HOME & DECOR HOLDINGS LIMITED
(FORMERLY KNOWN AS HOME & DECOR HOLDINGS PTY LIMITED)

ABN 50 147 375 451

INDEX TO

INTERIM FINANCIAL STATEMENTS

26 WEEKS ENDED 28 DECEMBER 2014

Your directors submit their report for the half-year ended 26 weeks ending 28 December 2014.

DIRECTORS

The names of the Directors of the Group in office during the year and until the date of this report are:

Aaron Hood	Resigned on 28 November 2014
Trent Peterson	
Greg Milne	Resigned on 28 May 2015
Brett Blundy	Resigned on 28 May 2015
Michael Anthony Cherubino	
David John Milroy Maclean	

PRINCIPAL ACTIVITIES

The principal activity of the group during the 26 weeks ending 28 December 2014 comprised of retail operations in the Manchester, Home wares and Home Décor market segments within Australia.

RESULTS AND DIVIDENDS

The profit of the Group for the 26 weeks ending 28 December 2014 after providing for income tax amounted to $4.1m (2013: profit of $4.5m).

The Group reported an EBITDA [1] of $16.9m (2013: EBITDA $11.9m). The directors note that interest bearing liabilities includes Redeemable Preference Shares of $50.136m, which are deemed debt by Accounting Standards, held by shareholders and therefore do not represent a liability to a bank or third party.

Refer to the reconciliation below for definition of EBITDA:

	28 December 2014 $'000	29 December 2013 $'000
Profit/(Loss) after income tax	4,060	4,494
Add back:		
Interest income	(334)	(91)
Finance expenses	2,088	1,984
RPS interest	6,274	5,439
Depreciation and amortisation expenses	2,184	1,935
Income tax (benefit)/expense	2,694	(1,905)
EBITDA [1]	**16,966**	**11,856**

[1] Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) is used as a measure of financial performance by excluding certain variables that affect operating profits but which may not be directly related to all financial aspects of the operations of the group. EBITDA is not a measure of operating income, operating performance or liquidity under IFRS. Other companies may calculate EBITDA in a different manner to us. The above EBITDA reconciliation has not been audited.

SIGNIFICANT POST BALANCE DATE EVENTS

On 23 February 2015, dusk Australia Pty Ltd and its subsidiaries was divested by the Group to the Group existing shareholders for $23 million in the form of partial redemption (cancellation) Redeemable Preference Shares on issue, resulting in a reduction of non-current interest bearing liabilities of $23 million on that date. The Board of Home & Decor Holdings Pty Limited determined on 2 December 2014 that the Group would be restructured and refinanced, hence meeting the criteria of AASB 5 Non-current Assets Held for Sale and Discontinued Operations at period end.

On 23 February 2015, the Group also refinanced its external borrowings with financiers. At 28 December 2014, external borrowings are classified as current interest bearing liabilities. The existing external borrowings of $29.7 million were replaced by a full drawn down $47.5 million finance facility with $0.36 million by capitalised borrowing costs being recognised. The derecognition of the existing finance facility resulted in $0.9million of previously capitalised borrowing cost being written off. $30 million of the proceed were utilised for partial redemption of Redeemable Preference Shares, reducing non-current liabilities on the payment date (23 February 2015). Had the refinance occurred prior to period end, current liabilities would have reduced by $29.7 million and non-current liabilities would have increased by $47.1 million.

The Group has converted to a public company on 21 May 2015.

ROUNDING

The amounts contained in the Directors' report and in the interim financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/100. The company is an entity to which the Class Order applies.

AUDITOR INDEPENDENCE

The directors received an Auditor's Independence Declaration which immediately follows the Audit Opinion.

Signed in accordance with a resolution of the directors.

