

----- NOTES TO AND FORMING PART OF -----

THE FINANCIAL STATEMENTS

For the year ended 31 July 2000

1. Statement of Accounting Policies

Reporting Entity

The Warehouse Group Limited is a company registered under the Companies Act, 1993 and is listed on the New Zealand Stock Exchange.

The Warehouse Group Limited is an issuer for the purposes of the Financial Reporting Act, 1993. The financial statements and group financial statements of The Warehouse Group Limited have been prepared in accordance with the Financial Reporting Act, 1993.

Measurement Base

The accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position on an historical cost basis are followed by the group.

Specific Accounting Policies

The following specific accounting policies which materially affect the measurement of financial performance and the financial position have been applied:

(a) Basis of Consolidation

The consolidated financial statements comprise the parent company and its subsidiaries, in-substance subsidiaries and joint venture investments. Subsidiaries and in-substance subsidiaries have been consolidated using the purchase method. All significant intercompany transactions are eliminated on consolidation.

(b) Joint Ventures

Where the group invests in joint ventures, the group's share of revenues, expenditures, assets and liabilities are included in the appropriate categories within the financial statements.

(c) Statement of Cash Flows

For the purposes of the Statement of Cash Flows, cash comprises cash on hand and in transit, bank in funds and short term deposits offset by bank overdrafts. Cash flows relating to short term borrowings are presented as net cash flows, as gross cash inflows and outflows include day to day cash management.

(d) Fixed Assets

Fixed assets are stated at cost and depreciated on a straight line basis to allocate the cost, less any residual value, over their useful life. Where a fixed asset is disposed of, the gain or loss recognised in the Statement of Financial Performance is calculated as the difference between the sale price and the carrying amount of the fixed asset.

Estimated useful life of fixed assets:

Freehold land	indefinite
Freehold buildings	50 - 100 years
Store fittings and equipment	4 - 10 years
Computer equipment	2 - 5 years
Vehicles	5 - 8 years

(e) Income Tax

The income tax expense charged to the Statement of Financial Performance includes both the current year provision and the income tax effects of timing differences calculated using the liability method.

Tax effect accounting is applied on a comprehensive basis to all timing differences. A debit balance in the deferred tax account, arising from timing differences or income tax benefits from income tax losses, is recognised only if there is virtual certainty of realisation.

(f) Inventories

Inventories are stated at the lower of cost, determined on an average cost basis, and net realisable value.

(g) Investments

Non-current investments are stated at cost. The directors write down an investment where they believe there has been a permanent impairment in the value of the investment.

(h) Leases

Group entities lease certain land and buildings. Certain plant and equipment are also leased for short terms.

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are included in the determination of the operating surplus in equal instalments over the lease term.

(i) Goodwill

Goodwill arising on the acquisition of a subsidiary or joint venture represents the excess of purchase price paid over the fair value of the identifiable net assets acquired. Goodwill is stated at cost and amortised on a straight line basis over 5 to 10 years based on the expected benefits to be derived.

(j) Share Options

Share options are granted to team members based on future company performance. The fair value of the option when granted is recognised in equity and as an intangible asset representing the future service to be provided to the company by the team members. This asset is amortised on a straight line basis over 27 months from the time the option is granted until it can be exercised.

(k) Mobile Telephone Handsets

Mobile telephone handsets are sold below cost as an inducement to customers and can only be used in conjunction with telephone cards supplied exclusively by The Warehouse. The net unrecovered cost from the sale of mobile telephone handsets is recognised as an asset and amortised on a straight line basis over the period during which benefits from the sale of telephone cards are expected to be received. The maximum amortisation period is 2 years, subject to adjustment for churn.

(l) Financial Instruments

The group is party to the following financial instruments with off-balance sheet risk:

- Letters of credit to secure future purchasing requirements.
- Forward exchange contracts and currency options to reduce exposure to fluctuations in foreign currency exchange rates.
- Interest rate swaps and forward rate agreements to reduce exposure to fluctuations in interest rates.

