE	2016	2015	2016	2015	2016	2015	2016	2015
		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Cost		103,597	103,597	23,523	23,523	110,088	89,566	237,208	216,686
Impairment & accumulated amortisation		(11,302)	-	-	-	(78,474)	(72,995)	(89,776)	(72,995)
Opening carrying amount		92,295	103,597	23,523	23,523	31,614	16,571	147,432	143,691
Acquisition of subsidiaries	15.2	11,700	-	-	-	-	-	11,700	-
Additions	2.2	-	-	-	-	17,066	22,033	17,066	22,033
Disposals		(2,477)	-	-	-	(802)	(503)	(3,279)	(503)
Impairment	5.0	-	(11,302)	-	-	-	-	-	(11,302)
Amortisation	2.2	-	-	-	-	(6,525)	(6,487)	(6,525)	(6,487)
Closing carrying amount		101,518	92,295	23,523	23,523	41,353	31,614	166,394	147,432
Cost		112,820	103,597	23,523	23,523	124,401	110,088	260,744	237,208
Impairment & accumulated amortisation		(11,302)	(11,302)	-	-	(83,048)	(78,474)	(94,350)	(89,776)
Closing carrying amount		101,518	92,295	23,523	23,523	41,353	31,614	166,394	147,432

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration paid above the fair value of the net identifiable assets, liabilities and contingent liabilities acquired.

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.

Impairment of goodwill and band names

Assets that have an indefinite useful life 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.

Computer software

All costs directly incurred in the purchase or development of computer software or subsequent upgrades and enhancements, which can be reliably measured and are not integral to a related asset, are capitalised as intangible assets. Computer software is amortised on a straight line basis over a period of between two to ten years. Costs incurred on computer software maintenance are expensed to the income statement as they are incurred.

Business disposal

Goodwill attributable to the Pet.co.nz business (\$2.477 million) was fully recovered when it was sold in January 2016. (Refer note 15.1 for further details.)

Significant judgements and estimates – impairment testing

Impairment of indefinite life intangible assets is assessed by comparing the recoverable amount of a cash generating unit with its carrying value. Assets are grouped at the lowest level for which there are separately identifiable cash flows (cash generating units) which also represent the lowest level within the Group at which these assets are monitored for internal management purposes. The allocation of the Group's significant carrying amounts of goodwill and brand names to cash generating units is set out in the table below.

The recoverable amount of a cash generating unit is calculated as the higher of 'value in use' or its 'fair value less costs to sell'. The recoverable amounts are determined using either of these two prescribed discounted cashflow valuation methods which require the use of estimates and projections regarding future business unit operating performance. The Group considers a wide range of factors including the Group's financial budgets, strategic plans, external benchmarks and historical performance to formulate future cashflow projections. The Group also engages external advisors to determine appropriate discount rates and long-term growth rates, integral to the valuations. Cashflows beyond the projection period are extrapolated using the estimated growth rates stated below. These growth rates do not exceed the long-term average growth rate for the sector in which the business unit operates.

Impairment testing	NOEL LEEMING		TORPEDO7		FINANCIAL SERVICES		TWP NO.3	
	2016	2015	2016	2015	2016	2015	2016	2015
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Goodwill	27,436	27,436	25,689	25,689	22,714	11,014	21,450	21,450
Brand names	15,500	15,500	8,023	8,023	-	-	-	-
Closing carrying amount	42,936	42,936	33,712	33,712	22,714	11,014	21,450	21,450
Key assumptions								
EBIT margin (%)	2.3	2.2	7.6	8.5	N/A	N/A	5.7	6.6
Terminal growth rate (%)	1.6	2.0	1.6	2.0	1.6	2.0	1.6	2.0
Post-tax discount rate (%)	10.7	11.7	11.6	12.5	10.0	13.4	12.4	13.4
Projection period (Years)	5.0	5.0	5.0	10.0	10.0	10.0	5.0	10.0

Noel Leeming, Torpedo7 and the Financial Services cash generating units refer to the business segments detailed in note 2.0. TWP No.3 represents the amalgamation of the trading activities of the Insight business acquired in September 2012 and CES business acquired in February 2013 and forms part of The Warehouse reporting segment. The trading activities of TWP No.3 include the sourcing and wholesaling of product for other group companies and operating pop-up stores and events. The impairment tests have been prepared using a five-year model except for Financial Services where a 10-year forecast period is used to reflect the expected growth profile of the finance receivables book prior to achieving a steady level of cash flows.

Impairment testing results

The current year impairment testing did not indicate the carrying values of either goodwill or brand names to be impaired. Except for the Financial Services business, the Group would not expect a reasonably possible change in the key assumptions used in the calculations to reduce the recoverable amount of the Group's 'cash generating units' below the carrying amounts. The Financial Services business represents the greatest impairment risk should this business segment perform below expectation or the discount rates change.

The cashflow projection in the Financial Services model assumes an average growth in revenue of 21.9% in the first three years, declining to an average of 14.6% from years four to ten. To allow for the risks associated with the forecast growth in the first 10 years, a higher discount rate of 18% was adopted compared to 10% in the terminal year. The recoverable amount of the Financial Services business calculated on 'value in use' exceeded its carrying value by \$3.600 million. A decrease in the terminal growth rate to 1.2% or a rise in the discount rate by 30 basis points would, all changes taken in isolation, result in the recoverable amount being equal to the carrying amount.

Notes to the Financial Statements – Financing and Capital Structure

FOR THE 52 WEEK PERIOD ENDED 31 JULY 2016

10.0 BORROWINGS

10.1 Net debt	2016	2015
	\$000	\$000
Cash on hand and at bank	49,881	32,195
Bank borrowings at call – interest rate: 3.18% (2015: 3.89%)	123,980	115,805
Lease liabilities	1,222	1,359
Current borrowings	125,202	117,164
Bank borrowings – interest rate: 2.98% (2015: 4.01%)	40,000	90,000
Lease liabilities	490	1,571
Fixed rate senior bond (coupon: 5.30%)	125,000	125,000
Fair value adjustment relating to senior bond interest rate hedge	738	163
Unamortised capitalised costs on senior bond issuance	(1,694)	(2,130)
Non-current borrowings	164,534	214,604
Non-current securitised borrowings – interest rate 3.06%	60,125	–
Total borrowings	349,861	331,768
Net debt	299,980	299,573

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the net proceeds 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.

Cash on hand and at bank

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

Securitised borrowings

When the Group acquired The Warehouse Financial Services Limited (refer note 15.2) it also established a debt securitisation programme to help fund this business segment. The programme is funded by Westpac under a \$225 million borrowing facility. The facility permits the Finance Services Group to borrow up to 80% of the value of qualifying securitised finance business receivables which form part of the borrowing base. The borrowing base is set with reference to how promptly the securitised receivables are collected.

