Bremworth

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

CONSOLIDATED FINANCIAL STATEMENTS

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DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the preparation of the consolidated financial statements of Bremworth Limited and subsidiaries ("the Group"). The Directors discharge this responsibility by ensuring that the consolidated financial statements comply with Generally Accepted Accounting Practice and fairly present the financial position of the Group as at balance date and of its operations and cash flows for the year ended on that date.

ACCOUNTING POLICIES

The Directors consider that the accounting policies used in the preparation of the consolidated financial statements are appropriate, consistently applied, and supported by reasonable estimates and judgements. All relevant financial reporting and accounting standards have also been followed.

ACCOUNTING RECORDS

The Directors believe that proper accounting records, which enable, with reasonable accuracy, the determination of the financial position of the Group and facilitate the compliance of the consolidated financial statements with the Financial Markets Conduct Act 2013, have been kept.

SAFEGUARDING OF ASSETS AND INTERNAL CONTROLS

The Directors consider that they have taken adequate steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide a reasonable assurance as to the integrity and reliability of the consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

The Directors present, on pages 10 to 60, the consolidated financial statements for the year ended 30 June 2024.

These audited consolidated financial statements were authorised for issue by the Directors on 28 August 2024 and, as required by section 461(1)(b) of the Financial Markets Conduct Act 2013, are dated and signed as at that date.

T H G Adams
Chair of the Board of Directors

K M Turner
Chair of the Audit Committee

Independent auditor's report

To the shareholders of Bremworth Limited

Our opinion

In our opinion, the accompanying consolidated financial statements of Bremworth Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 30 June 2024, 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 Accounting Standards (IFRS Accounting Standards).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 30 June 2024;
- the consolidated statement of profit or loss 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, comprising material accounting policy information and other explanatory information.

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.

Independence

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

Other than in our capacity as auditor we have no relationship with, or interests in, the Group.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of the key audit matter	How our audit addressed the key audit matter
Insurance claims and proceeds As disclosed in notes 2g and 3 in the consolidated financial statements, Cyclone Gabrielle brought severe flooding to the Napier yarn spinning plant, causing significant damage to the building, plant, equipment and inventory. The resulting insurance claim process is ongoing. The Group has exercised professional judgement in determining the most appropriate treatment for insurance claims. Significant judgments and estimates applied have been disclosed in notes 2g and 3. These involve assessing whether receipt of the insurance claim is virtually certain, and determination of the claim amount recorded as income. As a result this is a key audit matter. The consolidated financial statements reflect the following material impacts in FY24: ● Insurance income of $26.5 million (2023: $35.5 million), which relates to progress payments received to date; ● Various expenses related to the ongoing impact of the cyclone damage of $14.7 million (2023: $14.3 million); ● A $1.1 million partial reversal of the $7.6m impairment recognised last year for inventory, buildings and plant and equipment; and ● Disclosure of a contingent asset, noting that it is impracticable to estimate an amount because of the extent of estimation uncertainty.	To audit the impact of Cyclone Gabrielle, we reviewed management's assessment of, and conclusions, on the accounting implications. In considering the recognition of insurance income and disclosure of the contingent asset, our procedures included: ● Reviewing management's accounting analysis; ● Reviewing latest reports from management's experts providing an estimated range of remediation costs for the plant and buildings, noting that these reports and estimates are currently being reviewed by the insurers' own experts; ● Considering the available reports of the insurers' loss adjusters and other relevant correspondence with insurers; ● Agreeing progress payments to supporting documents and the bank statement; ● Assessing the resulting accounting treatment against the relevant accounting standards, considering any counterfactual information or scenarios; ● Considering the classification of insurance income and cyclone related expenses in the consolidated statement of profit or loss and consolidated statement of cash flows; ● Assessing the likelihood of progress payments received to date to be refundable; and ● Considering the adequacy of the related financial statement disclosures, including the contingent asset disclosed and challenging whether this could be quantified. In addition, our procedures included: ● Testing, on a sample basis, the expenses incurred relevant to the insurance claim; and ● Assessing the creditworthiness of the insurers.

Description of the key audit matter	How our audit addressed the key audit matter
Valuation of inventory The carrying value of the Group's inventory at 30 June 2024 was $29.3 million (30 June 2023 $21.1 million) net of inventory provisions of $2.6 million (30 June 2023 $1.4 million). The cost of finished inventory reflects raw materials and manufacturing costs, including an allocation of production overheads based on normal operating capacity. The Group has recorded inventory provisions, which represent a deduction from the cost of inventory, for obsolete, aged and discontinued inventory and carpet oddments to reflect management's best estimate of their net realisable value. Determining these provisions involves significant judgement to identify and categorise obsolete, aged and discontinued inventory considering a range of factors such as inventory rationalisation plans, consumer demand and trends, available distribution channels and historical sales and margins data. Valuation of inventory is a key audit matter due to the significance of the inventory balance, the complexity of inventory costing, and the judgements involved in estimating the inventory provisions. Note 7c of the consolidated financial statements describes the accounting policy on inventories and the judgements and estimates applied by management to determine the inventory provision.	To audit the cost of inventory, our procedures included: • Gaining an understanding of the inventory costing process and controls; • Testing the accuracy of the application of inventory costing by reperforming the calculation; • Verifying inputs, on a sample basis, of the finished goods, work in progress, and yarn inventory cost by agreeing them to supporting documents; • Testing the cost of raw material inventory, on a sample basis, to supplier invoices; and • Evaluating the nature and appropriateness of factory overheads capitalised into inventory, based on normal operating capacity, and testing the mathematical accuracy of the overhead allocation calculation. To audit the inventory provisions, our procedures included: • Gaining an understanding of, and assessing, the Group's inventory provisioning process and related controls, taking into consideration key attributes used such as piece sizes, grade quality, discontinued products and recent sale prices; • Reviewing management's analysis of the partial reversal of previously recognised impairment of Cyclone Gabrielle damaged and contaminated inventory; • Observing management's stocktake process by attending selected locations to confirm the existence and condition of the inventory; • Assessing the accuracy of management's estimate of provisioning by comparing actual utilisation of the provision with the corresponding prior year provisions; and • Testing the net realisable value of finished goods, on a sample basis, by comparing the carrying value with recent sales prices and margins.

Our audit approach

Overview

Overall group materiality: $800,000, which represents 1% of total revenue.

We chose total revenues as the benchmark because, in our view, it is a key financial statement metric used in assessing the performance of the Group and it is a generally accepted benchmark.

We selected transactions and balances to audit based on the Group's materiality. By using this approach, we audited all the material classes of transactions and balances in the consolidated financial statements of the Group.

As reported above, we have two key audit matters, being:

- Insurance claims and proceeds
- Valuation of inventory

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality
The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

How we tailored our group audit scope
We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual report, but does not include the consolidated financial statements and our auditor's report thereon. The Annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of audit opinion or assurance conclusion thereon.

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.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors and use our professional judgement to determine the appropriate action to take.

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 Accounting Standards, 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 consolidated financial statements is located at the External Reporting Board's website at:

https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-1/

This description forms part of our auditor's report.

pwc

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 Philippa (Pip) Cameron.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants Auckland
28 August 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 JUNE 2024

	Note	2024 $000	2023 $000
Revenue from contracts with customers	4c	80,294	89,689
Cost of sales		(60,812)	(64,967)
Gross profit		19,482	24,722
Other income and gains	4d	531	540
Distribution expenses		(14,991)	(16,183)
Administration expenses	4e	(13,216)	(11,118)
Cyclone Gabrielle related insurance income	3a	26,500	35,500
Cyclone Gabrielle related expenses	3d	(14,666)	(14,275)
Cyclone Gabrielle related asset write offs	3d	(297)	(7,644)
Cyclone Gabrielle related asset write offs reversed	3d	1,082	-
		4,425	11,542
Finance costs	4h	(825)	(1,045)
Finance income		1,344	502
Profit before income tax		4,944	10,999
Income tax expense	4i	(301)	(263)
Profit after tax for the year		$4,643	$10,736
Basic earnings per share (cents)	4b	6.63	15.39
Diluted earnings per share (cents)	4b	6.53	15.04

This Consolidated Statement of Profit or Loss is to be read in conjunction with the notes on pages 16 to 60.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2024

	2024 $000	2023 $000
Profit after tax for the year	**4,643**	10,736
Other comprehensive income that may be reclassified subsequently to profit or loss		
Effective portion of changes in fair value of cash flow hedges (net of income tax)	(1,167)	1,088
Net change in fair value of cash flow hedges transferred to profit or loss (net of income tax)	607	426
Total other comprehensive (loss)/income	**(560)**	1,514
Total comprehensive income for the year	**$4,083**	$12,250

This Consolidated Statement of Comprehensive Income is to be read in conjunction with the notes on pages 16 to 60.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2024