Letters of credit exposures are disclosed as contingent liabilities in the financial statements until valid documents are received and terms, as set out in the letter of credit, are met.

Foreign currency forward exchange contracts and currency options are used to hedge foreign currency transactions. Any exposure to gains or losses on these foreign exchange derivatives are generally offset by a related loss or gain on the item being hedged.

Any amounts paid or received on interest rate swaps or forward rate agreements are recognised as an interest expense over the period of the underlying debt hedged.

Financial instruments are not used for the purpose of trading or speculation. All other financial exposures are recognised in the statement of financial position.

(m) Foreign Currencies

Transactions in foreign currencies are converted to New Zealand currency at the exchange rate ruling at the date of the transaction.

Short term transactions covered by forward exchange contracts are measured and reported at the forward rates specified in those contracts.

At balance date foreign monetary assets and liabilities are translated to New Zealand currency at the closing exchange rate, and exchange variations arising from these translations are recognised in the Statement of Financial Performance.

Changes in Accounting Policies

There have been no material changes in accounting policies. All policies have been applied on bases consistent with those used in previous periods.

		GROUP JULY	GROUP JULY	PARENT JULY	PARENT JULY
		00	99	00	99
	NOTE	\$000	\$000	\$000	\$000
2. Other Revenue					
Interest Income		127	594	-	-
Rental Income		3,172	1,746	-	-
Income from the sale of mobile telephone handsets	14	13,812	3,199	-	-
Rebates from the sale of mobile telephone airtime		4,538	-	-	-
Dividend revenue from subsidiaries		-	-	97,852	61,634
Gain on sale of properties		5,636	467	-	-
Gain on sale of fixed assets		26	-	-	-
Net foreign currency exchange gain		-	391	-	-
Store fire loss of profits insurance claim		483	-	-	-
Other income		2,416	2,181	-	-
Total Other Revenue		30,210	8,578	97,852	61,634
3. Net Surplus Before Taxation					
After charging					
Bad debts written off		286	218		
Movement in provision for doubtful debts		619	52		
Australian business origination costs		2,252	-		
Costs associated with the development of financial services in stores		1,557	-		
Donations		323	390		
Interest on borrowings		4,913	3,519		
Leasing costs		26,613	19,597		
Loss on sale of fixed assets		-	27		
Net foreign currency exchange loss		79	-		
Year 2000 compliance costs		178	849		
Amortisations					
Depreciation		22,935	18,819		
Goodwill		325	285		
Option scheme		3,074	1,637		
Mobile telephone handsets	14	6,245	49		
Directors' remuneration					
Fees paid to non-executive directors		210	200		
Remuneration and benefits provided to executive directors		1,253	1,290		
Included in the option scheme amortisation		175	97		
Auditors' remuneration					
Auditing financial statements of the group		161	165		
Other services		197	80		
Included in Australian business origination costs		375	-		

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THE FINANCIAL STATEMENTS - CONTINUED

For the year ended 31 July 2000

	GROUP JULY	GROUP JULY	PARENT JULY	PARENT JULY
				
NOTE	\$000	\$000	\$000	\$000

4. Taxation

Net surplus before taxation	108,052	82,459	97,836	61,632
Prima facie taxation calculated at 33%	35,657	27,211	32,286	20,339
Adjusted for the tax effect of				
Non taxable income	(254)	(141)	(32,291)	(20,339)
Option scheme amortisation	1,014	540	-	-
Goodwill amortisation	107	94	-	-
Business origination costs	743	-	-	-
Other non deductible expenditure	300	367	-	-
Section DF7 notional interest on employee share purchase advances	(91)	(40)	-	-
Income tax expense on surplus	37,476	28,031	(5)	-
Income tax under / (over) provided in prior year	117	(1)	-	3
Total income tax expense	37,593	28,030	(5)	3
Deferred taxation	5 (4,844)	1,731	-	-
Current year taxation payable	32,749	29,761	(5)	3
Taxation receivable at beginning of year	(697)	(1,209)	(609)	(793)
Taxation (paid) / received	(35,119)	(28,264)	596	732
Supplementary dividends	(1,206)	(575)	(1,206)	(575)
Use of money interest and other adjustments	(25)	(410)	(24)	24
Taxation receivable at end of year	(4,298)	(697)	(1,248)	(609)

There are no income tax losses or unrecognised timing differences carried forward.