Fixed rate senior bond

The Group issued a five-year fixed rate senior bond on the New Zealand Stock Exchange in June 2015 with a 5.30% coupon. Interest on the bond is payable every six months (15 June and 15 December) and has a final maturity in June 2020. Based on the last quoted closing price of \$1.06261 (2015: \$1.04411) traded on the New Zealand Stock Exchange and a market yield of 3.74% (2015: 4.45%), the fair value of the Group's fixed rate senior bonds at balance date was \$132,826 million (2015: \$130,514 million). For accounting purposes (NZ IFRS 13) this is deemed a level 1 fair value measurement as it is derived from a quoted price, in an active market.

10.2 Net interest expense (excluding finance business interest received)	2016	2015
	\$000	\$000
Interest on bank overdrafts	36	123
Interest on deposits and use of money interest received	(204)	(375)
Interest on bank borrowings	10,850	8,944
Interest on finance leases	184	259
Interest on fixed rate senior bond	7,025	7,256
Net interest expense (excluding finance business interest received)	17,891	16,207

10.3 Bank facilities	2016	2015
	\$000	\$000
Bank debt facilities	340,000	330,000
Bank facilities used	(163,980)	(205,805)
Unused bank debt facilities	176,020	124,195
Securitised debt facility	225,000	–
Securitised facility used	(60,125)	–
Unused securitised bank debt facility	164,875	–
Letters of credit facilities	32,566	28,000
Letters of credit	(21,370)	(21,145)
Unused letter of credit facilities	11,196	6,855
Total unused bank facilities	352,091	131,050

Notes to the Financial Statements – Financing and Capital Structure

FOR THE 52 WEEK PERIOD ENDED 31 JULY 2016

11.0 EQUITY

11.1 Capital management

Capital is defined by the Group to be the total equity as shown in the balance sheet. 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, issue of new shares, debt issuance, sale of assets or a combination of these.

The Group views the funding of the balance sheet as having two distinct parts, with the Financial Services Group being separately financed from the Retail Group and permits the Financial Services Group to have higher gearing levels. Gearing is a measure of a company's financial leverage and shows the extent to which its operations are funded by lenders (debt) versus shareholders (equity). The Financial Services Group is primarily financed by a debt securitisation programme which allows it to borrow up to 80% of the value of its qualifying securitised finance business receivables.

The Retail Group is financed through a mixture of bank borrowings and a fixed rate senior bond. The Retail Group aims to maintain gearing levels, with the exception of the Group's first quarter peak funding period, at levels of between 30% to 40%.

The Group changed its dividend policy last year to help strengthen its balance sheet. The Group's new dividend policy is based on distributing between 75% to 85% of the adjusted net profit of the Retail Group back to shareholders (refer note 7.0).

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

DEBT COVENANT RATIOS AT BALANCE DATE	QUARTERLY COVENANT REQUIREMENT	2016	2015
Retail Group book gearing ratio (percentage)	will not exceed 60% in the first quarter ending October or exceed 50% in each of the remaining three quarters of the year	36.7	37.8
Retail Group book interest cover (times cover)	will not be less than two times operating profit	7.3	5.8

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

11.2 Contributed equity

	CONTRIBUTED EQUITY		ORDINARY SHARES	
	2016	2015	2016	2015
	\$000	\$000	\$000	\$000
Share capital	365,517	365,517	346,843	346,843
Treasury stock	(7,832)	(7,302)	(2,348)	(2,134)
Contributed equity	357,685	358,215	344,495	344,709

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.

Treasury stock

	NOTE	TREASURY STOCK		ORDINARY SHARES	
		2016	2015	2016	2015
		\$000	\$000	\$000	\$000
Opening balance		7,302	8,707	2,134	2,379
Ordinary shares issued to settle share rights plan obligations	14.0	(2,001)	(4,250)	(708)	(1,255)
Ordinary shares purchased (average purchase price \$2.74 – 2015: \$2.81)		2,531	2,754	922	979
Ordinary shares forfeited under the discontinued staff share purchase plan		–	91	–	31
Closing balance		7,832	7,302	2,348	2,134

Ordinary shares on issue are fully paid and carry one vote per share and participate equally in dividends, other distributions from equity and any surplus on a winding up of the Group. The Group retains its own ordinary shares which are used for employee share based payment arrangements. Voting rights attached to the shares are held by the trustees of the employee share plans, and dividends paid on the shares are retained by the trustee for the benefit of the Group.

Notes to the Financial Statements – Financing and Capital Structure

FOR THE 52 WEEK PERIOD ENDED 31 JULY 2016

11.3 Reserves	2016	2015
	\$000	\$000
Cash flow hedge reserve	(20,986)	25,440
De-designated derivative reserve	(1,453)	(1,889)
Hedge reserves	(22,439)	23,551
Share based payments reserve	3,623	2,937
Total reserves	(18,816)	26,488

Cashflow 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. (Refer also to the consolidated statement of changes in equity and policy notes detailed in note 12.2.)

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 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. (Refer also to the consolidated statement of changes in equity and policy notes detailed in note 12.2.)

Share based payments reserve

Share rights are granted to employees in accordance with the Group's executive share rights plan. The fair value of share rights granted under the plan are measured at grant date and recognised as an employee expense over the vesting period with a corresponding increase in equity. The fair value at grant date of the share rights are independently determined using an appropriate valuation model that takes into account the terms and conditions upon which they were granted. (Note 14.0 provides further details regarding the plan and fair value calculations.)

This reserve is used to record the accumulated value of the unvested shares rights, which have been recognised as an expense 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. (Refer also to the consolidated statement of changes in equity.)

11.4 Minority interest	2016	2015
	\$000	\$000
Opening balance	2,425	4,317
Purchase of minority interest	(2,874)	-
Net profit / (loss) attributable to minority interest	4,138	(1,496)
Dividends paid to minority shareholders	(3,522)	(396)
Closing balance	167	2,425

The purchase of the remaining 20% minority interest in Torpedo7 and the sale of the jointly owned Pet.co.nz business assets (refer note 15.1) during the current financial year means the minority interests at balance date only represent the Group's 50% minority shareholding held in Waikato Valley Chocolates and the residual assets which have not yet been distributed as part of the liquidation of the shell company which had previously owned the Pet.co.nz business assets.

Torpedo7 minority purchase

In March 2016 the Group acquired the remaining 20% of the share capital of Torpedo7 for a consideration of \$9,800 million, increasing the Group's interest in the Torpedo7 group of companies from 80% to 100%. The consideration had two components: a cash component of \$7,500 million settled in March 2016 and the transfer of the Group's interest in a parcel of surplus land located in Hamilton (valued at \$2,300 million).