	Note	Share Capital $000	Cash Flow Hedging Reserve $000	Foreign Currency Translation Reserve $000	Share-based Payment Reserve $000	Retained Earnings $000	Total Equity $000
Total equity at 1 July 2023		22,054	938	(1,420)	615	28,036	50,223
Total comprehensive income for the year							
Profit after tax		-	-	-	-	4,643	4,643
Other comprehensive income that may be reclassified subsequently to profit or loss							
Changes in fair value of cash flow hedges (net of income tax)		-	(560)	-	-	-	(560)
Total comprehensive income for the year		-	(560)	-	-	4,643	4,083
Transaction with owners in their capacity as owners							
Share-based payments - value of employee services	9b	-	-	-	117	-	117
Total transaction with owners for the year		-	-	-	117	-	117
Total equity at 30 June 2024		**$22,054**	**$378**	**$(1,420)**	**$732**	**$32,679**	**$54,423**
Total equity at 1 July 2022		22,054	(576)	(1,420)	413	17,300	37,771
Total comprehensive income for the year							
Profit after tax		-	-	-	-	10,736	10,736
Other comprehensive income that may be reclassified subsequently to profit or loss							
Changes in fair value of cash flow hedges (net of income tax)		-	1,514	-	-	-	1,514
Total comprehensive income for the year		-	1,514	-	-	10,736	12,250
Transaction with owners in their capacity as owners							
Share-based payments - value of employee services	9b	-	-	-	202	-	202
Total transaction with owners for the year		-	-	-	202	-	202
Total equity at 30 June 2023		$22,054	$938	$(1,420)	$615	$28,036	$50,223

This Consolidated Statement of Changes in Equity is to be read in conjunction with the notes on pages 16 to 60.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2024

	Note	2024 $000	2023 $000
ASSETS			
Property, plant and equipment - owned	6a	13,241	10,148
Property, plant and equipment - right-of-use	9a	8,804	8,616
Intangible assets		61	86
Deferred tax asset	4i	402	576
Total non-current assets		22,508	19,426
Cash and bank	7a	31,645	39,319
Trade receivables, other receivables and prepayments	7b	10,661	9,957
Inventories	7c	29,348	21,122
Advances to employees		181	170
Derivative financial instruments	8	508	1,017
Income tax receivable		67	125
Total current assets		72,410	71,710
Total assets		$94,918	$91,136
EQUITY			
Share capital	5b	22,054	22,054
Cash flow hedging reserve	5b	378	938
Foreign currency translation reserve	5b	(1,420)	(1,420)
Share-based payment reserve	5b, 9b	732	615
Retained earnings		32,679	28,036
Total equity		54,423	50,223
LIABILITIES			
Lease liabilities	9a	16,508	16,742
Employee benefits		488	666
Provisions	9c	812	819
Total non-current liabilities		17,808	18,227
Trade payables and accruals	7d	16,350	14,948
Customer deposits	4c	139	192
Employee benefits		46	38
Employee entitlements	7e	3,726	4,877
Lease liabilities	9a	1,417	1,296
Provisions	9c	694	816
Derivative financial instruments	8	17	16
Deferred income	4g	298	503
Total current liabilities		22,687	22,686
Total liabilities		40,495	40,913
Total equity and liabilities		$94,918	$91,136

This Consolidated Statement of Financial Position is to be read in conjunction with the notes on pages 16 to 60.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2024

	Note	2024 $000	2023 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		80,797	91,200
Cash paid to suppliers and employees		(91,623)	(88,548)
		(10,826)	2,652
Government grants received		326	582
Other receipts		8	5
GST refunded		822	1,191
Interest paid - loans and borrowings		(3)	(166)
Interest component of lease payments	9a	(822)	(879)
Interest received		1,264	503
Income tax paid		(69)	(154)
Cyclone Gabrielle related expenses	3d	(17,985)	(10,803)
Net cash flow from operating activities		(27,285)	(7,069)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of plant and equipment		-	44
Acquisition of plant and equipment	6a	(4,040)	(1,956)
Maturities of short term deposits		19,500	11,019
Investments in short term deposits		(17,000)	(14,519)
Advances to employees pursuant to the Bremworth Equity Plan		(11)	(10)
Cyclone Gabrielle related insurance income	3a	25,015	35,500
Net cash flow from investing activities		23,464	30,078
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal component of lease payments	9a	(1,358)	(2,051)
Net cash flow from financing activities		(1,358)	(2,051)
Net (decrease)/increase in cash and cash equivalents		(5,179)	20,958
Cash and cash equivalents at beginning of the year		31,819	10,874
Effect of exchange rate changes on cash		5	(13)
Cash and cash equivalents at end of the year		$26,645	$31,819

This Consolidated Statement of Cash Flows is to be read in conjunction with the notes on pages 16 to 60.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2024 (continued)

	Note	2024 $000	2023 $000
Profit after tax for the year		**4,643**	10,736
Add/(Deduct) non-cash items:			
Depreciation - owned assets	6a	**858**	820
Depreciation - right-of-use assets	9a	**1,057**	994
Amortisation - intangible assets		**25**	25
Impairment of buildings and plant and equipment	3d	**297**	5,170
Reversal of impairment of fixed assets and inventory	3d	**(208)**	-
Share-based payments - value of employee services	9b	**117**	202
Deferred tax		**174**	(44)
Net gain on sale of plant and equipment		**-**	(30)
Net (gain)/loss on foreign currency balance		**(5)**	13
Add/(Deduct) Cyclone Gabrielle related cash items:			
Cyclone Gabrielle related insurance income	3a, 3e	**(25,015)**	(35,500)
Changes in working capital items:			
Trade receivables, other receivables and prepayments		**(704)**	2,243
Inventories		**(8,226)**	6,141
Income tax receivable		**58**	153
Trade payables and accruals		**1,402**	2,739
Customer deposits		**(53)**	(11)
Employee benefits and entitlements		**(1,321)**	(568)
Provisions		**(129)**	(64)
Deferred income		**(205)**	85
Derivative financial instruments		**(50)**	(173)
Net cash flow from operating activities		**$(27,285)**	$(7,069)

This Consolidated Statement of Cash Flows is to be read in conjunction with the notes on pages 16 to 60.

1 COMPANY INFORMATION

Bremworth Limited ("Bremworth" or "the Company") is a limited liability company that is domiciled and incorporated in New Zealand.

The consolidated financial statements presented are for Bremworth and its subsidiaries ("the Group") as at, and for the year ended, 30 June 2024.

The Company is registered under the Companies Act 1993 and is an FMC reporting entity for the purposes of the Financial Reporting Act 2013 and the Financial Markets Conduct Act 2013. The consolidated financial statements have been prepared in accordance with these Acts.

The principal activities of the Group comprise wool acquisition, and carpet and rug manufacturing and sales.

All Group subsidiaries are wholly-owned.

2 GENERAL INFORMATION RELATING TO PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

2a STATEMENT OF COMPLIANCE

The consolidated financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), other applicable New Zealand accounting standards and authoritative notices as appropriate for Tier 1 For-Profit entities. The consolidated financial statements also comply with International Financial Reporting Standards Accounting Standards (IFRS Accounting Standards).

2b BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) as appropriate for Tier 1 For-Profit entities.

They have been prepared on the historical cost basis, except for derivative financial instruments which are measured at fair value as disclosed at note 8 (Risks and financial instruments) to the consolidated financial statements.

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in New Zealand dollars, which is Bremworth Limited's functional and presentation currency. Unless otherwise indicated, all financial information presented in New Zealand dollars has been rounded to the nearest thousand.

The Consolidated Statements of Profit or Loss, Comprehensive Income, Changes in Equity and Cash Flows are stated exclusive of GST. All items in the Consolidated Statement of Financial Position are stated exclusive of GST, except for trade receivables and trade payables, which include GST invoiced.

2 GENERAL INFORMATION RELATING TO PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2c GOING CONCERN

The Group prepares its consolidated financial statements on a going concern basis and expects to be able to realise its assets and meet its financial obligations in the normal course of business.

Cash and short term deposits at balance date of $31.6 million (2023: $39.3 million) is less than the previous year, reflecting the investment in rebuilding inventory levels which were depleted following Cyclone Gabrielle as the Group transitioned to a hybrid supply chain; and for Cyclone Gabrielle related expenses.

The Board expects that existing cash and bank are sufficient to enable the Group's continued operation.

To assess the ongoing liquidity of the Group and its ability to meet its other financial commitments as they fall due in the normal course of business, management has forecast the Group's financial performance, cash flows and financial position (to June 2029) as part of its management and monitoring of the Group's operations.

During the year, a Board-led strategic review involving external consultants, was conducted. The review examined the Group's business plan and forecasts under the new hybrid supply chain model. Analysis included the examination of financial forecasts and downside sensitivities.

The Board considers that although there are uncertainties relating to these forecasts, these uncertainties are not significant enough to lead to a material uncertainty relating to going concern.

2d CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS AND MATERIAL ACCOUNTING POLICIES

The preparation of the consolidated financial statements in conformity with NZ IFRS requires the Directors to make estimates, judgements and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about estimates and judgements that have a material effect on the amounts recognised in the consolidated financial statements are disclosed in the following notes:
Note 3 – impact of Cyclone Gabrielle
Note 4i – measurement and recoverability of tax losses
Note 6a – recoverability of property, plant and equipment
Note 7c – inventory provisioning
Note 9a – determination of lease term
Note 9c – measurement of provisions

Material accounting policies and critical estimates, judgements and assumptions are also disclosed in the relevant notes to the consolidated financial statements and identified using the following coloured boxes:

Accounting policies	Estimates, judgements and assumptions

2 GENERAL INFORMATION RELATING TO PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2e BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Group as at 30 June 2024 and the results of all subsidiaries for the year then ended. Subsidiaries are all entities over which the Company has control. The Company controls an entity when the Company 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.