Imputation Credit Account

Memorandum account

Imputation credit at beginning of year	28,364	26,491	99	99
Taxation payments made	34,300	28,000	-	-
Credits attached to dividends paid	(49,848)	(26,543)	(49,848)	(26,543)
Credits attached to dividends received	510	-	49,848	26,543
Adjustments to previous years	4	416	-	-
Imputation credit at end of year	13,330	28,364	99	99

The parent company, together with its wholly-owned subsidiary companies, form a consolidated group for income tax purposes. Accordingly the group imputation credit account movements reported are for the tax group, and are available to shareholders through their shareholding in the parent company.

5. Deferred Taxation

Balance at beginning of year	7,049	5,318	-	-
Recognised in the Statement of Financial Performance	(4,844)	1,731	-	-
Balance at end of year	2,205	7,049	-	-

Deferred taxation asset consists of:

Depreciation differences	(97)	793		
Differences arising from capitalising telephone handsets	(2,606)	(269)		
Holiday pay and other payroll related accruals	3,141	5,529		
Year 2000 compliance costs	273	280		
Provisions and other timing differences	1,494	716		
	2,205	7,049		

	GROUP & PARENT JULY	GROUP & PARENT JULY	ORDINARY SHARES JULY	ORDINARY SHARES JULY
	00	99	00	99
NOTE	\$000	\$000	000's	000's

6. Share Capital

Share capital at beginning of year		118,674	107,310	143,877	143,127
Share options exercised		–	–	85	–
Shares issued at \$7.09 per ordinary share	9	–	5,318	–	750
Share options granted net of options forfeited		1,089	6,046	–	–
1:1 bonus issue at \$0.25 per ordinary share	8	35,975	–	143,895	–
Share capital at end of year		155,738	118,674	287,857	143,877

All ordinary shares have equal voting rights and share equally in dividends and surplus on winding up.

Share option plan

In accordance with the two share option plans approved by shareholders at the Annual Meetings in 1998 and 1999, 1,245,000 options (1999 – 9,527,000 options) were issued to team members and 39,680 options (1999 – nil) to non-executive directors during the year. A total of 10,039,680 options have been issued and 216,000 options exercised. All share options forfeited as a consequence of team members leaving the company have been reissued to new team members. The options have no nominal value and have no cash issue price, and are recognised in equity and intangible assets (note 13) based on an independent valuation of the options at the date they are granted.

7. Earnings Per Share

Group net surplus/Weighted average number of shares on issue	70,053	54,053	287,846	286,531
Net surplus per share (cents per share – cps)			24.3 cps	18.9 cps





Earnings per share is calculated by dividing the group net surplus after taxation and minority interests by the weighted average number of ordinary shares on issue during the year, and adjusted for the March 2000 1:1 bonus issue.

8. Dividends and Bonus Issues

Interim dividend	24,462	18,606	8.5 cps	6.5 cps
Interim special dividend	25,901	25,763	9.0 cps	9.0 cps
Final dividend provided	11,514	8,633	4.0 cps	3.0 cps
Final special dividend provided	–	8,632	–	3.0 cps
Total dividends paid and provided in cash (cents per share – cps)	61,877	61,634	21.5 cps	21.5 cps
Bonus issue provided from retained earnings (25 cents per share)	35,975	–		
Total distributions to shareholders	97,852	61,634		

Dividends per share have been adjusted for the March 2000 1:1 bonus issue.