Notes to the Financial Statements – Financial Risk Management

FOR THE 52 WEEK PERIOD ENDED 31 JULY 2016

12.0 FINANCIAL RISK MANAGEMENT

12.1 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.

12.2 Derivative financial instruments	CURRENCY CONTRACTS		INTEREST RATE SWAPS		TOTAL	
	2016	2015	2016	2015	2016	2015
	\$000	\$000	\$000	\$000	\$000	\$000
Current assets	621	39,127	-	-	621	39,127
Non-current assets	-	-	738	164	738	164
Current liabilities	(24,263)	(51)	(870)	-	(25,133)	(51)
Non-current liabilities	-	-	(4,845)	(3,882)	(4,845)	(3,882)
Total derivative financial instruments	(23,642)	39,076	(4,977)	(3,718)	(28,619)	35,358
Classified as:						
Cash flow hedges	(23,642)	39,076	(5,715)	(3,882)	(29,357)	35,194
Fair value hedges	-	-	738	164	738	164
Total derivative financial instruments	(23,642)	39,076	(4,977)	(3,718)	(28,619)	35,358

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 an exposure 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 the hedge transactions. An assessment, both at hedge inception and on an ongoing basis is also documented, as to whether or not 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.

Cashflow 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.

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.

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.

Significant judgements and estimates

The Group's derivatives are not traded in an active market, which means quoted prices are not available to determine the fair value. To determine the fair value, the Group uses valuation techniques which rely on observable market data. The fair value of forward exchange contracts are determined using the forward exchange market rates at the balance date and interest rate swaps are calculated as the present value of estimated future cash flows based on the applicable market interest yield rates at balance date. For accounting purposes (NZ IFRS 13) these valuations are deemed to be Level 2 fair value measurements as they are not derived from a quoted price in an active market but, rather, a valuation technique that relies on other observable market data. The Group uses an independent advisor to help determine the fair value of its derivatives.

Notes to the Financial Statements – Financial Risk Management

FOR THE 52 WEEK PERIOD ENDED 31 JULY 2016

12.0 FINANCIAL RISK MANAGEMENT

12.3 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 divides its funding requirements between funding for its retail operations and funding for the financial services business. The funding for the financial services business is provided by means of a debt securitisation programme (refer note 10.1). The securitised debt facility has a limit of \$225,000 million and at balance date 73.3% of these facilities remained undrawn. This debt facility has a maturity of 30 September 2017 and it is expected that the facility will be extended prior to maturity. Additional funding for the financial services business is provided by means of capital injections of funding advances from the Group's retail operations.

The Retail Group's liquidity position fluctuates throughout the year. The months leading up to the Christmas trading period typically put the greatest strain on cash flows due to the build up of inventory, conversely the Retail Group's liquidity position is at its strongest immediately after the Christmas trading period. The Retail 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. 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 (2015: \$50,000 million), which are in addition to the \$340,000 million (2015: \$330,000 million) of committed credit facilities (refer note 10.3). The Group has set treasury policy limits to ensure it maintains and operates within its available funding facilities.

LIQUIDITY POSITION AT BALANCE DATE	TREASURY POLICY REQUIREMENT	2016	2015
Retail Group unused debt facilities (refer note: 10.3)	committed credit facilities to be maintained at an amount that averages at least 115% of peak funding requirements projected for the next two years	51.8%	37.6%
Retail Group funding tenor	at least 30% of the committed credit facilities have a maturity of greater than three years (includes retail bond)	35.5%	36.3%
Retail Group funding diversity (number of counterparties)	funding to be sourced from a minimum of four counterparties (includes retail bond)	6	6

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. 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.

Contractual maturity analysis	0 – 1 YEARS		1 – 3 YEARS		> 3 YEARS		TOTAL	
	2016	2015	2016	2015	2016	2015	2016	2015
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Trade and other payables	(271,308)	(256,499)	-	(1,000)	-	-	(271,308)	(257,499)
Bank borrowings	(163,980)	(205,805)	-	-	-	-	(163,980)	(205,805)
Securitised borrowings	(60,125)	-	-	-	-	-	(60,125)	-
Finance lease liabilities	(1,303)	(1,535)	(489)	(1,611)	(29)	(51)	(1,821)	(3,197)
Fixed rate senior bond	(5,771)	(5,736)	(13,250)	(13,250)	(131,625)	(138,250)	(150,646)	(157,236)
Financial liabilities	(502,487)	(469,575)	(13,739)	(15,861)	(131,654)	(138,301)	(647,880)	(623,737)
Forward currency contracts								
- outflow	(363,291)	(275,304)	-	-	-	-	(363,291)	(275,304)
- inflow	337,438	311,945	-	-	-	-	337,438	311,945
Interest rate swaps	(1,667)	(1,153)	(1,036)	(2,577)	(2,728)	(137)	(5,431)	(3,867)
Net derivatives	(27,520)	35,488	(1,036)	(2,577)	(2,728)	(137)	(31,284)	32,774

12.4 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.

The Group places its cash and short-term investments and derivatives with high credit quality financial institutions approved by the Directors and in accordance with specified treasury policy limits. The Group's treasury policy requires bank counterparties to have a minimum Standard & Poor's credit rating of at least A (2015: 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.

Notes to the Financial Statements – Financial Risk Management

FOR THE 52 WEEK PERIOD ENDED 31 JULY 2016

12.0 FINANCIAL RISK MANAGEMENT

12.5 Market risks

Foreign exchange risks

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 enters into forward exchange contracts to purchase foreign currencies. These contracts hedge highly probable forecast purchases and are timed to mature when the payments are scheduled to be settled. Management work to a Board approved Treasury Policy to manage this foreign exchange risk. The policy parameters for hedging forecast 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 specific approval.

Currency position at balance date	CARRYING VALUE		NOTIONAL AMOUNT (NZD)		AVERAGE EXCHANGE RATE		0 TO 12 MONTH HEDGE LEVEL	
	2016	2015	2016	2015	2016	2015	2016	2015
	\$000	\$000	\$000	\$000	CENTS	CENTS	PERCENTAGE	PERCENTAGE
Forward exchange contracts								
Buy US dollars / Sell New Zealand dollars	(23,642)	39,076	363,291	275,304	0.6714	0.7462	74.6	62.8

The Group did not hold any foreign exchange derivatives with a maturity exceeding one year at either the current or last year's balance date. The spot rate used to determine the mark-to-market carrying value of the US dollar forward contracts at balance date was \$0.7228 (2015: \$0.6586).