On behalf of the Board

Michael Cherubino
Director

Melbourne
28 May 2015

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To the Directors of Home & Decor Holdings Limited (formerly known as Home & Decor Holdings Pty Limited)

Report on the Half Year Financial Report

We have reviewed the accompanying half year financial report of Home & Decor Holdings Limited (formerly known as Home & Decor Holdings Pty Limited), which comprises the statement of financial position as at 28 December 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the 26 weeks ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half year end or from time to time during the half year.

Directors' Responsibility for the Half Year Financial Report

The directors of the company are responsible for the preparation of the half year financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the 26 weeks ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Home & Decor Holdings Limited (formerly known as Home & Decor Holdings Pty Limited) and the entities it controlled during the half year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards – Reduced Disclosure Requirements and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the half year financial report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Home & Decor Holdings Limited (formerly known as Home & Decor Holdings Pty Limited)is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the 26 weeks ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Ernst & Young

Ashley Butler
Partner
Melbourne
28 May 2015

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Auditor's Independence Declaration to the Directors of Home & Decor Holdings Limited (formerly known as Home & Decor Holdings Pty Limited)

In relation to our review of the financial report of Home & Decor Holdings Limited (formerly known as Home & Decor Holdings Pty Limited) for the 26 weeks ended 28 December 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ashley Butler
Partner
28 May 2015

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Home & Décor Holdings Limited (formerly known as Home & Décor Holdings Pty Limited), I state that in the opinion of the directors:

(a) the financial statements and notes of the company and of the Group are in accordance with the *Corporations Act 2001* , including:

(i) giving a true and fair view of the company's and Group's financial position as at 28 December 2014 and of their performance for the 26 weeks ending on that date; and

(ii) complying with Accounting Standards - Reduced Disclosure Requirements and Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Michael Cherubino
Director

Melbourne
28 May 2015

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the 26 weeks ending 28 December 2014

	Note	26 weeks ended 28 December 2014 $'000	26 weeks ended 29 December 2013 $'000
Continuing Operations			
Revenues from sale of goods	3 (a)	**96,975**	**79,688**
Cost of sales		(36,175)	(29,908)
Gross Profit		**60,800**	**49,780**
Other income	3 (a)	473	135
Depreciation and amortisation expenses		(2,184)	(1,935)
Finance expenses	3 (b)	(8,362)	(7,423)
Salaries and employee benefits expense	3 (c)	(23,288)	(18,935)
Asset, property and maintenance expenses		(138)	(152)
Occupancy expenses		(14,117)	(13,254)
Advertising expenses		(2,100)	(2,490)
Other expenses from ordinary activities	3 (d)	(4,330)	(3,137)
Profit/(loss) before income tax from continuing operations		**6,754**	**2,589**
Income tax benefit/(expense)		(2,694)	1,905
Profit/(loss) after income tax from continuing operations		**4,060**	**4,494**
Profit after income tax from discontinued operations	14	3,709	3,013
Profit for the year		7,769	7,507
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Other comprehensive income from continuing operations			
Net movement of cash flow hedges		1,995	1,377
Income tax relating to the components of other comprehensive income		(598)	(318)
Other comprehensive income from discontinued operations			
Net movement of cash flow hedges		416	(142)
Income tax relating to the components of other comprehensive income		(125)	(52)
Other comprehensive income for the period, net of tax		1,688	865
Total comprehensive income for the period		9,457	8,372
Earnings per share (EPS):			
Basic and diluted, profit for the period attributable to ordinary equity holders of the Parent	15	0.22	0.22
Earnings per share for continuing operations:			
Basic and diluted, profit for the period attributable to ordinary equity holders of the Parent	15	0.12	0.13