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THE FINANCIAL STATEMENTS - CONTINUED

	GROUP JULY	GROUP JULY	ORDINARY SHARES JULY	ORDINARY SHARES JULY
				
NOTE	\$000	\$000	000's	000's
9. Treasury Stock				
Treasury stock at beginning of year	4,517	2,119	959	805
Ordinary shares issued to the trustee of the share purchase scheme	–	5,318	–	750
Employee share purchase scheme forfeited shares	259	135	64	61
1:1 bonus issue at \$0.25 per ordinary share	240	–	960	–
Allocated to employee share purchase scheme	–	(2,901)	–	(593)
Shares traded on the open market	–	(44)	–	(22)
Shares issued to staff in lieu of cash remuneration	(539)	(110)	(114)	(42)
Treasury stock at end of year	<u>4,477</u>	<u>4,517</u>	<u>1,869</u>	<u>959</u>
Ordinary shares held by the trustee of the share purchase scheme				
Unallocated treasury stock			1,869	959
Allocated to employee share purchase scheme	10		832	1,309
			<u>2,701</u>	<u>2,268</u>
Percentage of share capital			0.94%	1.58%

Shares held by the trustee are fully paid and carry the same voting rights as other issued ordinary shares. Voting rights attached to the shares are held by the trustee, and dividends paid on unallocated shares are retained by the trustee for the benefit of the group. The directors may appoint or remove any trustee by directors' resolution.

10. Advances Receivable

Advances on shares allocated to employees under the employee share purchase scheme	2,244	3,413	832	1,309
Other advances	705	66		
	<u>2,949</u>	<u>3,479</u>		
Less advances repayable within 12 months	(851)	(840)		
Total advances repayable after more than 1 year	<u>2,098</u>	<u>2,639</u>		
Percentage of share capital			0.29%	0.91%

Employee Share Purchase Scheme

The Warehouse Management Trustee Company acts as trustee for the employee share purchase scheme. At regular intervals the trustee offers shares to permanent employees of the group with service in excess of 750 hours per year. Shares are offered at a price set by the trustee and allocated from treasury stock under Section DF7 of the Income Tax Act, 1994 to a maximum consideration of \$2,340 per employee in any 3 year period. Employees accepting the share offer are provided financial assistance on an interest free basis, payable over 5 years in regular instalments.

The shares allocated to staff are held in trust for a 3 year restrictive period, and then until outstanding advances are fully repaid. If a staff member terminates employment during the restrictive period, the shares are returned to treasury stock and may be reissued at the discretion of the directors.

11. Investment in Subsidiary Companies

	PRINCIPAL ACTIVITY
Significant subsidiaries (100% owned)	
The Warehouse Limited	Retail
Warehouse Stationery Limited	Retail
Eldamos Investment Limited	Store property owner
Boye Developments Limited	Holding company
In-substance subsidiary (100% owned)	
Warehouse Management Trustee Company Limited	Share scheme trustee
Joint ventures (50% owned)	
Lincoln West Limited	Store property owner
Care Chemist Limited	Franchise owner

There have been no changes in shareholdings in subsidiaries during the year. The balance date of all subsidiaries and the Lincoln West Limited joint venture is 31 July. The balance date of Care Chemist Limited is 31 March.

	GROUP JULY 2000			GROUP JULY 1999		
	COST	ACCUM	BOOK	COST	ACCUM	BOOK
	\$'000	DEPN \$'000	VALUE \$'000	\$'000	DEPN \$'000	VALUE \$'000
12. Fixed Assets						
Freehold land	18,905	–	18,905	28,925	–	28,925
Freehold buildings	48,855	3,785	45,070	49,637	2,942	46,695
Store fittings and equipment	101,165	51,370	49,795	83,433	38,244	45,189
Computer equipment	44,719	30,092	14,627	38,993	22,463	16,530
Vehicles	4,047	2,661	1,386	4,554	2,519	2,035
Work in progress	31,520	–	31,520	12,283	–	12,283
Total Fixed Assets	249,211	87,908	161,303	217,825	66,168	151,657

Valuation

The directors, having taken into consideration purchase offers, independent and government valuations and other known factors, have assessed the fair value of freehold land and buildings to be \$105,837,000 (1999 – \$98,008,000).