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

Currency position at balance date	NET PROFIT AFTER TAX		EQUITY	
	2016	2015	2016	2015
	\$000	\$000	\$000	\$000
10% appreciation in the New Zealand dollar	-	-	(22,006)	(20,381)
10% depreciation in the New Zealand dollar	-	-	26,899	24,909

There is no profit and loss sensitivity, as the forward currency contracts have been designated as cash flow hedges and based on historical performance, it has been assumed they will be 100% hedge effective.

Interest rate risk

The Group's exposure to market interest rates primarily relates to the Retail Group's core borrowings estimated to be \$250.000 million for treasury management purposes. The Group's treasury policy is to manage its finance costs using a mix of fixed and floating rate debt. The Group's treasury policy is to maintain between 50% to 90% of core borrowings at fixed rates. At balance date 76% (2015: 76%) 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.

Interest rate sensitivity table	NOTE	AMOUNT	+ 100 BASIS POINTS		- 100 BASIS POINTS	
			PROFIT	EQUITY	PROFIT	EQUITY
		\$000	\$000	\$000	\$000	\$000
At 31 July 2016						
Finance business receivables	8.3	73,565	530	530	(530)	(530)
Securitised borrowings	10.1	(60,125)	(433)	(433)	433	433
Net bank borrowings	10.1	(114,099)	(822)	(822)	822	822
Fixed rate senior bond	10.1	(124,044)	294	294	(312)	(312)
Derivative financial instruments						
Interest rate swaps – cash flow hedges	12.2	(5,715)	468	2,058	(468)	(2,174)
Interest rate swaps – fair value hedges	12.2	738	(294)	(294)	312	312
Total increase / (decrease)		(229,680)	(257)	1,333	257	(1,449)

At 2 August 2015

Finance business receivables	8.3	14,228	102	102	(102)	(102)
Net bank borrowings	10.1	(173,610)	(1,250)	(1,250)	1,250	1,250
Fixed rate senior bond	10.1	(123,033)	282	282	(260)	(260)
Derivative financial instruments						
Interest rate swaps – cash flow hedges	12.2	(3,882)	468	2,327	(468)	(2,463)
Interest rate swaps – fair value hedges	12.2	164	(282)	(282)	260	260
Total increase / (decrease)		(286,133)	(680)	1,179	680	(1,315)

Notes to the Financial Statements – Other Disclosures

FOR THE 52 WEEK PERIOD ENDED 31 JULY 2016

13.0 KEY MANAGEMENT PERSONNEL

Key management includes the directors of the Company and those employees deemed to have disclosure obligations under subpart 6 of the Financial Markets Conduct Act 2013, being the Group Chief Executive Officer and his 11 (2015: 11) direct reports.

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

Directors' fees	2016	2015
	\$000	\$000
E K van Arkel (Chairman)	166	166
K R Smith (Deputy Chairman)	115	119
A J Balfour	85	85
J W M Journee	86	88
J H Ogden	101	100
V C M Stoddart	116	91
Sir Stephen Tindall	85	85
Total	754	734

In addition to the directors' fees stated above, K R Smith received fees of \$43,000 (2015: \$24,000) and J H Ogden also received fees of \$43,000 (2015: \$24,000) in their capacity as directors of the Group's Financial Services business.

Key management personnel	2016	2015
	\$000	\$000
Base salary	6,934	6,288
Annual performance based compensation	2,881	303
Equity settled share-based compensation (refer note: 14.0)	1,520	1,051
Total	11,335	7,642

14.0 EXECUTIVE LONG-TERM INCENTIVE PLAN (LTIP)

Share rights were granted to key management and other senior executives, selected by the Group's Remuneration Committee as a component of each participant's remuneration package. There will be no further share rights granted under this plan as it is currently in the process of being replaced by a new cash based incentive plan. At balance date this legacy share based plan has 66 (2015: 67) participants.

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

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 each participant at the end of the initial vesting period and a further third at the end of each of the next two vesting dates.

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. 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.

Share rights	NOTE	PERFORMANCE SHARES		AWARD SHARES		TOTAL SHARE RIGHTS	
		2016	2015	2016	2015	2016	2015
		\$000	\$000	\$000	\$000	\$000	\$000
Outstanding at the beginning of the year		2,005	1,940	2,234	1,806	4,239	3,746
Granted during the year		726	791	1,725	1,757	2,451	2,548
Vested during the year	11.2	-	(681)	(708)	(574)	(708)	(1,255)
Forfeited during the year		(1,036)	(45)	(982)	(755)	(2,018)	(800)
Outstanding at the end of the year		1,695	2,005	2,269	2,234	3,964	4,239
Expected vesting dates							
October 2015		-	729	-	934	-	1,663
October 2016		351	484	920	731	1,271	1,215
October 2017		617	792	780	569	1,397	1,361
October 2018		727	-	569	-	1,296	-
Outstanding at the end of the year		1,695	2,005	2,269	2,234	3,964	4,239

Fair values

The fair value of performance shares at grant date has been 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 fair value of the share rights and key inputs used in the pricing models to determine the values:

Performance shares

Date granted	October 2015	October 2014	October 2013
Vesting date	October 2018	October 2017	October 2016
Target total shareholder return (%)	0.78	1.00	1.26
Risk free interest rate (%)	2.64	3.73	3.40
Average expected volatility (%)	21.50	21.60	22.50
Average share price at measurement date (\$)	2.58	3.09	3.77
Estimated fair value at grant date (\$)	0.81	0.97	1.15

Award shares

Date granted	October 2015	October 2014	October 2013
First vesting date (then annually on the next two anniversaries)	October 2016	October 2015	October 2014
Weighted average cost of equity capital (%)	8.72	9.83	10.10
Average share price at measurement date (\$)	2.58	3.09	3.77
Average estimated fair values at grant date (\$)	2.30	2.77	3.38

Notes to the Financial Statements – Other Disclosures

FOR THE 52 WEEK PERIOD ENDED 31 JULY 2016

15.0 BUSINESS COMBINATIONS

Subsidiaries are all 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 consolidates the financial statements of subsidiaries, using the acquisition method. 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.