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 28 December 2014

	Note	28 December 2014 $'000	29 June 2014 $'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	15,527	24,377
Trade and other receivables	5	5,774	4,585
Inventories	6	20,919	26,517
Current tax receivable		-	99
Derivative financial instruments	12	1,341	-
Assets held for distribution	14	40,960	-
TOTAL CURRENT ASSETS		84,521	55,578
NON CURRENT ASSETS			
Trade and other receivables	6	115	115
Property, plant and equipment	7	9,219	13,840
Intangibles	8	100,929	112,718
Deferred tax assets		2,457	4,286
TOTAL NON CURRENT ASSETS		112,720	130,959
TOTAL ASSETS		**197,241**	**186,537**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		17,129	15,267
Interest bearing liabilities	9	29,741	854
Current tax liabilities		4,150	-
Provisions		3,936	4,576
Derivative financial instruments	12	828	1,277
Liabilities held for distribution	14	10,772	-
TOTAL CURRENT LIABILITIES		66,556	21,974
NON CURRENT LIABILITIES			
Deferred tax liabilities		453	99
Trade and other payables		6,308	6,309
Interest bearing liabilities	9	69,373	111,291
Provisions		3,194	4,600
Derivative financial instruments	12	-	364
TOTAL NON CURRENT LIABILITIES		79,328	122,663
TOTAL LIABILITIES		**145,884**	**144,637**
NET ASSETS		**51,357**	**41,900**
EQUITY			
Contributed equity	10	34,718	34,718
Reserves	10	539	(1,149)
Retained earnings		16,100	8,331
TOTAL EQUITY		**51,357**	**41,900**

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 28 December 2014

	Ordinary shares	Cash flow hedge reserve	Retained earnings	Total
	$'000	$'000	$'000	$'000
At 30 June 2014	34,718	(1,149)	8,331	41,900
Profit for the period	-	-	4,060	4,060
Profit from discontinued operations	-	-	3,709	3,709
Other comprehensive income	-	1,397	-	1,397
Other comprehensive income from discontinued operations	-	291	-	291
Total comprehensive income for the period	-	1,688	7,769	9,457
At 28 December 2014	34,718	539	16,100	51,357

	Ordinary shares	Cash flow hedge reserve	Retained earnings	Total
	$'000	$'000	$'000	$'000
At 1 July 2013	34,740	(690)	786	34,836
Profit for the period	-	-	4,494	4,494
Profit from discontinued operations	-	-	3,013	3,013
Other comprehensive income	-	1,059	-	1,059
Other comprehensive income from discontinued operations	-	(194)	-	(194)
Total comprehensive income for the period	-	865	7,507	8,372
Transactions with owners in their capacity as owners:				
Share buy-back	(10)	-	-	(10)
At 29 Dec 2013	34,730	175	8,293	43,198

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

for the 26 weeks ending 28 December 2014

	Note	26 weeks ended 28 December 2014 $'000	26 weeks ended 29 December 2013 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		106,403	88,643
Payments to suppliers and employees (inclusive of GST)		(87,956)	(75,160)
Interest received		334	91
Income tax (paid)/refunded		(13)	(78)
Interest paid		(17,244)	(1,929)
Net cash flows from operating activities		1,524	11,567
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		-	-
Acquisition of property, plant and equipment and intangible assets		(2,639)	(1,819)
Net cash flows used in investing activities		(2,639)	(1,819)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issue		-	(13)
Loans to related parties		-	1,278
Repayment of borrowings		(4,005)	(3,830)
Net cash flows used in financing activities		(4,005)	(2,565)
Net increase in cash and cash equivalents		(5,120)	7,183
Cash and cash equivalents at beginning of the period		20,647	7,725
CASH AND CASH EQUIVALENTS AT END OF PERIOD	4	**15,527**	**14,908**

NOTE 1. CORPORATE INFORMATION

The interim financial report of Home & Décor Holdings Limited (formerly known as Home & Décor Holdings Pty Limited) (the 'Group') for the 26 weeks ending 28 December 2014 was authorised for issue in accordance with a resolution of the directors on 28 May 2015.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The interim condensed consolidated financial statements of the Group for the six months ended 28 December 2014 have been prepared in accordance with AASB134 *Interim Financial Reporting*.

The interim condensed consolidated financial statement does not include all the information and disclosure required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 29 June 2014.