	NOTE	GROUP JULY 2000			GROUP JULY 1999		
		COST	ACCUM	BOOK	COST	ACCUM	BOOK
		\$'000	AMORT \$'000	VALUE \$'000	\$'000	AMORT \$'000	VALUE \$'000
13. Intangible Assets							
Goodwill		2,766	1,369	1,397	2,766	1,044	1,722
Deferred option scheme		6,992	4,568	2,424	6,046	1,637	4,409
Mobile telephone handsets	14	14,192	6,294	7,898	866	49	817
Pharmacy franchises		200	38	162	110	8	102
Total Intangible Assets		24,150	12,269	11,881	9,788	2,738	7,050

Deferred option scheme

Options are granted as an incentive to team members selected at the discretion of the directors, and can be exercised after 27 months. The options entitle the holder to subscribe for ordinary shares based on the increment in the group's share price relative to the New Zealand Stock Exchange 40 Gross Index over the period. The options are recognised at the fair value of the options at grant date, and amortised over 27 months representing the future service to be provided to the group by the team members.

	OPTIONS GRANTED DATE	NUMBER OF OPTIONS GRANTED 000's	FAIR VALUE AT GRANT DATE \$'000	EXERCISE PERIOD COMMENCES	OPTIONS EXPIRY DATE	FAIR VALUE AT BALANCE DATE \$'000
Directors options						
N R Plummer	16/12/98	300	199	16/03/01	15/03/02	1,365
P G Inger	16/12/98	240	159	16/03/01	15/03/02	1,092
J R Avery	22/12/99	8	10	22/03/02	21/03/03	18
P Brass	22/12/99	8	10	22/03/02	21/03/03	18
R L Challinor	22/12/99	8	10	22/03/02	21/03/03	18
G F Evans	22/12/99	8	10	22/03/02	21/03/03	18
J Withers	22/12/99	8	10	22/03/02	21/03/03	18
Team members options						
1st tranche–170 team members	16/12/98	8,149	5,423	16/03/01	15/03/02	37,078
2nd tranche–13 team members	16/07/99	450	477	15/10/01	15/10/02	1,332
3rd tranche–32 team members	22/12/99	645	684	22/03/02	21/03/03	1,425
Total options issued		9,824	6,992			42,382

The fair value of the options at balance date has been assessed as though the options could be exercised on 31 July 2000 and a group share price of \$5.72 per share.



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GROUP JULY	GROUP JULY
00	99
\$ 000	\$ 000

14. Mobile telephone handsets

Balance at beginning of year	817	-
Handsets capitalised		
Income from sale of 131,761 handsets (1999 – 36,457 handsets)	(13,812)	(3,199)
Cost of handsets sold	24,769	6,434
Net handset capitalisation	10,957	3,235
Expected rebate netted against intangible assets in 1999, reclassified to working capital in 2000	2,369	(2,369)
Handset amortisation including an allowance for churn ¹	(6,245)	(49)
Balance at end of year	7,898	817

¹ Churn is the rate at which customers stop using their mobile telephones

15. Receivables and Prepayments

Trade receivables	7,640	3,017
Prepaid expenses and interest	2,171	3,407
Property development advance	1,379	3,518
Property settlements receivable on unconditional sale agreements	4,528	7,440
	15,718	17,382

16. Creditors and Accruals

Trade creditors	54,322	46,772
Goods in transit creditors	15,386	12,213
Accrued employee entitlements	20,115	20,477
Property development payables	-	3,669
	89,823	83,131

Employee entitlements include provisions for holiday pay, long service leave, PAYE, and pay periods ending after balance date.