15.1 Business disposals – 2016	NOTE	TWFSL	PET.CO.NZ	TOTAL
		\$000	\$000	\$000
Consideration		6,006	8,411	14,417
Less:				
Net assets sold		806	1,184	1,990
Goodwill	9.2	–	2,477	2,477
Carrying value of net assets sold		806	3,661	4,467
Gain on business disposal	5.0	5,200	4,750	9,950
Minority interest		–	(3,641)	(3,641)
Gain on business disposal (after minority interests)		5,200	1,109	6,309

Sale and Purchase of The Warehouse Financial Services Limited

In September 2015 the Group gained control over The Warehouse Financial Services Limited (TWFSL) when it acquired 100% of the company's share capital. The Group had previously held a non-controlling 49% interest in TWFSL which was accounted for as an associate investment up until the acquisition date. For accounting purposes this single transaction is treated as having two distinct components, the first being the notional sale by the Retail Group (RG) of its 49% TWFSL associate investment, and the second, the purchase by the Financial Services Group (FSG) of TWFSL's share capital from both Westpac as the majority 51% shareholder and RG as the 49% associate shareholder. In respect of the first part and the inter-company sale transaction between RG and FSG for the 49% associate investment, this results in a notional gain on sale of \$5.200 million. The inter-company acquisition consideration has been calculated with reference to the premium above net assets paid to Westpac for its 51% TWFSL shareholding.

Pet.co.nz Limited business disposal

In January 2016 the Group sold the business assets of Pet.co.nz (formerly Shop HQ Limited) for a consideration of \$8.411 million. The consideration was comprised of an initial payment of \$6.411 million, received in February 2016, and deferred consideration (\$1.000 million payable to the Group) and contingent consideration (\$1.000 million payable to the minority shareholder), receivable in December 2016. The remaining shell company is currently in the process of liquidation.

The Group has recognised the following identifiable acquisition assets and liabilities for The Warehouse Group Financial Services Limited (TWGFSL) business acquisition.

15.2 The Warehouse Financial Services Limited – Acquisition	NOTE	2016
		\$000
Cash and cash equivalents		3,453
Finance business receivables		57,010
Trade and other receivables		346
Deferred taxation		640
		61,449
Trade and other payables		(357)
Provision for tax		(820)
Borrowings		(58,629)
Fair value of identifiable net assets		1,643
Goodwill arising on acquisition	9.2	11,700
Total consideration		13,343
The acquisition consideration is as follows:		
Cash paid for Westpac's 51% interest in TWFSL		7,337
Value attributed to the Group's previously held 49% equity investment in TWFSL	15.1	6,006
Acquisition consideration		13,343
The cash outflow on acquisition is as follows:		
Cash and cash equivalents acquired		(3,453)
Direct costs relating to the acquisition		479
Cash paid for Westpac's 51% interest in TWFSL		7,337
Net consolidated cash outflow		4,363

The acquisition of TWFSL represents the next step in the Group's development of an in-house financial services business and follows the earlier acquisition of Diners Club (NZ) Limited in March 2014. TWFSL currently offers credit and risk related products that include credit cards and insurance cover. The increase in the Finance Receivable loan book following the acquisition helps provide scale and enables the Group to leverage its current infrastructure, core systems and people capability to grow this business segment cost effectively.

Notes to the Financial Statements – Other Disclosures

FOR THE 52 WEEK PERIOD ENDED 31 JULY 2016

15.3 The Warehouse Financial Services Limited – Pre-acquisition associate investment	NOTE	2016	2015
		\$000	\$000
Investment at the beginning of the year		2,778	5,541
Share of associates profit before taxation		1,004	3,892
Less taxation		(281)	(1,090)
Equity earnings of associate		723	2,802
Dividend received from associate		(2,695)	(5,565)
Acquisition of majority shareholder	15.1	(806)	–
Investment at end of the period		–	2,778

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.

16.0 COMMITMENTS

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:

Future minimum rentals payable	2016	2015
	\$000	\$000
0 to 1 Years	120,636	111,406
1 to 2 Years	111,731	103,687
2 to 5 Years	254,246	239,656
5+ Years	325,121	298,809
Operating leases	811,734	753,558

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

Capital commitments	2016	2015
	\$000	\$000
Within one year	12,666	9,957

17.0 CONTINGENT LIABILITIES

	2016	2015
	\$000	\$000
Bank letters of credit issued to secure future purchasing requirements	16,804	21,145
Less included as a goods in transit creditor	(1,394)	(1,152)
	15,410	19,993
Standby letter of credit issued to Visa Worldwide	4,566	–
Bank guarantees provided to landlords and the New Zealand Stock Exchange Limited	643	643
Total contingent liabilities	20,619	20,636

18.0 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.

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.

- Sir Stephen Tindall (Director) has a beneficial shareholding of 93,687,096 shares (2015: 93,687,096 shares) which carry the normal entitlement to dividends. Dividends of \$14.522 million (2015: \$15.927 million) were received on these shares during the year.
- The Group's other Directors collectively had beneficial shareholdings of 221,066 shares (2015: 221,066 shares) at balance date which carry the normal entitlement to dividends.
- 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.
- Key management (as detailed in note 13.0) collectively held 672,563 shares (2015: 950,270 shares) at balance date which carry the normal entitlement to dividends.
- 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 (2015: 73,920,496 shares) in the Group. Dividends of \$11.458 million (2015: \$12.566 million) were received on these shares during the year.



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Independent Auditor's Report

TO THE SHAREHOLDERS OF THE WAREHOUSE GROUP LIMITED

OUR OPINION

In our opinion the consolidated financial statements of The Warehouse Group Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 31 July 2016, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

What we have audited

The Warehouse Group Limited's consolidated financial statements on pages 58 to 79 comprise:

- the consolidated balance sheets as at 31 July 2016;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs NZ) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

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

We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the areas of treasury policy advice and digital services advice. The provision of these other services has not impaired our independence as auditors of the Group.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT

The Directors are responsible for the annual report. Our opinion on the consolidated financial statements does not cover the other information included in the annual report and we do not express any form of assurance conclusion on the other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at: https://xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page5.aspx

WHO WE REPORT TO

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's 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.

The engagement partner on the audit resulting in this independent auditor's report is Leo Foliaki.

For and on behalf of:

Chartered Accountants, Auckland

22 September 2016

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 26 September 2016.

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 (the Code) in its entirety for the year ended 31 July 2016. 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.thewarehousegroup.co.nz.

PRINCIPLE 1 – ETHICAL STANDARDS

Directors should set high standard of ethical behaviour, model this behaviour, and hold management accountable for delivering those 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 sets out clear expectations of ethical decision-making and personal behaviour by Team Members in relation to situations where their or the Group's integrity could be compromised.