(b) Changes in accounting policy, accounting standards and interpretations

The accounting policies adopted in the preparation of the consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the 52 weeks ended 29 June 2014, except for the adoption of new standards and interpretations as of 30 June 2014, noted below

(i) AASB 2014-1 Part A - Amendments to Australian Accounting Standards - Annual Improvements 2010 - 2012 and 2011 - 2013 Cycle

This standard sets out amendments to Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards (IFRSs) Annual Improvements to IFRSs 2010–2012 Cycle and Annual Improvements to IFRSs 2011–2013 Cycle.

Annual Improvements to IFRSs 2010–2012 Cycle addresses the following items:

- AASB 2 - Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of *'performance condition' and 'service condition'*

- AASB 3 - Clarifies the classification requirements for contingent consideration in a business combination by removing all references to AASB 137.

- AASB 8 - Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' asset to the entity's total assets.

- AASB 116 and AASB 138 - Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts.

- AASB 124 - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of AASB 124 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.

Annual Improvements to IFRSs 2011–2013 Cycle addresses the following items:

- AASB 13 - Clarifies that the portfolio exception in paragraph 52 of AASB 13 applies to all contracts within the scope of AASB 139 or AASB 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132.

- AASB 140 - Clarifies that judgment is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of AASB 3 that includes an investment property. That judgment is based on guidance in AASB 3.

These amendments are effective for annual periods beginning on or after 30 June 2014. The adoption of these amendments had no material impact on the financial position or performance of the Group.

(ii) AASB 2014-1 Part B – Amendments to Australian Accounting Standards – Defined Benefit Plans: Employee Contributions

This makes amendments in relation to the requirements for contributions from employees or third parties that are set out in the formal terms of the benefit plan and linked to service.

The amendments clarify that if the amount of the contributions is independent of the number of years of service, an service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the related service is rendered, instead of attributing the contributions to the periods of service.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Changes in accounting policy, accounting standards and interpretations (continued)

These amendments are effective for annual periods beginning on or after 30 June 2014. The adoption of these amendments had no material impact on the financial position or performance of the Group.

(iii) AASB 2013-9 Part C - Amendments to Australian Accounting Standards – Financial Instruments
This makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 Hedge Accounting into AASB 9 Financial Instruments.

These amendments are effective for annual periods beginning on or after 1 January 2015. The adoption of these amendments had no material impact on the financial position or performance of the Group.

(c) Segment reporting

For management purposes, the Group is organised into business units based on its various store formats, however is aggregated as one reportable segment, being home furnishings.

Operating segments are identified on the basis of internal reports to senior management about components of the Company that are regularly reviewed by the directors and senior management who have been identified as the chief operating decision makers, in order to allocate resources to the segment and to assess its performance and for which discrete financial information is available.

Information reported to the directors and senior management for the purposes of resource allocation and assessment of performance is specifically focussed on core products and services offered in specific store formats, which when aggregated, forms one reportable operating segment.

The company's store formats (operating segments) exhibit similar long-term financial performance and economic characteristics, which include:

(a) The nature of the products and services - all store formats provide home furnishings to its customer base;
(b) The nature of the production processes - all store formats utilise common design processes and source from the same or similar suppliers;
(c) The type or class of customer for their products and services - all store formats possess an interchangeable customer base;

(d) The methods used to distribute their products or provide their services - all store formats have product fulfilled from the same two DCs and methodologies; and

(e) No store format has different regulatory or consumer legislation requirements from another.

Group financing (including finance costs and finance income) and income taxes are managed on a Group basis and are not allocated to store formats.

The company operates in one geographical segment: Australia.

(d) Earnings per share

Basic EPS amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year. Diluted EPS amounts are calculated by dividing the profit attributable to ordinary equity holders of the Parent (after adjusting for interest on the convertible preference shares) by the sum of the weighted average number of ordinary shares outstanding during the year and the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. As at 28 December 2014, no dilutive equity instruments are on issue.