17. Investment in listed companies

eVentures New Zealand Limited	3,000	-

In May 2000 the company subscribed for 5 million shares at 60 cents per share in eVentures New Zealand Limited, the market value of the shares at 31 July 2000 was \$2,650,000 (53 cents per share).

18. Inventory

In some instances where goods have been purchased locally the supplier retains title to the goods until payment has been made. No inventories have been specifically or separately pledged as security for any liabilities.

GROUP JULY	GROUP JULY	EFFECTIVE INTEREST RATE JULY	EFFECTIVE INTEREST RATE JULY
00 \$ 000	99 \$ 000	00 %	99 %



19. Borrowings – secured

Bank overdrafts	–	1	8.35%	6.60%
Short term borrowings				
Over night borrowings	43,816	35,260	6.90%	5.00%
90 day borrowings	20,000	6,000	7.28%	5.13%
	63,816	41,260	7.02%	5.02%
Term borrowings				
Repayable:				
7 to 12 months	30,000	4,000	7.07%	7.63%
Current portion of term borrowings	30,000	4,000		
19 to 24 months	10,000	10,000	6.03%	5.82%
31 to 36 months	–	20,000	–	7.09%
Term borrowings repayable after more than 1 year	10,000	30,000	6.03%	6.67%
Total term borrowings	40,000	34,000	6.81%	6.78%

Interest rates

Term borrowings reprice at 90 day intervals, which are matched to a combination of interest rate swaps and forward rate agreements (note 20). These interest rate derivatives determine the term and effective interest rate of term borrowings.

Short term interest rate derivatives in place at balance date provided seasonal cover of approximately \$20 million from June 2000 to November 2000 at effective interest rates ranging between 7.20% and 7.45%. The effect of these interest rate derivatives has been allowed for in determining the effective interest rates of short term borrowings at balance date.

Security

Borrowings are secured by a debenture trust deed over the assets and liabilities of the parent company and its subsidiaries.

20. Financial Instruments

Off-Balance Sheet Financial Instruments

Forward exchange contracts and currency options

Contract amounts (New Zealand dollars)	165,121	141,943
Valuation at balance date (New Zealand dollars)	179,238	143,990

Notional principal of interest rate derivatives

Matched to term borrowings	40,000	34,000
Short term 90 day seasonal hedges	30,000	–

The parent has no off-balance sheet financial instruments.

Interest rate risk

The group uses interest rate swaps and forward rate agreements to manage interest rate risk. The directors regularly review the amount, and the mix of the interest rate derivatives used to hedge borrowings. Interest rates and interest repricing periods on borrowings after allowing for interest rate derivatives are disclosed in note 19.

Currency risk

The group enters into forward exchange contracts and currency options to reduce the currency risks associated with purchasing goods in foreign currencies. The group's overseas purchases are principally denominated in US dollars and the groups policy since March 1998 has been to cover between 35% and 65% of the forecasted US dollar commitments on a rolling 12 month basis.

Where other specific currency exposures are known the group hedges these risks as they arise.



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THE FINANCIAL STATEMENTS - CONTINUED

Credit risk

Financial instruments which potentially subject the group to credit risk principally, consist of bank balances, trade and property receivables, advances and off balance sheet financial instruments.

The group's deposits and off balance sheet financial instruments are placed only with major banks within limits approved by the directors. Agreements for the sale of property are only entered into with parties of high credit quality. Title and possession do not pass until settlement. Where employees have been advanced funds to purchase shares in accordance with the share purchase scheme, the shares are held in trust until the advances have been fully repaid. The Warehouse Card (a private label credit card), does not expose the group to any credit risk as credit is granted through Westpac Banking Corporation on a non-recourse basis. The group performs credit evaluations on customers requiring credit but generally does not require collateral. Concentrations of credit risk with respect to trade receivables are limited due to the minor nature and spread of such accounts. There are no other concentrations of credit risk.