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the underlying intra-group transaction provides evidence that the asset transferred is impaired.

2f CHANGES IN ACCOUNTING POLICIES

There were no changes in accounting policies during the year ended 30 June 2024.

2g IMPACT OF CYCLONE GABRIELLE

Progress since the issue of the consolidated financial statements for the year ended 30 June 2023

Buildings, plant and equipment

With site clean-up completed and buildings and plant and equipment stabilised to prevent further deterioration early in the 2024 financial year, the Group commenced a review of the options in relation to the future of the Napier plant while also considering the findings of the Board-led strategic review in relation to the hybrid yarn supply chain.

This review led to the reinstatement of the dyehouse which commenced operation in January 2024 following successful production commissioning as well as regulatory compliance and health and safety sign off.

Further items of key plant and equipment at the Napier plant, including yarn twisting and finishing, are also in the process of being reinstated.

The reinstatement of the dyehouse and other items of key plant and equipment will further address the gaps that have been identified in the new hybrid supply chain, putting the Group in a strong position to provide the carpet business with ongoing access to woollen yarns and dyed fibre while also insulating it from future events that could potentially disrupt operations.

People

The Group, having confirmed that the Napier yarn spinning plant would be offline for a considerable, but yet to be determined, period of time and having established that staff at the Napier plant were looking for more certainty around their future, presented several options to employees, while also putting in place various programmes aimed at providing career and financial advice, as well as emotional support, for all affected staff.

These options included voluntary redundancy or expressions of interest for redeployment to the Whanganui plant.

110 waged and eight salaried employees opted for voluntary redundancy. While some employees did consider redeployment to the Whanganui plant, these did not work out for personal reasons.

The cost of voluntary redundancy is $1.4 million.

18 waged and seven salaried employees either did not take up the offer, or were not eligible, for voluntary redundancy and are continuing to be employed by the Group.

2 GENERAL INFORMATION RELATING TO PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2g IMPACT OF CYCLONE GABRIELLE (continued)

Insurance

The Group has comprehensive insurance cover against the damage and losses arising from Cyclone Gabrielle.

The insurers have acknowledged the cyclone event and confirmed that the Group's material damage policy would cover the damage to buildings and plant and equipment as well as loss of inventory. At the same time, the business interruption policy (which provides for an indemnity period of 18 months from the date of loss through to 13 August 2024) would respond to the impact of reduction in turnover and the additional costs incurred as a result of consequent disruptions to the business over that 18 month-period.

The insurance claims process is continuing to progress, with the Group securing further progress payments of $26.5 million from its insurers during the year ended 30 June 2024, bringing total progress payments since the cyclone to $62.0 million.

These progress payments were made on the condition that if the final adjusted loss (as agreed between the parties or as determined by any applicable dispute resolution process) is less than the amount of the progress payments and all other payments under the policies, then the overpaid amount would be promptly refunded to the insurers.

However, the Group expects that the final adjusted loss under both policies would exceed the progress payments to date, given:

- the acknowledgement by the loss adjusters acting for the insurers that significant damage had occurred to the Napier plant and that the claim would be significant;
- the latest estimated reinstatement costs of $85.9 million for buildings and plant and equipment put forward by the independent quantity surveyor appointed by the Company plus a further $7.4 million for site clean-up and asset stabilisation and another $1.6 million for loss of inventory;
- the significant reduction in revenue as a consequence of the disruptions to the business following Cyclone Gabrielle;
- the additional costs incurred in activating the risk mitigation and business continuity plans – including the additional costs of sourcing yarns; and
- the significant ongoing costs, including payroll costs, incurred by the business.

The claims process is complex. It will take time to resolve both material damage and business interruption claims, with a number of issues yet to be worked through between the loss adjusters and their experts in conjunction with the Group and its advisers and external experts on both claims.

3 CYCLONE GABRIELLE

Dealing with impact of Cyclone Gabrielle in the consolidated financial statements

The following table summarises the impact of Cyclone Gabrielle on the Group and how these have been dealt with in the consolidated financial statements:

Impact of Cyclone Gabrielle	Consolidated Statement of Profit or Loss line item	Note	2024 $000	2023 $000
Insurance proceeds secured and recognised as income	Cyclone Gabrielle related insurance income	3a	26,500	35,500
Further insurance proceeds recognised as income and as a receivable where receipt is virtually certain and amount is able to be reliably estimated	Not applicable	3b	-	-
Insurance proceeds recognised as contingent assets	Not applicable	3c	-	-
Site clean-up, asset stabilisation and waste disposal costs incurred recognised as expenses	Cyclone Gabrielle related expenses	3d	(1,002)	(6,353)
Ongoing payroll costs recognised as expenses	Cyclone Gabrielle related expenses	3d	(4,410)	(5,349)
Ongoing costs as a result of the cyclone as well as professional fees (including claims preparation costs) incurred that have been recognised as expenses	Cyclone Gabrielle related expenses	3d	(4,372)	(2,573)
Other additional costs incurred to avoid loss of revenue that have also been recognised as expenses	Cyclone Gabrielle related expenses	3d	(3,457)	-
Cost of voluntary redundancies incurred	Cyclone Gabrielle related expenses	3d	(1,425)	-
Damaged or destroyed buildings and plant and equipment derecognised to the extent appropriate	Cyclone Gabrielle related asset write offs	3d	(297)	(5,170)
Plant and equipment previously derecognised and subsequently reinstated	Cyclone Gabrielle related asset write offs reversed	3d	208	-
Damaged or destroyed inventory written off to the extent appropriate	Cyclone Gabrielle related asset write offs	3d	-	(2,474)
Inventory previously written off and subsequently reinstated	Cyclone Gabrielle related asset write offs reversed	3d	874	-
			$12,619	$13,581

Accounting policies

Insurance proceeds are recognised as income and as a receivable when receipt is virtually certain and to the extent that the amount can be reliably estimated.

In the event that insurance proceeds cannot be recognised as income and as a receivable because receipt is not virtually certain and/or the amount cannot be reliably estimated, they are disclosed as contingent assets.

3 CYCLONE GABRIELLE (continued)

Estimates, judgements and assumptions
As a result of the Cyclone Gabrielle flooding event, a number of material estimates and judgements have been necessary to determine the accounting treatment in these consolidated financial statements.

These estimates and judgements include the following:
- recognition of insurance income (note 3a)
- estimation of further insurance proceeds as income (note 3b)
- assessment of and disclosure of contingent assets (note 3c)
- assessment of impairment of buildings, plant and equipment and inventory (note 3d)

Details of the estimates and judgements made are further discussed below where relevant.

3a CYCLONE GABRIELLE RELATED INSURANCE INCOME

	2024 $000	2023 $000
Insurance recovery - progress payments	$26,500	$35,500

Cyclone Gabrielle related insurance income is made up entirely of insurance recovery progress payments.

The Group agreed to two further progress payments totalling $26.5 million with its insurers during the year ended 30 June 2024, with $25.0 million received prior to balance date and $1.5 million received after balance date (2023: two progress payments totalling $35.5 million, with all $35.5 million received before balance date).

All progress payments were agreed with the insurers as non-specific to either material damage or business interruption at this stage.

The Group expects that the total progress payments recognised to date of $62.0 million will not be required to be refunded because it expects that the final adjusted loss under both policies would exceed the progress payments to date as discussed in note 2g (Impact of Cyclone Gabrielle) to the consolidated financial statements.

3b ESTIMATION OF FURTHER INSURANCE PROCEEDS AS INCOME

The Group's expectation is that the ultimate amount received will be larger than the $62.0 million progress payments agreed to date for the following reasons:
- the substantially greater estimated costs of remediation under the material damage policy as discussed in note 2g (Impact of Cyclone Gabrielle) to the consolidated financial statements and note 3a above;
- the loss adjusters having acknowledged the cyclone as an insured event and the indemnity owed to the Group under the policies;
- the insignificant counterparty credit risks.

3 CYCLONE GABRIELLE (continued)

3b ESTIMATION OF FURTHER INSURANCE PROCEEDS AS INCOME (continued)

However, the total amount cannot currently be estimated with sufficient reliability because the claims process is complex, and it will take time to resolve. A number of issues have yet to be worked through between the parties on both material damage and business interruption policies, with these issues including, but not limited to:

- the assumptions adopted by the independent quantity surveyor in estimating the latest reinstatement costs for buildings and plant and equipment;
- the approach proposed to be taken by the Company in relation to the reinstatement and whether key assets can be repaired or alternatively must be replaced; and
- the extent of the reduction in revenue as a consequence of the interruptions to the business following Cyclone Gabrielle.

As a consequence, no further insurance proceeds have been recognised for the current financial year.

3c CONTINGENT ASSETS

While the Group has a contingent asset at balance date, being the probable receipt of further insurance proceeds under the material damage and business interruption policies, the Group has not provided an estimate of the contingent asset because it has determined, based on the estimation uncertainties discussed at note 3b (Estimation of further insurance proceeds as income) to the consolidated financial statements, that it is not practicable to do so.

These estimates and judgements will continue to be reviewed as new information becomes available.

Because the insurance claims process is complex and expected to take a number of months to complete, it is possible that the actual financial impacts will differ from those included in these consolidated financial statements and these differences may be material.