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

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

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

Trading in The Warehouse Group's Securities

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

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

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

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

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

PRINCIPLE 2 – BOARD COMPOSITION AND PERFORMANCE

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

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

Director Independence

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

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

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

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

Corporate Governance

Board Role and Responsibility

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

- strategy – providing strategic direction and approving corporate strategic initiatives;
- leadership selection – evaluating the performance of and selecting the CEO and Group Chief Financial Officer (CFO);
- Board performance and composition – evaluating the performance of non-executive Directors, determining the size and composition of the Board as well as making recommendations for the appointment and removal of Directors;
- remuneration – setting CEO and senior executive remuneration and setting non-executive Director remuneration within shareholder-approved limits;
- 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 on-going dialogue with the external auditors;
- risk management – approving the company's risk management strategy and monitoring its effectiveness;
- health and safety – ensuring so far as is reasonably practicable, a safe and healthy working environment is provided and maintained for all employees, customers, contractors and visitors;
- social responsibility – setting business standards and promoting ethical and responsible decision-making by the company; and
- relationship with regulators, exchanges and continuous disclosure – maintaining direct and ongoing dialogue with the NZX and ensuring that the market and shareholders are continually informed of material developments.

Delegation

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

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

Avoiding Conflicts of Interest

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

Board Access to Information and Advice

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

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

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

Nomination and Appointment of Directors

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

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

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

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

The committee believes that a potential Director should:

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

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

The Board appointed of a Future Director during the 2016 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 the company will continue to participate in the Future Director initiative in 2017.

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 a detailed induction programme appropriate to their experience to familiarise them with the Groups' businesses and strategy.

As part of each annual strategic planning review, Directors are formally briefed by senior management on relevant industry and competitive issues. During the course of the year additional strategy 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 then the nearest number to one third, shall retire from office and may offer themselves for re-election at the annual meeting of shareholders. Directors to retire are those who have been longest in office since they were last elected or deemed elected.

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

Board Performance Review

The Chair, 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 Chair. A formal evaluation is regularly conducted with assistance from an outside facilitator.

Corporate Governance

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 committee's area of responsibility.

Audit Committee

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

The members of the Audit Committee are:

James Ogden (Chairman) Keith Smith
Joan Withers 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 on the committee must be independent. The Chair of the committee is an independent director.

The members of the People and Remuneration Committee are:

Vanessa Stoddart (Chair) Sir Stephen Tindall
Joan Withers Tony Balfour
Keith Smith

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

Corporate Governance Committee

Membership of the committee is restricted to independent Directors.

The members of the Corporate Governance Committee are:

Keith Smith (Chairman) Joan Withers

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

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

Disclosure Committee

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

Keith Smith (Chairman) James Ogden
Joan Withers 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 meet either quarterly or are convened as necessary. Each committee is entitled to the resources and information it requires to operate effectively.

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

The Board formally met 15 times during the year. In addition, Directors met throughout the year on matters of strategy, planning, 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 31 July 2016.

NUMBER OF MEETINGS	REMUNERATION, TALENT AND NOMINATION				CORPORATE GOVERNANCE	DISCLOSURE
	BOARD	AUDIT				
	15	4	2	1	1	1
Tony Balfour	14	1 ¹	2			
John Journee	15	4	2 ¹			
James Ogden	15	4	2 ¹			1
Keith Smith	15	4	2	1		1
Vanessa Stoddart	15	3 ¹	2			
Sir Stephen Tindall	12		1			1
Ted van Arkel	15	4	2	1		1

¹ Non-committee member in attendance.

Corporate Governance

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 audit.

Management accountability for the integrity of the company's financial reporting is reinforced by certification from the CEO and the CFO. The CEO and 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 31 July 2016, and that operational results are in accordance with relevant accounting standards.

Timely and Balanced Disclosure

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

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

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

PRINCIPLE 5 – REMUNERATION

The remuneration of directors and executives should be transparent, fair and reasonable.

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

Non-Executive Directors' Remuneration

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

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

Details of the remuneration paid to Directors and other benefits provided by way of salaries, bonus and exercising share rights are disclosed in note 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** – determined by the scope of the role and the level of knowledge, skill and experience required by the individual. The main reference point is the salary at the median of this group although the company is prepared to pay more to secure and retain the right people to deliver what the business needs.
- **Short-term incentive plan** – this comprises an annual incentive, based on percentage of the fixed remuneration, dependent on the achievement of key performance and operating result objectives. For the Executive Team the bonus is generally up

to 50% of base salary for 'On Target' performance and is based on a combination of the group reported earnings and each executive's specific objectives.

- **Long-term incentive plan** – a reward for the achievement of long-term shareholder return. Under the share rights plan that has been approved by shareholders, participants may be entitled to ordinary shares in the company if certain targets are met. Details of the plan, and the targets, are contained in note 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 Chair 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. The Board should regularly verify that the entity has appropriate processes that identify and manage potential and relevant risks.

Approach to Managing Risk

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

The company recognises three main types of risk:

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

Risk Management Roles and Responsibilities

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

CEO and Management Assurance

The CEO and CFO have provided the Board with written confirmation that the company's 2016 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.

Corporate Governance

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 currently supported by the general ACC workers compensation insurance process. We are working to enhance their internal systems and process to attain tertiary status as currently held by The Warehouse Limited, Warehouse Stationery Limited and Noel Leeming Group 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 its independence and report to the Board that it has remained independent;
- guidelines in relation to the provision of non-audit services by the external auditor in order that the provision of such services does not impair the external auditor's independence or objectivity;
- the audit firm may be permitted to provide non-audit services that are not considered to be in conflict with the preservation of the independence of the auditor subject to the approval of the company's Audit Committee; and
- the Audit Committee must approve significant permissible non-audit work assignments that are awarded to an external auditor, and the value of non-audit work must be reported at every Board meeting.

Engagement of the External Auditor

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

Attendance at the Annual Meeting

PwC, as auditor of the 2016 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 underway.

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 shareholders' meeting 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 seek to actively improve the social and environmental characteristics of the business. This is a goal to which the businesses are strategically committed and which it incorporates in its day-to-day operations.

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

Diversity & Inclusion

The Warehouse Group is dedicated to providing an inclusive work environment to attract and retain the best retailers in New Zealand. We are committed to ensuring that all people are welcomed, supported and encouraged to be themselves to contribute to the achievement of the company's strategic objectives.

The Diversity Working Party has now been established and has evolved its objectives to include a focus on gender, ethnicity, age, disability and our LGBTI+ community.

A key objective continues to be raising the awareness of the importance of diversity of thought, inclusive practices and the benefits of diversity and inclusion to the company.

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

	MALE		FEMALE	
	2016	2015	2016	2015
Directors	6	6	1	1
Officers	9	9	4	3
All Team Members	40%	40%	60%	60%

On 23 September 2016, Ted van Arkel resigned as Chairman and Joan Withers and Julia Raue commenced their appointment as Directors of the company, with Joan also holding the role of Chair.

The Warehouse Group's commitment to Communities and Environment is further demonstrated on pages 40 to 53.