(e) Discontinued operations

The Group classifies non-current assets and disposal groups held for distribution to equity holders of the parent if their carrying amount will be recovered principally through distribution rather than through continuing use. Such non-current assets and disposal groups classified as held for distribution are measured at the lower of their carrying amount and fair value less cost to distribute. Cost to distribute is the incremental costs directly attributable to the distribution.

The criteria for held for distribution classification is regarded as met only when the distribution is highly probable and the asset or disposal group is available for immediate distribution in its present condition. Actions required to complete the distribution should indicate that it is unlikely that significant changes to the distribution will be made or that the decision to distribute will be withdrawn. Management must commit to the distribution expected within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for distribution.

Assets and liabilities classified as held for distribution are presented separately as current items in the statement of financial position.

	28 December 2014 $'000	29 December 2013 $'000

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Discontinued operations (continued)

A disposal group qualifies as a discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for distribution and :

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated line to dispose of as separate major line of business or geographical area of operations

Or

- Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit of loss after tax from discontinued operations in the statement of profit or loss.

Additional disclosures are provided in Note 14. All other notes to the financial statements include amounts for continuing operations, unless otherwise mentioned.

NOTE 3. REVENUES AND EXPENSES

		28 December 2014 $'000	29 December 2013 $'000
(a)	**Revenue**		
	Sales revenue		
	Sale of Goods	96,975	79,688
	Other revenue		
	Rental income	-	8
	Interest income	334	92
	Other	139	35
		473	135
(b)	**Finance costs**		
	Interest paid/payable to banks and other financial institutions	2,054	1,932
	RPS interest payable/paid	6,274	5,439
	Unwinding of provisions	34	52
		8,362	7,423
(c)	**Salaries and employee benefits expense**		
	Wages and salaries	21,531	17,514
	Defined contribution superannuation expense	1,757	1,420
		23,288	18,934
(d)	**Other expenses**		
	Bank fees	634	522
	Professional fees	402	268
	Storage costs	206	144
	Postage and stationary	938	745
	Travelling expenses	246	192
	IT expenses	350	236
	Communication	301	241
	Online marketing	216	52
	Other	1,037	738
		4,330	3,138

NOTE 4. CASH AND CASH EQUIVALENTS

Cash at bank	15,433	24,244
Cash on hand	94	133
	15,527	24,377

NOTE 5. TRADE AND OTHER RECEIVABLES

	28 December 2014 $'000	29 June 2014 $'000
Current		
Lay-by receivables	648	882
Allowance for lay-by cancellations	(80)	(85)
	568	797
Prepaid expenses	1,004	2,415
Deposits	373	282
Other receivables	3,829	1,091
	5,774	4,585
Non current		
Other receivables	115	115
	5,889	4,700
Current	5,774	4,585
Non-current	115	115
	5,889	4,700

NOTE 6. INVENTORIES

	28 December 2014 $'000	29 June 2014 $'000
Raw materials and work in progress at cost	-	1,133
Finished goods at net realisable value	20,919	25,384
Total inventories at lower of cost and net realisable value	20,919	26,517

During 28 December 2014, $1,253,000 (29 June 2014: $512,000) was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of sales.

NOTE 7. PROPERTY, PLANT AND EQUIPMENT

	Shop Fixtures & Fittings $'000	Leasehold Improvements $'000	Computer Hardware $'000	Plant & Other Equipment $'000	Total $'000
Cost					
At 29 June 2014	43,112	490	5,173	12,202	60,977
Additions	3,430	-	150	449	4,029
Disposal	-	-	(30)	(158)	(188)
Discontinued operations	(16,454)	-	(2,059)	(8,472)	(26,985)
At 28 December 2014	30,088	490	3,234	4,021	37,833
Depreciation and impairment					
At 29 June 2014	31,685	360	4,474	10,617	47,136
Depreciation charge for the year	2,246	49	156	195	2,646
Disposal	-	-	(4)	(84)	(88)
Discontinued operations	(11,332)	-	(1,955)	(7,795)	(21,082)
At 28 December 2014	22,599	409	2,671	2,933	28,612
Net book value					
At 29 June 2014	11,427	130	699	1,585	13,840
At 28 December 2014	7,489	81	563	1,088	9,219