3d CYCLONE GABRIELLE RELATED ASSET WRITE OFFS AND EXPENSES

	Note	2024 $000	2023 $000
Write off of buildings	6a	-	(3,608)
Write off of plant and equipment, other assets and assets under construction	6a	(297)	(1,562)
Plant and equipment, other assets and assets under construction previously written off and subsequently reinstated	6a	208	-
Write off of inventory	7c	-	(2,474)
Inventory previously written off and subsequently reinstated	7c	874	-
Other recoverable expenses	2g	(14,666)	(14,015)
Non-recoverable expenses	2g	-	(260)
		$(13,881)	$(21,919)

3 CYCLONE GABRIELLE (continued)

3d CYCLONE GABRIELLE RELATED ASSET WRITE OFFS AND EXPENSES (continued)

Cyclone Gabrielle related asset write offs and expenses consist of:

Write off of buildings and plant and equipment, other assets and assets under construction
Following impairment assessment of damaged buildings and plant and equipment, the Group determined in the previous financial year ended 30 June 2023 that the carrying values of buildings of $3.6 million and plant and equipment of $1.6 million at the Napier plant at the time of the cyclone were required to be derecognised on the basis that there were no longer any future economic benefits that could be derived from their use in their current state or from their disposal.

As a result, the carrying values of these assets were written off to the Consolidated Statement of Profit or Loss for the year ended 30 June 2023.

Ongoing assessments of assets in the current financial year resulted in derecognition of a further $0.3 million of plant and equipment and a reversal of $0.2 million of plant and equipment previously derecognised.

Refer also to note 6a (Property, plant and equipment) to the consolidated financial statements for further information.

Write off of inventory
Where the cost of inventory may not be recoverable because the inventory is damaged as a consequence of an event like Cyclone Gabrielle, the Group is required to estimate its recoverable amount and recognise an impairment if this estimate is less than the carrying amount.

Based on the analysis and estimates prepared by management, the Group determined in the previous financial year ended 30 June 2023 that the carrying value of inventory at the Napier plant at the time of the cyclone of $2.5 million was required to be written off.

In the current financial year, $0.9 million of the inventory that was originally thought to be contaminated by virtue of their proximity to flood water was found to be suitable for processing into finished carpet, after inspection and review, and this amount was reinstated into inventory with a corresponding credit recognised in the Consolidated Statement of Profit or Loss.

Refer also to note 7c (Inventories) to the consolidated financial statements for further information.

Other costs
The Group incurred costs totalling $14.7 million during the year (2023: $14.3 million).

A breakdown of these costs can be found in note 2g (Impact of Cyclone Gabrielle) to the consolidated financial statements. These costs are recoverable from the proceeds of insurance except for $0.3 million of non-recoverable costs in the prior year.

3e PROGRESS PAYMENTS RECEIVED

	2024 $000	2023 $000
Insurance recovery progress payments recognised	26,500	35,500
Less insurance recovery progress payments received prior to balance date	(25,015)	(35,500)
Insurance recovery progress payments received after balance date	**$1,485**	-

4 FINANCIAL PERFORMANCE

This section deals with the financial performance of the Group and addresses, among other things, the financial performance of the Group's reportable segments and the key areas that impact on the Group's profitability, including operating revenue, other income, gains/losses on sale of property, plant and equipment, expenses and taxation.

4a SEGMENT PERFORMANCE

Reportable segments

The Group's reportable and operating segments are:

- Carpet, with this segment involved in the manufacturing and sales of carpet and rugs in New Zealand, Australia and rest of the world; and
- Wool, with this segment involved in the acquisition of wool for the carpet segment and for sales to external customers in New Zealand.

An operating segment is a component of the Group:

- that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components;
- whose operating results are regularly reviewed by the Group's chief operating decision maker - in this case, the Chief Executive Officer - to make decisions about the resources to be allocated to the segment and to assess its performance; and
- for which discrete financial information is available.

The Chief Executive Officer uses total revenue, segment result before depreciation, restructuring and impairment and segment result after depreciation but before restructuring and impairment to assess the performance of the operating segments. Total assets and total liabilities are also reviewed for the operating segments.

Inter-segment transactions

Inter-segmental sales during the year and intercompany profits on stocks at balance date are eliminated on consolidation.

Geographical areas

In presenting information on the basis of geographical areas, revenue is based on the geographical location of customers and non-current assets are based on the geographical location of those assets.

	2024 $000	2023 $000
Revenue		
New Zealand	51,274	50,637
Australia	27,314	37,027
Canada	883	1,231
USA	753	761
Rest of the world	70	33
	$80,294	$89,689

	As at 30 June 2024 $000	As at 30 June 2023 $000
Non-current assets		
New Zealand	21,547	18,329
Australia	961	1,097
	$22,508	$19,426

4 FINANCIAL PERFORMANCE (continued)

4a SEGMENT PERFORMANCE (continued)

Major customers

None of the Group's external customers contributed revenues in excess of 10% of the Group's total revenues.

	Carpet and rugs sales and manufacturing		Wool acquisition		Total	
	2024	2023	**2024**	2023	**2024**	2023
	$000	$000	**$000**	$000	**$000**	$000
External revenue	**57,081**	71,502	**23,213**	18,187	**80,294**	89,689
Inter-segment revenue	**-**	-	**2,336**	1,634	**2,336**	1,634
Total revenue	**57,081**	71,502	**25,549**	19,821	**82,630**	91,323
Elimination of inter-segment revenue					**(2,336)**	(1,634)
Consolidated revenue					**$80,294**	$89,689
Segment result before depreciation and insurances	**(6,092)**	(52)	**1,386**	766	**(4,706)**	714
Depreciation - owned assets	**(698)**	(649)	**(160)**	(171)	**(858)**	(820)
Depreciation - right-of-use assets	**(911)**	(862)	**(146)**	(132)	**(1,057)**	(994)
Amortisation - intangibles	**(25)**	(25)	**-**	-	**(25)**	(25)
Segment result before insurances	**(7,726)**	(1,588)	**1,080**	463	**(6,646)**	(1,125)
Cyclone Gabrielle related insurance income	**26,500**	35,500	**-**	-	**26,500**	35,500
Cyclone Gabrielle related expenses	**(14,666)**	(14,275)	**-**	-	**(14,666)**	(14,275)
Cyclone Gabrielle related asset write offs	**(297)**	(7,644)	**-**	-	**(297)**	(7,644)
Cyclone Gabrielle related asset impairment reversed	**1,082**	-	**-**	-	**1,082**	-
Segment result	**4,893**	11,993	**1,080**	463	**5,973**	12,456
Elimination of inter-segment profits					**(21)**	14
Unallocated corporate costs					**(1,527)**	(928)
Results from operating activities					**4,425**	11,542
Finance costs					**(825)**	(1,045)
Finance income					**1,344**	502
Profit before income tax					**4,944**	10,999
Income tax expense					**(301)**	(263)
Profit after tax for the year					**$4,643**	$10,736

4 FINANCIAL PERFORMANCE (continued)

4a SEGMENT PERFORMANCE (continued)

	Carpet and rugs sales and manufacturing		Wool acquisition		Total	
	2024	2023	2024	2023	2024	2023
	$000	$000	$000	$000	$000	$000
Reportable segment assets	57,590	46,846	5,683	4,971	63,273	51,817
Unallocated assets - Cash and bank					31,645	39,319
Total assets					$94,918	$91,136
Capital expenditure	3,969	1,956	178	-	$4,147	$1,956
Reportable segment liabilities	20,607	21,290	1,963	1,585	22,570	22,875
Unallocated liabilities - Lease liabilities					17,925	18,038
Total liabilities					$40,495	$40,913

4b EARNINGS PER SHARE

Basic earnings per share (Basic EPS)

	2024	2023
Profit after tax attributable to shareholders of the Company ($000)	4,643	10,736
Weighted average number of ordinary shares outstanding	70,069,426	69,771,837
Basic EPS (cents)	6.63	15.39

Diluted earnings per share (Diluted EPS)

	2024	2023
Profit after tax attributable to shareholders of the Company ($000)	4,643	10,736
Weighted average number of ordinary shares outstanding and potential ordinary shares	71,069,426	71,364,576
Diluted EPS (cents)	6.53	15.04

In calculating the diluted earnings per share, the Company has taken into account the maximum number of shares that the employees could be issued with under the Company's 2022 LTI Scheme and the Bremworth Share Option Scheme as further discussed at note 9b (Share-based payment) to the consolidated financial statements.

4 FINANCIAL PERFORMANCE (continued)

4c REVENUE FROM CONTRACTS WITH CUSTOMERS

	2024 $000	2023 $000
Sales of goods		
Carpet	55,426	70,235
Rugs	1,209	1,122
Wool	23,213	18,187
Other	446	145
Total revenue	$80,294	$89,689

Credit terms for carpet and rug sales through wholesale distribution channels within New Zealand and Australia are generally no later than 30 days after the month in which invoices are raised and, in the case of wool sold in New Zealand, within 14 days of invoice date or on despatch whichever is the earlier. Credit terms for sales of carpet overseas are generally 60 to 90 days from date of invoice and for sales of carpet yarn overseas 120 days from date of invoice.