GROUP JULY	GROUP JULY	PARENT JULY	PARENT JULY
00	99	00	99
\$000	\$000	\$000	\$000

Maximum exposures to credit risk at balance date are:

Cash, bank in funds and deposits	2,470	10,641	106	55
Trade receivables and advances	11,968	10,014	115,935	79,572
Property settlements receivable on unconditional sale agreements	4,528	7,440	-	-
Total exposure to credit risk at balance date	18,966	28,095	116,041	79,627

Credit Facilities

The group had bank funding facilities (including letters of credit, but excluding seasonal facilities) of \$180,000,000 available at 31 July 2000 (1999 – \$192,500,000). The amount undrawn after borrowings and outstanding letters of credit was \$42,822,000 (1999 – \$83,854,000).

Fair Values

The estimated fair values of the groups financial instruments which differ from the carrying values are as follows:



CARRYING AMOUNT JULY	FAIR VALUE JULY	CARRYING AMOUNT JULY	FAIR VALUE JULY
00	00	99	99
\$000	\$000	\$000	\$000

Group

Investments in listed companies	3,000	2,650	-	-
Off-balance sheet financial instruments				
Forward exchange contracts and currency options	-	14,117	-	2,047
Interest rate swaps and forward rate agreements	-	323	-	(340)
Bank letters of credit issued to secure future purchasing requirements	-	(36,994)	-	(33,385)
Bank letters of credit issued to secure deposit on Australian acquisition	-	(6,368)	-	-

The fair value of the bank letters of credit has been determined on the face value of the credit. The fair value of the interest rate derivatives, forward exchange contracts, currency options and investment in listed companies are based on the quoted market price of the financial instrument or comparable financial instruments.

It was not practicable to estimate the fair value of the employee share purchase scheme advances as there is no market for the advances and the timing of repayment is uncertain.

GROUP JULY	GROUP JULY
	
\$ 000	\$ 000

21. Contingent Liabilities

Bank letters of credit issued to secure future purchasing requirements	36,994	33,385
New Zealand Stock Exchange bond	75	75
Total contingent liabilities	37,069	33,460

The parent company had no contingent liabilities (1999 – nil).

The Warehouse Card (a private label credit card) operates a bonus points system on purchases made using the card. Points may be redeemed for discount in conjunction with particular marketing promotions. Any discounts redeemed are accounted for as a promotional cost at the time of the promotion. Bonus points cannot be accumulated for more than 12 months. The Warehouse Limited offers a money back guarantee on goods sold, and any cost is accounted for when incurred. Any contingent liability for bonus points or guarantees cannot be reliably estimated.

Australian new business

The group announced its intention to acquire Clint's Crazy Bargains and Silly Solly's, two Australian discount variety chains in June 2000. The up-front acquisition cost to the group, subject to adjustment pending the completion of audited settlement accounts is \$105 million Australian dollars, with a potential earn-out of up to \$24 million Australian dollars additional consideration should the Australian businesses achieve certain earnings targets by the year 2003. The effective completion date for the acquisition was 1 August 2000.

22. Commitments

Capital Commitments

Contracts entered into for capital expenditure which have not been provided for in the Statement of Financial Position	13,375	5,264
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Lease Commitments

The group has the following non-cancellable operating lease commitments which relate to leases of store premises:

Due within one year	30,281	23,466
Due within one to two years	29,151	22,001
Due within two to five years	77,010	60,456
Due after five years	66,796	58,919
Total lease commitment	203,238	164,842

The parent company had no capital or lease commitments (1999 – nil).

23. Related parties

The group has paid for professional services at normal commercial rates from the following firms in which a director has an interest.

Spicer & Oppenheim (K R Smith – Partner)	79	92
Hesketh Henry (J R Avery – Partner)	409	334
L.E.K Consulting Pty Limited (R L Challinor – Advisory Board member)	569	–
Total professional fees paid to related parties	1,057	426

Directors are entitled to purchase goods at normal staff discount. No related party debt has been written off or forgiven during the year.

24. Segment Information

The group operates predominantly in the New Zealand retail sector.