NOTE 8. INTANGIBLE ASSETS

	Computer Software $'000	Brand Names with indefinite useful life $'000	Goodwill $'000	Total $'000
Cost				
At 29 June 2014	3,576	47,532	82,870	133,978
Additions	282	-	-	282
Discontinued operations	(447)	(6,215)	(5,428)	(12,090)
At 28 December 2014	3,411	41,317	77,442	122,170
Amortisation and impairment				
As at 29 June 2014	1,350	-	19,910	21,260
Amortisation	381			381
Discontinued operations	(400)	-	-	(400)
At 28 December 2014	1,331	-	19,910	21,241
Net book value				
As at 29 June 2014	2,226	47,532	62,960	112,718
At 28 December 2014	2,080	41,317	57,532	100,929

NOTE 8. INTANGIBLE ASSETS (continued)

Impairment testing of goodwill and intangibles with indefinite lives

Goodwill acquired through business combinations and brand names with indefinite lives has been allocated to two CGUs for impairment testing as follows:
- Adairs CGU

Carrying amount of goodwill and brands allocated to each of the CGUs:

	Adairs $'000
Goodwill	57,533
Brand	41,317

Adairs CGU
The Group performed its annual impairment test as at 29 June 2014. The Group considers the relationship between its enterprise value and its carrying value, among other factors, when reviewing for indicators for impairment. The recoverable amount of the Adairs CGU has been determined based on the value in use calculation using cash flow projections from financial budgets approved by senior management covering a five year period. The post-tax discount rate applied to cash flow projections is 12.2% and cash flows beyond the five year period are extrapolated using a 3% growth. As a result of the analysis, and consideration of indicators of impairment, no impairment has been recognised for the period.

Key assumptions used in value in use calculations
The calculation of value in use for both Adairs are most sensitive to the following assumptions:
- Gross margin
- Discount rate
- Growth rate

Gross margins - Gross margins are based on average values achieved in the past. These are increased over the budget period for anticipated efficiency improvements.

Discount rate - Discount rate calculation is based on the specific circumstances of the Group and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return of investment by the Group's investors. The cost of debt is based on the interest bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual risk factors into the WACC.

Growth rate - Rates are based on managements best estimate of anticipated growth in the short to medium term.

Sensitivity to changes in assumptions
There are reasonable possible changes in key assumptions that could cause the carrying value of the cash generating units (CGUs) to exceed its recoverable amount. The implications of the key assumptions on the recoverable amount are discussed below:

Growth rate - management recognises that future growth rates may vary to what they have estimated. Management notes that growth rate would need to be (3.1%) or each forecasted year for the recoverable amount of the Adairs CGU to fall below their carrying amounts.

NOTE 9. INTEREST-BEARING LOANS AND BORROWINGS

	Interest rate %	Maturity	28 December 2014 $'000	29 June 2014 $'000
Current				
Bank Loan - Facility B	BBSW + 3.50	5/12/2015	26,715	1,072
Bank Loan - Earn Out Facility	BBSW + 3.25	5/12/2015	3,846	549
Capitalised borrowing cost			(820)	(767)
			29,741	854
Non-current				
Bank Loan - Facility B	BBSW + 3.50	5/12/2015	-	29,373
Bank Loan - Earn Out Facility	BBSW + 3.25	5/12/2015	-	3,572
Capitalised borrowing cost			-	(538)
			-	32,407
Redeemable preference shares	16.00	6/12/2019	50,136	50,136
Accrued redeemable preference share interest - compounded	16.00	6/12/2019	19,238	28,748
			69,374	111,291

The Group refinanced their external borrowings post 28 December 2014. Refer to Note 16. The redeemable preference shares are issued to the shareholders of the Company.