Rugs sold through direct to consumer channels are for cash, with payment at the time orders are placed. All amounts received are accounted for as customer deposits in the first instance, with $139,000 of customers deposits booked as at balance date (2023: $192,000).

Accounting policies
Revenue is recognised when or as performance obligations are satisfied by transferring control of the products sold to the customer at the transaction price specified in the contract. Control transfers to the customers for carpet, rug and carpet yarn sales on delivery of the goods to the customer. For wool sales, control passes on the earlier of payment or delivery. The transaction price includes all amounts which the Group expects to be entitled to, net of goods and services tax and other indirect taxes, expected rebates and discounts.

4d OTHER INCOME AND GAINS

	Note	2024 $000	2023 $000
Government grants recognised	4g	523	505
Net gain on sale of plant and equipment		-	30
Other		8	5
Total other income and gains		$531	$540

4e ADMINISTRATION EXPENSES

The following items of expenditure are included in administration expenses:

	2024 $000	2023 $000
Donations	-	1

Total fees paid and payable to auditors		
Audit fees and expenses paid and payable for audit of consolidated financial statements	613	564
Non-audit fees paid and payable for strategic options analysis	-	15
Total fees paid and payable	$613	$579

4 FINANCIAL PERFORMANCE (continued)

4f PERSONNEL EXPENSES

	Note	2024 $000	2023 $000
Directors' fees	9e	**387**	387
Wages, salaries, bonuses, holiday pay and termination payments		**28,170**	31,663
Other employee related costs		**1,377**	1,372
Employee benefits		**803**	1,033
Increase/(Decrease) in liability for retiring allowances and long service leave		**8**	(15)
Total personnel expenses		**$30,745**	$34,440

Personnel costs are included in cost of sales, distribution expenses and administration expenses in the Consolidated Statement of Profit or Loss.

Personnel expenses include restructuring costs of $1,073,000 (FY23: Nil).

Employee benefits include those benefits provided to employees as part of their employee arrangements with the Group and cover the provision of motor vehicles, income protection insurances, life insurances, medical insurances and associated fringe benefits taxes. Employee benefits also include the costs of providing on-site staff amenities.

4g GOVERNMENT GRANTS

Sustainable Food and Fibre Futures Fund and Waste Minimisation Fund

Grants of $412,000 (2023: $384,000) from the Sustainable Food and Fibre Futures Fund (SFFF Fund) and $111,000 (2023: Nil) from the Waste Minimisation Fund (WMF Fund) are included in other income in the Consolidated Statement of Profit or Loss. The funds cover pre-approved activities over the periods from December 2020 to June 2024 and January 2023 to June 2024 respectively. The prior year also included grants totalling $121,000 from the Government's International Growth Fund (IG Fund) with the fund covering pre-approved activities over the period from May 2019 to January 2023.

There are no unfulfilled conditions or other contingencies attaching to the grants recognised in other income during the year.

Government grants that have been deferred, either because they relate to future costs to be incurred or assets, totalled $298,000 at balance date (2023: $503,000).

Notes 4d (Other income and gains) and 4g (Government grants) to the consolidated financial statements provide further information on how the Group accounts for government grants.

Accounting policies

Grants from the government are recognised at their fair value where there is a reasonable assurance that the Group will comply with all attached conditions and the grants will be received.

Government grants relating to costs that have been incurred are credited to profit or loss while grants relating to future costs are included in current liabilities as deferred income and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and they are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

4 FINANCIAL PERFORMANCE (continued)

4h FINANCE COSTS

	2024 $000	2023 $000
Interest component of lease payments	(822)	(879)
Facility fees - Bank guarantees	(3)	(166)
Finance costs	**$(825)**	$(1,045)

Accounting policies

Finance costs include interest expense on loans and borrowings, interest component of lease payments and facility fees for the Bank's guarantee of the Group's commitments. All interest expense are recognised in the Consolidated Statement of Profit or Loss using the effective interest method.

4i INCOME TAX

	2024 $000	2023 $000
Income tax expense in the Consolidated Statement of Profit or Loss		
Current tax expense		
Current year	127	175
Adjustment for prior years	-	132
	127	307
Deferred tax expense/(benefit)		
Origination and reversal of temporary differences	174	(44)
	174	(44)
Income tax expense	**$301**	$263

	2024	2023
Reconciliation of effective tax rate		
Profit after tax for the year	4,643	10,736
Income tax expense	301	263
Profit excluding income tax	**$4,944**	$10,999
Income tax using the Company's domestic tax rate of 28% (2023: 28%)	1,384	3,080
Non-deductible expenses	(253)	(13)
Effect of tax rate difference in foreign jurisdiction	12	10
Adjustment for prior years	-	132
Unrecognised deferred tax liabilities	-	723
Deferred tax impact on buildings	352	-
Tax loss re-recognised	(1,194)	(3,669)
Income tax expense	**$301**	$263

4 FINANCIAL PERFORMANCE (continued)

4i INCOME TAX (continued)

	2024 $000	2023 $000
Imputation credits		
Imputation credits available to shareholders of the Company	**$9,224**	$9,223

Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2024 $000	2023 $000	**2024 $000**	2023 $000	**2024 $000**	2023 $000
Property, plant and equipment	**199**	240	**-**	-	**199**	240
Employee benefits	**95**	105	**-**	-	**95**	105
Lease liabilities	**57**	1	**(56)**	-	**1**	1
Provisions	**107**	230	**-**	-	**107**	230
Net tax assets/(liabilities)	**$458**	$576	**$(56)**	-	**$402**	$576

Deferred tax assets at balance date relate to the Group's Australian carpet sales operations where it is expected that there will be taxable profits in future periods to allow for the utilisation of the deferred tax assets.

Deferred tax assets not recognised in respect of temporary differences and tax loss carry-forwards totalled $12,252,000 at balance date (2023: $13,690,000), with the change relating to the re-recognition of unrecognised tax loss.

While the Board has confidence in the prospects of the business as discussed at note 2c (Going concern) to the consolidated financial statements, it has taken the same approach with respect to the recognition of deferred tax assets as it has with the reversal of the FY20 impairment of assets as discussed at note 6a (Property, plant and equipment) to the consolidated financial statements and has concluded that the execution of the Group's strategy to focus on wool carpets, while progressing to plan, is still in its early stages and therefore does not warrant the re-recognition of deferred tax assets.

Deferred tax assets have also not been recognised in respect of temporary differences and tax loss carry-forwards totalling $24,150,000 (2023: $24,150,000) relating to an Australian subsidiary that currently does not have trading activity on the basis that it is also not probable that future taxable profit will be available against which the Group can use the benefits therefrom, taking the total deferred tax assets unrecognised to $36,402,000 (2023: $37,840,000).

Notwithstanding the derecognition of deferred tax assets for accounting purposes, these deferred tax assets remain available to the Group for income tax purposes.

4 FINANCIAL PERFORMANCE (continued)

4i INCOME TAX (continued)

Movement in temporary differences during the year:

	Balance 30 June 2023	Recognised in Consolidated Statement of Profit or Loss	Balance 30 June 2024
	$000	$000	$000
Property, plant and equipment	240	(41)	199
Employee benefits	105	(10)	95
Lease liabilities	1	-	1
Provisions	230	(123)	107
Total	$576	$(174)	$402

	Balance 30 June 2022	Recognised in Consolidated Statement of Profit or Loss	Balance 30 June 2023
	$000	$000	$000
Property, plant and equipment	302	(62)	240
Employee benefits	101	4	105
Lease liabilities	21	(20)	1
Provisions	108	122	230
Total	$532	$44	$576

Accounting policies
Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes and is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Estimates, judgements and assumptions
Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each balance date and adjusted to the extent that it is no longer probable that sufficient taxable profits will be available in the future to utilise the deferred tax asset.

5 CAPITAL AND FUNDING

This section looks at the Group's two key sources of funding, how it manages its funding and other related matters.

5a CAPITAL MANAGEMENT

The Group's capital includes share capital, reserves and retained earnings.

The Group's capital management policy is aimed at maintaining a strong capital base so as to maintain investor, creditor and market confidence in the Group and to enable it to continue to fund the ongoing needs of the business and to sustain its future development.

The impact of the level of capital on shareholders' return is also recognised, as is the return to shareholders in the form of dividends paid and growth in share price, and the Group works to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital base.

The Group is not subject to any externally imposed capital requirements.

The allocation of capital between the Group's specific business segment operations and activities is, to a large extent, driven by the opportunities that exist within each of these segments and the optimisation of the return achieved on the capital allocated. The process of allocating capital to specific business segment operations and activities is determined by the Chief Executive Officer in consultation with the Board and is therefore undertaken independently of those responsible for the operation.

The Group's policies in respect of capital management and allocation are reviewed regularly by the Board.

5b SHARE CAPITAL, DIVIDENDS AND RESERVES

Share capital

	2024	2023
Shares on issue		
Balance at 1 July	70,069,426	69,179,098
Issued during the year	-	890,328
Balance as at 30 June	70,069,426	70,069,426

The Company does not have a limited amount of authorised capital.

In the prior year, the Company issued, in accordance with the terms of the Bremworth 2022 Long-Term Incentive Scheme, 890,328 fully paid-up ordinary shares on 31 October 2022 to Bremworth Share Scheme Limited (Trustee), with these shares to be held by the Trustee on behalf of the participating employees until the relevant vesting date, with more information to be found in note 9b (Share-based payment) to the consolidated financial statements.