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, Les Mills international Limited
Director, Mt Difficulty Wines Limited
Director, Real Journeys Limited and subsidiaries
Director, Silver Fern Farms Limited

JOHN JOURNEE

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

JAMES OGDEN

Chairman, Tegal Group Holdings Limited and subsidiary
Director, Alliance Group Limited
Director, Ogden Consulting Limited
Director, Petone Investments Limited
Director, Summerset Group Holdings Limited and subsidiaries
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, Anderson & O'Leary Limited
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, Mercury NZ Limited
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 (until 1 September 2016)
Director, The New Zealand Refining Company Limited
Commissioner, Tertiary Education Commission
Member, DOC Audit and Risk Committee
Member, Financial Markets Authority
Member, Kings 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 (No3) Limited
Director, Norwood Investments Limited
Director, Team New Zealand Limited
Director, Team New Zealand AC35 Challenge Limited
Trustee, Team New Zealand Trust
Trustee, The Tindall Foundation

EDUARD (TED) VAN ARKEL

(RESIGNED 23 SEPTEMBER 2016)

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 Family Holdings Limited
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

DIRECTORS' SECURITY PARTICIPATION

Directors' shareholdings as at 31 July 2016

At 31 July 2016, the following directors, or entities related to them, held interests in the company shares:

	BENEFICIAL INTEREST	BENEFICIAL INTEREST	NON-BENEFICIAL INTEREST	NON-BENEFICIAL INTEREST	RELATED PARTY	RELATED PARTY
	2016	2015	2016	2015	2016	2015
J Journee	172,000	172,000				
J H Ogden	16,088	16,088			43,771	43,771
K R Smith	13,250	13,250	8,159,199	8,035,408	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
E K van Arkel and K R Smith as a trustee of The Warehouse Management Trustee Company Limited	Various dates	(436,384)	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 2015	(632,326)	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	May 2016	(75,270)	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	October to November 2015	422,515	On market purchase of shares for executive share scheme at an average price of \$2.66 per share
E K van Arkel and K R Smith as trustees of The Warehouse Management Trustee Company No.2 Limited	March to April 2016	500,000	On market purchase of shares for executive share scheme at an average price of \$2.80 per share
K R Smith as a trustee of Sycamore Settlement Trust	September 2015	(10,000)	On market sale of shares at \$2.58 per share
K R Smith as a trustee of Sir Logan Campbell Residuary Estate	March 2016	(24,688)	On market sale of shares at \$2.82 per share

REMUNERATION OF DIRECTORS

On 22 November 2014 the shareholders approved the director 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 31 July 2016 was as follows:

	2016	2015
A J Balfour	85,000	85,000
J W M Journee	86,000	88,000
J H Ogden	101,000	100,000
K R Smith (Deputy Chairman)	119,000	115,000
V C M Stoddart	116,000	91,000
Sir Stephen Tindall	85,000	85,000
E K van Arkel (Chairman)	166,000	166,000
Total	754,000	734,000

In addition to the director fees above K R Smith received fees of \$43,000 (2015: \$24,000) and J H Ogden also received fees of \$43,000 (2015: \$24,000) in their capacity as directors of the Group's Financial Services business.

Statutory Disclosures

SUBSIDIARY COMPANY DIRECTORS

The following people held office as directors of subsidiary companies at 31 July 2016. Those who retired during the year are indicated with an (R).

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

Statutory Disclosures

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		REMUNERATION (\$000)	NUMBER OF TEAM MEMBERS		REMUNERATION (\$000)	NUMBER OF TEAM MEMBERS	
	EXCLUDING SHARE BASED REMUNERATION	INCLUDING SHARE BASED REMUNERATION		EXCLUDING SHARE BASED REMUNERATION	INCLUDING SHARE BASED REMUNERATION		EXCLUDING SHARE BASED REMUNERATION	INCLUDING SHARE BASED REMUNERATION
100 - 110	108	107	260 - 270	4	3	480 - 490	-	1
110 - 120	67	68	270 - 280	3	3	500 - 510	-	4
120 - 130	47	47	280 - 290	4	1	520 - 530	-	2
130 - 140	27	27	290 - 300	3	3	530 - 540	-	1
140 - 150	31	31	300 - 310	1	3	550 - 560	1	1
150 - 160	32	32	310 - 320	-	1	600 - 610	1	-
160 - 170	16	14	320 - 330	-	3	620 - 630	-	1
170 - 180	8	9	330 - 340	1	2	650 - 660	1	1
180 - 190	18	15	340 - 350	1	2	680 - 690	1	-
190 - 200	11	10	350 - 360	3	5	690 - 700	-	1
200 - 210	9	8	370 - 380	2	-	700 - 710	1	-
210 - 220	2	2	380 - 390	5	1	730 - 740	-	1
220 - 230	9	8	400 - 410	2	-	850 - 860	1	-
230 - 240	2	2	410 - 420	-	1	880 - 890	-	1
240 - 250	4	3	430 - 440	2	-	910 - 920	1	1
250 - 260	2	3	440 - 450	-	1	1290 - 1300	-	1

GROUP CEO REMUNERATION

Nick Grayston joined the Group in November 2015 and replaced Mark Powell who left at the end of January 2016 following a three month hand over period.

2016	MARK POWELL	NICK GRAYSTON
Annual Base Salary	\$1,240,000	\$1,400,000

In the eight month period since Nick Grayston commenced his role, he earned \$1.398 million which included an entitlement to a short term incentive payment of \$0.464 million based on achieving a specified earnings target and individual performance against goals.

Mark Powell did not receive any termination payments or short term incentive payments when he left the company. Long term incentives were paid in accordance with the requirements of the long term incentive scheme.

Nick Grayston will be invited into the Group's new long term cash based incentive programme for the 2017 financial year when invitations are made in October 2016. The long term incentive will be based on 83% of his base salary for 2017 and is payable in three years' time should certain specified earning targets be achieved over that period. Thereafter the long term incentive will be based on 50% of his base salary.

Statutory Disclosures

TWENTY LARGEST REGISTERED SHAREHOLDERS AS AT 26 SEPTEMBER 2016

	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 A/C	5,672,734	1.63%
JB Were (NZ) Nominees Limited	4,292,589	1.24%
Sir Stephen Tindall, KR Smith & JR Avery (as Trustees)	3,778,149	1.09%
RG Tindall & GM Tindall, Sir Steohen Tindall & SA Kerr (as Trustees)	3,455,103	1.00%
HSBC Nominees (New Zealand) Limited - NZCSD ¹	2,699,135	0.78%
JP Morgan Chase Bank NA - NZCSD ¹	2,044,507	0.59%
HSBC Nominees (New Zealand) Limited - NZCSD ¹	2,006,981	0.58%
The Warehouse Management Trustee Company No.2 Limited	1,336,903	0.38%
Custodial Services Limited	1,305,497	0.38%
FNZ Custodians Limited	1,097,466	0.32%
National Nominees New Zealand Limited - NZCSD ¹	887,484	0.25%
Sir Stephen Tindall, KR Smith & JR Avery (as Trustees)	752,798	0.22%
Accident Compensation Corporation - NZCSD ¹	750,000	0.22%
Custodial Services Limited	696,754	0.20%
	286,534,381	82.61%

¹ New Zealand Central Securities Depository Limited (NZCSD) is a depository system which allows electronic trading of securities to members.
As at 26 September 2016, total holdings in NZCSD were 16,097,996 or 4.64 % of shares on issue.