NOTE 10. ISSUED CAPITAL AND RESERVES

	28 December 2014 Thousands	29 June 2014 Thousands
(a) Authorised Shares		
Ordinary Shares	34,718	34,718
	34,718	34,718

Ordinary shares issued and fully paid	Thousands	$'000
As at 29 June 2014	34,718	34,718
Share buy-back	-	-
At 28 December 2014	34,718	34,718

(b) Other Capital Reserves

As at 28 December 2014	Cash flow hedge reserve $'000	Total $'000
Forward currency contracts	(1,118)	(1,118)
Interest rate swap contracts	579	579
	(539)	(539)

As at 29 June 2014	Cash flow hedge reserve $'000	Total $'000
Forward currency contracts	(283)	(283)
Interest rate swap contracts	(866)	(866)
	(1,149)	(1,149)

NOTE 11. COMMITMENTS AND CONTINGENCIES

	28 December 2014 $'000	29 June 2014 $'000
Leases		
Non cancellable operating lease commitments not provided for in the accounts		
- not later than one year	21,527	28,796
- later than one year and not later than five years	46,125	56,025
- later than five years	5,101	5,749
	72,753	90,570

The Group has entered into operating leases for rental of shop premises. These leases have an average life of between 3 and 7 years with renewal options included in the contracts. There are no restrictions placed upon the lessee by entering into these leases.

NOTE 12. DERIVATIVE FINANCIAL INSTRUMENTS

	28 December 2014 $'000	29 June 2014 $'000
Current assets		
Forward currency contracts - cash flow hedges	1,341	-
	1,341	-
Current liabilities		
Forward currency contracts - cash flow hedges	-	404
Interest rate swap contracts - cash flow hedges	828	873
	828	1,277
Non-current liabilities		
Interest rate swap contracts - cash flow hedges	-	364
	-	364

NOTE 12. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

(a) Instruments used by the Group

Forward currency contracts - cash flow hedges

The Group buys inventories that are purchased in US Dollars. In order to protect against exchange rate movements and to manage the inventory purchases process, the Group has entered into forward exchange contracts to purchase USD. These contracts are hedging committed purchases and they are timed to mature when payments are scheduled to be made. These derivatives have met the requirements to qualify for hedge accounting with movements recorded in other comprehensive income accordingly.

The cash flows are expected to occur between 0-12 months from 28 December 2014.

Interest rate swaps - cash flow hedges

Interest-bearing loans of the Group are currently subject to variable interest rate charges. In order to protect against rising interest rates the Group has entered into interest rate swap contracts under which it has a right to receive interest at variable rates and to pay interest at fixed rates. Swaps in place cover approximately 75% of the principal outstanding and are timed to expire at the renewal dates of each loan.

NOTE 13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Fair value

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 — the fair value is calculated using quoted prices in active markets.

Level 2 — the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 — the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs. The fair value of the listed equity investments are based on quoted market prices.

For financial instruments not quoted in active markets, the Group uses valuation techniques such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs.

Financial instruments that use valuation techniques with only observable market inputs or unobservable inputs that are not significant to the overall valuation include interest rate swaps, forward commodity contracts and foreign exchange contracts not traded on a recognised exchange.

	26 weeks ended 28 December 2014		52 weeks ended 29 June 2014	
	Valuation technique - market observable inputs (Level 2)	Total	Valuation technique - market observable inputs (Level 2)	Total
Consolidated	**$' 000**	**$' 000**	**$' 000**	**$' 000**
Financial assets and liabilities				
Forward exchange contracts	1,341	1,341	404	404
Interest rate swaps	(828)	(828)	(1,237)	(1,237)
	513	513	(833)	(833)