All issued shares are fully paid up and have no par value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

5 CAPITAL AND FUNDING (continued)

5b SHARE CAPITAL, DIVIDENDS AND RESERVES (continued)

Dividends

No dividends were paid during the year (2023: Nil).

The Board has not declared a final dividend in respect of the current year ended 30 June 2024 (2023: Nil).

Cash flow hedging reserve

The Group uses derivative financial instruments to hedge its exposure to foreign exchange risks. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value and transaction costs are expensed immediately. Subsequent to initial recognition, derivative financial instruments are stated at fair value.

Where derivatives qualify for hedge accounting, changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised in other comprehensive income to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income remains there until the forecast transaction occurs at which time the gain or loss is transferred to profit or loss. When the hedge item is a non-financial asset, the amount recognised in the cash flow hedging reserve is transferred to the carrying amount of the asset when it is recognised. In other cases, the amount recognised in the cash flow hedging reserve is transferred to profit or loss in the same year that the hedged item affects profit or loss.

The cash flow hedging reserve represents the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Foreign currency translation reserve

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to New Zealand dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to New Zealand dollars at exchange rates at the dates of the transactions.

The foreign currency translation reserve comprises all exchange rate differences arising from the translation of the financial statements of foreign operations and the translation of liabilities designated as hedges against the Company's net investment in a foreign operation.

There is no movement in the foreign currency translation reserve balance for the year ended 30 June 2024 (2023: Nil) as the reserve relates to dormant foreign entities of the Group.

5 CAPITAL AND FUNDING (continued)

5b SHARE CAPITAL, DIVIDENDS AND RESERVES (continued)

Share-based payment reserve

The share-based payment reserve is used to recognise the grant date assessed fair value of the performance rights issued to executive employees under the Company's long-term incentive scheme as further discussed at note 9b (Share-based payment) to the consolidated financial statements.

The assessed fair value of the performance rights at grant date are recognised as an expense in profit or loss over the period from grant date to condition date, adjusted to reflect only those rights where the service condition will be met, with corresponding entries to the share-based payment reserve.

5c BANKING FACILITIES AND LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's banking facilities. For more information about the Group's exposure to interest rate risks, see note 8 (Risks and financial instruments) to the consolidated financial statements.

The Group's banking facilities (including Bank guarantees to third parties relating to lease and other commitments of the Group) are provided by Bank of New Zealand and National Australia Bank Limited (together, "the Bank").

The Group has no loans at balance date (2023: Nil).

The Group continues to maintain ongoing relationships with the Bank, with the view that committed credit lines could be reinstated in the future to fund working capital requirements as the Group progresses through its transformation journey. As a consequence, the Group has retained the security arrangements that were previously put in place to secure obligations for the payment and repayment of moneys due, owing or payable by the Group to the Bank.

These security arrangements include the granting in favour of Bank of New Zealand, as security agent for the Bank, a first-ranking composite general security deed and cross guarantee securing all obligations of the Group to the Bank by certain companies in the Group. The property-owning companies in the Group have also continued to grant in favour of Bank of New Zealand first-ranking mortgages in respect of land and buildings as security for all obligations of the Group to the Bank, including obligations for the payment and repayment of moneys due, owing or payable by the Group to the Bank (see note 6a (Property, plant and equipment) to the consolidated financial statements).

6 ASSETS EMPLOYED

This section covers non-current assets, being property, plant and equipment and other assets that the Group employs in the production and sale of carpet and rugs, and the acquisition and sale of wool fibre, to generate revenues and profits.

6a PROPERTY, PLANT AND EQUIPMENT

	Land and buildings $000	Plant and equipment $000	Other assets $000	Under construction $000	Total $000
COST					
Balance at 1 July 2023	6,560	35,342	12,103	844	54,849
Additions	27	9	5	4,106	4,147
Disposals	-	(65)	(352)	(107)	(524)
Transfers	241	678	2,011	(2,930)	-
Cyclone Gabrielle related derecognition	-	-	-	(297)	(297)
Cyclone Gabrielle related impairment reversed	-	100	-	108	208
Balance at 30 June 2024	**$6,828**	**$36,064**	**$13,767**	**$1,724**	**$58,383**
Balance at 1 July 2022	10,970	65,663	12,656	669	89,958
Additions	8	41	84	1,823	1,956
Disposals	(9)	(3,992)	(598)	-	(4,599)
Transfers	-	697	298	(995)	-
Cyclone Gabrielle related derecognition	(4,409)	(27,067)	(337)	(653)	(32,466)
Balance at 30 June 2023	$6,560	$35,342	$12,103	$844	$54,849
DEPRECIATION AND IMPAIRMENT LOSSES					
Balance at 1 July 2023	1,000	33,684	10,017	-	44,701
Depreciation for the year	74	237	547	-	858
Disposals	-	(65)	(352)	-	(417)
Balance at 30 June 2024	**$1,074**	**$33,856**	**$10,212**	**-**	**$45,142**
Balance at 1 July 2022	1,672	63,518	10,528	45	75,763
Depreciation for the year	129	279	412	-	820
Disposals	-	(3,948)	(638)	-	(4,586)
Transfers	-	45	-	(45)	-
Cyclone Gabrielle related derecognition	(801)	(26,210)	(285)	-	(27,296)
Balance at 30 June 2023	$1,000	$33,684	$10,017	-	$44,701
CARRYING AMOUNTS					
At 30 June 2024	**$5,754**	**$2,208**	**$3,555**	**$1,724**	**$13,241**
At 30 June 2023	$5,560	$1,658	$2,086	$844	$10,148
At 1 July 2022	$9,298	$2,145	$2,128	$624	$14,195

Other assets

Other assets comprise fixtures and fittings (including leasehold improvements and display stands), computer equipment, motor vehicles and office equipment.

6 ASSETS EMPLOYED (continued)

6a PROPERTY, PLANT AND EQUIPMENT (continued)

Impairment

The Group's market capitalisation at balance date was below the carrying value of net assets. Even though market capitalisation excludes any control premium and may not reflect the value of 100% of the Group's net assets, it is still considered to be an indicator of impairment.

As a consequence, the Group conducted a review of non-current non-financial assets, including fixed assets and right-of-use assets, to assess whether there was any impairment at balance date. The recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs.

There are two cash-generating units which relate to reporting segments in these consolidated financial statements, Carpets & Rugs and Wool acquisition.

The operating profit before depreciation of the Wool acquisition CGU was $1.1m and was above budget and prior year and was not significantly impacted by Cyclone Gabrielle. Management determined there was no impairment indicators for the Wool acquisition CGU and therefore no impairment assessment is required.

The Carpet & Rugs CGU had an operating loss before depreciation of $6.1m and therefore an impairment assessment was performed. Management identified the following as separately identifiable assets for the purposes of measuring recoverable amounts:

- Napier Land
- Whanganui Land & Buildings
- Right of use Assets – Grayson Avenue

Indicative market values were obtained for Grayson Avenue leases; Whanganui property; and Napier land. These assessments were in excess of the assets net book values. No impairment was required.

The value in use methodology was applied to assess recoverability of the remaining assets of the Carpet & Rugs CGU. In assessing VIU management applied the following key assumptions:

- Cash flow projections, based on recent budgets and trends with the assumption of normalized supply levels, were reviewed against independent consultants' earnings and Net Present Value forecasts from the business's strategic review and found to be more conservative.
- An after-tax WACC of 12.27% was calculated using the Brennan-Lally method, implying a pre-tax discount rate of 16.13% which was used in managements assessment.
- The market capitalisation of the company was compared with the carrying value at balance date and management assessed that the recoverable amount.

Management assessed that the recoverable amount of the Carpet & Rugs CGU was greater than its carrying amount as at 30 June 2024 and that no reduction for impairment loss was required.

Apart from Cyclone Gabrielle related impairments (refer to note 3 (Cyclone Gabrielle) to the consolidated financial statements), the Group has concluded that no other impairment of assets was required at balance date (2023: Nil).

Apart from Cyclone Gabrielle related reversal of impairments (refer to note 3 (Cyclone Gabrielle) to the consolidated financial statements), the Group has also concluded that no reversal of the previous impairment of assets should be made following an assessment that the execution of the Group's strategy to focus on wool carpets which, while progressing to plan, is in its early stages.

6 ASSETS EMPLOYED (continued)

6a PROPERTY, PLANT AND EQUIPMENT (continued)

Accounting policies

Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Under construction

Items being constructed for future use are held as part of property, plant and equipment under construction. The carrying amounts of these represent the costs incurred at balance date and will be transferred to the appropriate classification of property, plant and equipment on completion. Initial cost includes the purchase consideration and those costs directly attributable in bringing the asset to the location and condition necessary for its intended use. These costs include site preparation costs, installation costs, borrowing costs, unrecovered operating costs incurred during planned commissioning and the costs of obtaining consents.

Costs cease to be capitalised when all the activities necessary to bring the asset to its location and condition for its intended use are complete.