SUBSTANTIAL PRODUCT HOLDERS

According to notices given to the company under the Financial Markets Conduct Act 2013, as at 31 July 2016, the substantial product holders in the company and their relevant interests are noted below:

	RELEVANT INTEREST	DATE OF NOTICE
James Pascoe Limited	60,700,673	20 June 2016
Wardell Bros & Coy Limited, Cash Wholesalers Limited and Foodstuffs (Auckland) Nominees Limited	31,120,089	23 March 2007
Sir Stephen Tindall	84,141,524	19 March 2004
The Tindall Foundation	66,323,220	19 March 2004

Statutory Disclosures

DISTRIBUTION OF SHAREHOLDERS AND HOLDINGS AS AT 26 SEPTEMBER 2016

SIZE OF SHAREHOLDING	NUMBER OF SHAREHOLDERS	PERCENTAGE	NUMBER OF SHARES	PERCENTAGE
1 – 1,000	4,748	41.95%	2,650,904	0.76%
1,001 – 5,000	4,402	38.90%	11,324,566	3.27%
5,001 – 10,000	1,184	10.46%	8,990,200	2.59%
10,001 – 100,000	907	8.01%	22,970,311	6.62%
100,000 and over	77	0.68%	300,907,139	86.76%
	11,318	100.00%	346,843,120	100.00%
GEOGRAPHIC DISTRIBUTION				
Auckland and Northland	4,473	39.52%	292,790,927	84.42%
Waikato and Central North Island	1,970	17.41%	10,474,910	3.02%
Lower North Island and Wellington	1,925	17.01%	14,439,582	4.16%
Canterbury, Marlborough and Westland	1,165	10.29%	15,530,792	4.48%
Otago and Southland	834	7.37%	3,626,361	1.04%
Australia	799	7.06%	7,323,570	2.11%
Other Overseas	152	1.34%	2,656,978	0.77%
	11,318	100.00%	346,843,120	100.00%

DISTRIBUTION OF BONDHOLDERS AND HOLDINGS AS AT 26 SEPTEMBER 2016

SIZE OF BONDHOLDING	NUMBER OF BONDHOLDERS	PERCENTAGE	NUMBER OF BONDS	PERCENTAGE
5,000 – 9,999	661	30.56%	4,161,000	3.33%
10,000 – 49,999	1,263	58.39%	23,465,000	18.77%
50,000 – 99,999	129	5.97%	8,031,000	6.42%
100,000 – 499,999	92	4.25%	13,360,000	10.69%
500,000 – 999,999	5	0.23%	2,914,000	2.33%
1,000,000 and over	13	0.60%	73,069,000	58.46%
	2,163	100.00%	125,000,000	100.00%
GEOGRAPHIC DISTRIBUTION				
Auckland and Northland	896	41.42%	31,342,000	25.07%
Waikato and Central North Island	312	14.42%	41,720,000	33.38%
Lower North Island and Wellington	478	22.10%	23,413,000	18.73%
Canterbury, Marlborough and Westland	250	11.56%	3,610,000	2.89%
Otago and Southland	220	10.17%	23,712,000	18.97%
Australia	1	0.05%	532,000	0.42%
Other Overseas	6	0.28%	671,000	0.54%
	2,163	100.00%	125,000,000	100.00%

Other Statutory Information

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 26 September 2016 was 346,843,120 fully paid ordinary shares.

Holders of each class of equity security as at 26 September 2016

CLASS OF EQUITY SECURITY	NUMBER OF HOLDERS	NUMBER OF SHARES OR RIGHTS
Ordinary Shares	11,318	346,843,120
Share Rights – Executive share scheme	66	3,964,000

RIGHTS ATTACHING TO SHARES

Clauses 20-22 of the company's constitution set out the voting rights of shareholders. Ordinary shares in the company each carry a right to vote on a poll at any general meeting of shareholders on any resolution. Holders of ordinary shares may vote at a meeting in person, or by proxy, representative or attorney. Voting may be conducted by voice, a show of hands or a poll. Each of the company's ordinary shares entitles the holder to one vote.

ON-MARKET SHARE BUY-BACKS

The company is not, at the date of this annual report, undertaking any on-market share buy-backs.

ESCROW

Apart from the shares held under the Staff Purchase Plan, the company has no securities subject to an escrow agreement.

DIVIDENDS ON ORDINARY SHARES

The Warehouse Group Limited has paid dividends on its ordinary shares every year without interruption since listing on the New Zealand Exchange 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 dividend policy is to distribute between 75% and 85% of Retail Group's adjusted net profit to shareholders.

On 22 September 2016 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 8 December 2016 to all shareholders on the share register at the close of business on 25 November 2016.

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

Cents per share

DIVIDENDS	2016	2015	2014	2013	2012
Interim	11.0	11.0	13.0	15.5	13.5
Final	5.0	5.0	6.0	5.5	6.5
Total	16.0	16.0	19.0	21.0	20.0

AUDITOR

PricewaterhouseCoopers have continued to act as auditors of the company, and have undertaken the audit of the financial statements for the 31 July 2016 year.

DISCIPLINARY ACTION

The NZX has taken no disciplinary action against the company during the period under review.

DONATIONS

In accordance with section 211(1)(h) of the Companies Act 1993, the company records that it donated \$747,000 (2015 \$632,000) 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.thewarehousegroup.co.nz.

MATERIAL DIFFERENCES

There are no material differences between NZX Appendix 1 issued by the company on 23 September 2016 for the year ended 31 July 2016 and this annual report.

Directory

Board of Directors

Joan Withers (Chair)
Keith Smith (Deputy Chairman)
Sir Stephen Tindall
Tony Balfour
John Journee
James Ogden
Julia Raue
Vanessa Stoddart

Group Chief Executive Officer

Nick Grayston

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@twgroup.co.nz

Stock Exchange Listing

NZSX trading code: WHS

Company Number

New Zealand Incorporation: AK/611207

Website

www.thewarehousegroup.co.nz



The mark of
responsible forestry

**Sustainable
Business Council**



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.



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.