NOTE 14. DISCONTINUED OPERATIONS

On October 2014, the board and shareholders decided to review the potential divestment of dusk Australasia Pty Ltd, and related refinancing of the group. Dusk Australasia and its subsidiaries had no operational integration or shared tangible assets with other members of the group, and accordingly the divestment was a financial transaction and had no operational implications for continuing operations. As a result of this review, the divestment of dusk was completed on 23 February 2015 and as at 28 December 2014 its operations were classified as discontinued. The results of dusk Australasia Pty Ltd for the six months ended are presented below:

	28 December 2014 $'000
Profit before tax from discontinued operations	5,297
Tax expense	
Related to current pre-tax loss	(1,588)
Profit for the year from discontinued operations	3,709

The major classes of assets and liabilities of dusk Australasia Pty Ltd classified as held for distribution to equity holders of the parent as at 28 December are as follows:

Assets	
Cash and short term deposits	11,437
Debtors	1,011
Inventories	9,112
Property, plant and equipment	5,904
Deferred tax assets	1,551
Derivative Financial Instruments	256
Intangible Assets	11,689
Total Assets held for distribution	40,960
Liabilities	
Trade and other Payables	7,640
Provisions	3,007
Deferred Tax Liabilities	125
Total Liabilities held for distribution	10,772
Net assets directly associated with discontinued operations	30,188
Included in OCI	
Available for sale reserve	416
Deferred tax on available for sale reserve	(125)
Reserve of discontinued operations	291

The net cash flows incurred by Dusk Australasia Pty Ltd are as follows:

Operating	9,650
Investing	(1,893)
Financing	-
Net Cash (outflow)/ inflow	7,757

NOTE 15. EARNINGS PER SHARE

The following reflects the income and share data used in the basic and diluted EPS computations:

	28 December 2014 $'000	29 June 2014 $'000
Profit attributable to ordinary equity holders of the Parent:		
Continuing operations	4,060	4,494
Discontinued operations	3,709	3,013
Profit attributable to ordinary equity holders of the Parent for basic earnings	7,769	7,507
Interest on convertible preference shares	6,274	11,742
Profit attributable to ordinary equity holders of the Parent adjusted for the effect of dilution	14,043	19,249

	28 December 2014 Thousand	29 June 2014 Thousand
Weighted average number of ordinary shares for basic EPS	34,718	34,718

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

To calculate the EPS amounts for discontinued operations (Note 13), the weighted average number of ordinary shares for both basic and diluted EPS is as per the table above. The following table provides the profit/(loss) amount used:

	28 December 2014 $'000	29 June 2014 $'000
Profit/(loss) attributable to ordinary equity holders of the Parent from a discontinued operations for basic and diluted EPS calculations	3,709	3,013

NOTE 16. EVENTS AFTER THE BALANCE SHEET DATE

On 23 February 2015, dusk Australia Pty Ltd and its subsidiaries was divested by the Group to the Group existing shareholders for $23 million in the form of partial redemption (cancellation) Redeemable Preference Shares on issue, resulting in a reduction of non-current interest bearing liabilities of $23 million on that date. The Board of Home & Decor Holdings Pty Limited determined on 2 December 2014 that the Group would be restructured and refinanced, hence meeting the criteria of AASB 5 Non-current Assets Held for Sale and Discontinued Operations at period end.

On 23 February 2015, the Group also refinanced its external borrowings with existing financiers. At 28 December 2014, external borrowings are classified as current interest bearing liabilities. The existing external borrowings of $29.7 million were replaced by a full drawn down $47.5 million finance facility with $0.36 million by capitalised borrowing costs being recognised. The derecognition of the existing finance facility resulted in $0.9million of previously capitalised borrowing cost being written off. Had the refinance occurred prior to period end, current liabilities would have reduced by $29.7 million and non-current liabilities would have increased by $47.1 million. $30 million of the proceed were utilised for partial redemption of Redeemable Preference Shares, reducing non-current liabilities on the payment date (23 February 2015).

The Group has converted to a public company on 21 May 2015.