Depreciation

Depreciation is recognised in the Consolidated Statement of Profit or Loss over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

The principal rates used for the current and comparative periods are as follows:

- buildings	1.0 - 2.5% straight line
- building fitouts	5.0 - 33.0% straight line
- plant and equipment	6.7 - 20.0% straight line
- other assets	
- display stands	10.0% straight line
- computer equipment	20.0 - 25.0% straight line
- office equipment	10.0 - 20.0% straight line
- cars	20.0% straight line
- trucks and utilities	10.0% straight line

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

Impairment

The carrying amount of property, plant and equipment and other assets is tested for impairment whenever there are indicators of impairment.

An impairment loss is recognised if the carrying amount of the cash-generating unit (being the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups) to which the property, plant and equipment and other assets is allocated exceeds its recoverable amount.

The recoverable amount of a cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the cash-generating unit.

6 ASSETS EMPLOYED (continued)

6a PROPERTY, PLANT AND EQUIPMENT (continued)

Estimates, judgements and assumptions
NZ IAS 36 Impairment of Assets requires the Group to assess, at the end of each reporting period, whether there is any indication that an asset may be impaired. If any such indication exists, the Group shall estimate the recoverable amount of the asset. The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. The Group is required to recognise an impairment loss to the extent to which the carrying amount of an asset exceeds its recoverable amount.

For the purpose of assessing impairment, assets are grouped in the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash generating unit or CGU), which as at 30 June 2024 were identified as being the Carpets and Wool Acquisition CGUs.

6b CAPITAL COMMITMENTS

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

	2024 $000	2023 $000
Napier reinstatement	272	-
Other property, plant and equipment	445	72
	$717	$72

7 WORKING CAPITAL

This section reviews the level of working capital the Group generates and utilises in its normal day-to-day operating activities. The Group's working capital includes current assets (cash and bank, trade receivables, other receivables and prepayments and inventories) and current liabilities (trade payables and accruals and employee entitlements).

7a CASH AND BANK

Cash and bank at balance date comprise the following:

	2024 $000	2023 $000
Cash and cash equivalents	**26,645**	31,819
Short term deposits	**5,000**	7,500
	$31,645	$39,319

Accounting policies
Cash is cash on hand and demand deposits and includes bank overdrafts used for cash management purposes where formal arrangements for set off has been agreed with the Bank. Under these set off arrangements, the Group is able to set off overdrawn balances up to a maximum of $1,000,000 against credit balances in selected accounts as long as the net balance of all these accounts (including overdrawn accounts) as a whole remain in credit. At balance date, there were no overdrawn amounts subject to set off (2023: Nil). Cash equivalents are highly liquid investments that are readily convertible to known amounts of cash (that is, there is insignificant risk of changes in value) with maturity no more than three months from balance date. Short term deposits are investments with maturities greater than three months but no more than twelve months from balance date.

7b TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	2024 $000	2023 $000
Trade receivables due from external customers	**8,339**	9,306
Other receivables	**1,602**	8
Prepayments	**720**	643
	$10,661	$9,957

The Group's approach and policy with respect to, and quantitative disclosure of, credit risk are discussed at note 8 (Risks and financial instruments) to the consolidated financial statements.

Impairment losses on trade receivables and other receivables are assessed collectively and on a portfolio basis based on the number of days overdue using the expected loss model, taking into account the historical loss experienced in portfolios with a similar number of days overdue as well as current conditions and forecast of future economic conditions.

Other receivables include $1,485,000 of insurance recovery progress payments received after balance date (2023: Nil). Refer to note 3e (Progress payments received) to the consolidated financial statements for further information.

Accounting policies
Trade receivables and other receivables are recognised initially at transaction price and subsequently at amortised cost less impairment losses.

7 WORKING CAPITAL (continued)

7c INVENTORIES

Inventories, net of provision, are summarised in the table below:

	2024	2023
	$000	$000
Raw materials and consumables	6,618	4,621
Raw materials stock in transit	4,563	169
Work in progress	1,209	1,039
Finished goods	16,958	15,293
	$29,348	$21,122

Carrying amount of inventories subject to retention of title clauses	$1,039	$760

Inventory provision at 1 July	1,408	1,353
Change in provision during the year	1,206	55
Inventory provision at 30 June	$2,614	$1,408

The approach to inventory provisioning in 2024 is substantially consistent with 2023.

Write downs or write offs of inventory produced during the year totalled $817,000 (2023: $3,775,000). The 2023 write offs included $2,474,000 of inventory that was written off because of damage as a consequence of Cyclone Gabrielle. $894,000 written off in 2023 was reversed in the current year. Refer to note 3 (Cyclone Gabrielle) to the consolidated financial statements for further information.

Accounting policies
Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Estimates, judgements and assumptions
Inventory provisions are recognised for oddments and obsolete, aged and discontinued inventories to arrive at their likely net realisable value.

Estimates and judgement are applied in identifying and categorising - to the extent applicable - obsolete, aged and discontinued inventory and determining the level of provisioning that is required – with a range of factors including inventory rationalisation plans, consumer demand and trends, available distribution channels and historical sales and margin data considered.

7 WORKING CAPITAL (continued)

7d TRADE PAYABLES AND ACCRUALS

	2024	2023
	$000	$000
Trade payables	14,198	10,111
Accruals	2,152	4,837
	$16,350	$14,948

Accounting policies

Trade payables are unsecured - except to the extent to which they have retention of titles clauses within their supply arrangements with the Group - and are usually paid within the agreed payment terms.

The carrying amounts of trade payables are considered to be the same as their fair values, due to their short-term nature.

7e EMPLOYEE ENTITLEMENTS

	2024	2023
	$000	$000
Leave obligations	3,282	4,562
Bonus entitlement	43	-
Wages accruals	401	315
	$3,726	$4,877

Leave obligations cover the Group's liabilities in relation to employees' accrued and entitled annual leave as well as their unconditional entitlement to long service leave where they have completed the required period of service.

Accounting policies

Employee entitlements relating to wages and salaries as well as annual leave and other employment-related payments that are expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service are recognised in respect of employees’ services up to the end of the reporting period as liabilities and are measured at the amounts expected to be paid when the liabilities are settled.

The entire amount of employee entitlements is presented as current as the Group does not have an unconditional right to defer settlement for any of these obligations.

8 RISKS AND FINANCIAL INSTRUMENTS

This section identifies the risks faced by the Group, explains the impact of these risks on its financial position, performance and cash flows, outlines the Group's approach to financial risk management and highlights the financial instruments used to manage risks.

Exposure to credit, liquidity, foreign currency and interest rate risks arises in the normal course of the Group's businesses.

The Group enters into derivative financial instruments in the ordinary course of business to manage foreign currency risks in accordance with the treasury policy approved by the Board. Senior management operating under the Board-approved treasury policy ensures that procedures for derivative instrument utilisation, control and valuation, risk analysis, counterparty credit approval, and ongoing monitoring and reporting are adhered to.

The Group manages commodity price risks through negotiated supply contracts and forward physical contracts. However, because these contracts are, generally, in respect of raw material and utility purchases for own use, they are not accounted for as financial instruments.

Credit risk

Management has a credit policy in place under which each new customer is individually analysed for credit worthiness and assigned a purchase limit before the standard payment and delivery terms and conditions are offered. Because of the Group's customer base, there is no need for the Group to rely on external ratings. In most cases, bankers' references, trade credit insurance approvals and/or credit references from other suppliers are considered adequate. Purchase limits are reviewed on a regular basis.

In order to determine which customers are classified as having payment difficulties, the Group applies a mix of duration and frequency of default. The Group does not generally require collateral in respect of trade and other receivables.

The Group's exposure to credit risk is mainly influenced by its customer base. As such, it is concentrated to the default risk of its industry. However, geographically, there is no credit risk concentration, with the Group's customers spread throughout New Zealand, Australia and other overseas markets. Credit risk exposure with respect to trade receivables is limited by stringent credit controls, by the utilisation of irrevocable letters of credit and trade credit insurances wherever required, and by the large number of customers within the Group's customer base.

The amount and timing of collection of trade receivables and estimate of expected credit losses under NZ IFRS 9 Financial Instruments have been considered and included in the consolidated financial statements.

The Group does not invest in securities, but accepts that surplus cash and cash equivalents may arise from time to time during the course of its management of cash. In these instances, it requires these surplus cash and cash equivalents to be deposited on call or in short term deposits and only with counterparties approved by the Board as having the required credit ratings.

Foreign currency forward exchange contracts have been entered into with counterparties approved by the Board as having the required credit ratings. The Group's exposure to credit risk from these financial instruments is limited because it does not expect the non-performances of the obligations contained therein due to the high credit ratings of the financial institutions concerned. The Group does not require any collateral or security to support these financial instruments.

8 RISKS AND FINANCIAL INSTRUMENTS (continued)

Liquidity risk

Liquidity risk represents the Group's ability to meet its contractual obligations. The Group evaluates its liquidity requirements on an ongoing basis. In general, the Group generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities.

The Group's contractual cash flows and liquidity risk profile are set out in detail in the liquidity risk section of the quantative disclosures in this note.

Foreign currency risk

The Group is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, receivables and payables are denominated. All entities in the Group have New Zealand dollars ($) as their functional currency.

The Group enters into foreign currency contracts within policy parameters to manage the risk associated with forecast sales and purchases. The Group's policy allows management to hedge up to 12 months forecast sales and purchases without prior approval of the Board having first been obtained.

The Group applies a hedge ratio of 1:1. The method used to assess hedge effectiveness is Critical Match Terms whereby the hedging instrument and the hedged item are matched to the key terms. In the hedge relationship, the main cause of ineffectiveness includes a change in the critical terms, for example, the timing of the transaction.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of the respective cash flows. The Group assesses whether the derivative designated in each hedging relationship is expected to be, and has been, effective in offsetting changes in cash flows of the hedged item using the critical matched terms method.

QUANTITATIVE DISCLOSURES

Credit risk

The carrying amount of financial assets represents the Group's maximum credit exposure.

The Group's maximum exposure to credit risk for trade and other receivables by geographic regions is as follows:

	2024	2023
	$000	$000
New Zealand	**6,369**	5,556
Australia	**3,224**	3,173
Other regions	**348**	585
Trade and other receivables	**$9,941**	$9,314

8 RISKS AND FINANCIAL INSTRUMENTS (continued)

QUANTITATIVE DISCLOSURES (continued)

The status of trade and other receivables at the reporting date is as follows:

	Current	0 – 30 days past due	31 – 120 days past due	More than 120 days past due	Total
2024					
Expected loss rate	**0%**	**0%**	**0%**	**15%**	
Gross carrying amount – trade and other receivables	**7,923**	**1,231**	**596**	**225**	**9,975**
Loss allowance	**-**	**-**	**-**	**(34)**	**(34)**
2023					
Expected loss rate	0%	0%	0%	8%	
Gross carrying amount – trade and other receivables	7,260	1,480	368	225	9,333
Loss allowance	-	-	-	(19)	(19)

In summary, trade and other receivables are determined to be impaired as follows:

	2024 $000	2023 $000
Trade and other receivables - gross	**9,975**	9,333
Impairment provisions	**(34)**	(19)
Trade and other receivables - net	**$9,941**	$9,314

Individually impaired trade receivables relate to a small number of customers where the amounts involved are immaterial. In the case of insolvency, the Group generally writes off the receivable in full unless there is clear evidence that a receipt, whether directly or by way of a claim under the Group's trade credit insurance policy, is highly probable.

The Group adopts the expected loss model in assessing its trade and other receivables for impairment. In doing so, it determines impairment on a forward-looking basis, taking into account not only past events and current conditions, but also forecast of future economic conditions. Bad debts are written off when they are considered to have become uncollectable.

The details of movements in the impairment provision are as follows:

	2024 $000	2023 $000
Balance at 1 July	**(19)**	(6)
Impaired trade receivables written off	**12**	6
Changes in impairment provision	**(27)**	(19)
Balance at 30 June	**$(34)**	$(19)

Changes in the impairment provision are included in distribution expenses in the Consolidated Statement of Profit or Loss.

8 RISKS AND FINANCIAL INSTRUMENTS (continued)

QUANTITATIVE DISCLOSURES (continued)

Liquidity risk

The following table sets out the contractual undiscounted cash flows for all material financial liabilities (including projected interest costs).

		Timing of contractual cash flows					
	Statement of Consolidated Financial Position	Total contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	Greater than 5 years
	$000	$000	$000	$000	$000	$000	$000
2024							
Trade payables	14,198	14,198	14,198	-	-	-	-
Lease liabilities	17,925	22,393	1,108	1,121	2,218	6,520	11,426
Total non-derivative liabilities	$32,123	$36,591	$15,306	$1,121	$2,218	$6,520	$11,426
Forward exchange contracts							
Inflow		(37,583)	(23,820)	(11,554)	(2,209)	-	-
Outflow		36,926	23,258	11,481	2,187	-	-
	(491)	(657)	(562)	(73)	(22)	-	-
Net derivative liabilities/(assets)	$(491)						
Disclosed in Consolidated Statement of Financial Position							
Current assets	(508)						
Current liabilities	17						
Net derivative liabilities/(assets)	$(491)						
2023							
Trade payables	10,111	10,111	10,111	-	-	-	-
Lease liabilities	18,038	23,181	1,074	1,017	1,964	5,763	13,363
Total non-derivative liabilities	$28,149	$33,292	$11,185	$1,017	$1,964	$5,763	$13,363
Forward exchange contracts							
Inflow		(45,575)	(18,425)	(15,219)	(11,931)	-	-
Outflow		44,285	18,049	14,805	11,431	-	-
	(1,001)	(1,290)	(376)	(414)	(500)	-	-
Net derivative liabilities/(assets)	$(1,001)						
Disclosed in Consolidated Statement of Financial Position							
Current assets	(1,017)						
Current liabilities	16						
Net derivative liabilities/(assets)	$(1,001)						

8 RISKS AND FINANCIAL INSTRUMENTS (continued)

QUANTITATIVE DISCLOSURES (continued)

Foreign currency risk

The Group's exposure to foreign currency risk can be summarised as follows:

NZD equivalent of these foreign currencies:	AUD $000	USD $000	EUR $000	Others $000
2024				
Trade receivables	2,948	73	-	-
Trade payables	(517)	(899)	(1,630)	-
Net Consolidated Statement of Financial Position exposure before hedging activity	2,431	(826)	(1,630)	-
Estimated forecast sales for which hedging is in place	24,219	-	-	-
Net cash flow exposure before hedging activity	26,650	(826)	(1,630)	-
Forward exchange contracts				
Notional amounts	(26,650)	826	1,630	-
Net unhedged exposure	-	-	-	-
2023				
Trade receivables	3,173	76	-	-
Trade payables	(314)	(123)	(19)	(32)
Net Consolidated Statement of Financial Position exposure before hedging activity	2,859	(47)	(19)	(32)
Estimated forecast sales for which hedging is in place	42,716	-	-	-
Net cash flow exposure before hedging activity	45,575	(47)	(19)	(32)
Forward exchange contracts				
Notional amounts	(45,575)	-	-	-
Net unhedged exposure	-	$(47)	$(19)	$(32)

8 RISKS AND FINANCIAL INSTRUMENTS (continued)

QUANTITATIVE DISCLOSURES (continued)

Sensitivity analysis

In managing interest rate and currency risks, the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer-term, however, changes in foreign exchange and interest rates will have an impact on profit.

For foreign exchange contracts that continue to meet the hedge accounting criteria at the balance sheet date to hedge foreign exchange exposures, it is estimated that a general change in the value of the New Zealand dollar against other foreign currencies as set out below would have no impact on the Group's profit or loss before income tax for the years ended 30 June 2024 and 2023. The impact on equity, net of tax, for these foreign exchange contracts, is disclosed in the table below:

	Strengthen	Weaken	Strengthen	Weaken
	P&L		Equity, net of tax	
	$000	$000	$000	$000
30 June 2024				
NZD/AUD (+/- 5%)	-	-	1,810	(1,136)
NZD/EUR (+/- 5%)	-	-	(171)	241
NZD/USD (+/- 5%)	-	-	(119)	258
30 June 2023				
NZD/AUD (+/- 5%)	-	-	1,437	(1,588)

There were no foreign exchange contracts that do not meet the hedge accounting criteria at the balance sheet date.

The impact of a change in interest rates by one percentage point on the Group's profit or loss and OCI is set out as follows:

	Increase 1% point	Decrease (1% point)	Increase 1% point	Decrease (1% point)
	P&L		Equity, net of tax	
	$000	$000	$000	$000
Interest rate impact - Net FY24	$299	$(299)	-	-
Interest rate impact - Net FY23	$382	$(382)	-	-

8 RISKS AND FINANCIAL INSTRUMENTS (continued)

HEDGING

Forecast transactions

The Group classifies the forward exchange contracts taken out to hedge forecast transactions as cash flow hedges.

The following relates to items designated as hedging instruments:

	Notional amount	Carrying amount Assets	Carrying amount Liabilities	Line item in Consolidated Statement of Financial Position	Changes in the value of the hedging instrument recognised in OCI during the year	Hedge ineffectiveness recognised in profit or loss	Balance in CFHR	Average rate of hedging
	$000	$000	$000		$000	$000	$000	
2024								
Foreign currency risk								
Forward exchange contracts – sales and receivables [1, 2]	AUD26,650	508	(17)	Derivative financial instruments - assets and liabilities	(607)	-	378	0.8976

[1] 92% of notional amount expiring within 12 months of balance date and 8% expiring between 12 and 24 months of balance date
[2] Hedge ratio 1:1

	Notional amount	Carrying amount Assets	Carrying amount Liabilities	Line item in Consolidated Statement of Financial Position	Changes in the value of the hedging instrument recognised in OCI during the year	Hedge ineffectiveness recognised in profit or loss	Balance in CFHR	Average rate of hedging
	$000	$000	$000		$000	$000	$000	
2023								
Foreign currency risk								
Forward exchange contracts – sales and receivables [1, 2]	AUD40,680	1,017	(16)	Derivative financial instruments - assets and liabilities	(426)	-	938	0.8926

[1] 62% of notional amount expiring within 12 months of balance date and 38% expiring between 12 and 24 months of balance date
[2] Hedge ratio 1:1

8 RISKS AND FINANCIAL INSTRUMENTS (continued)

CLASSIFICATION AND FAIR VALUES

The following tables show the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

	Hedging instruments	Amortised cost	Total carrying amount	Fair value hierarchy Level 2
	$000	$000	$000	$000
2024				
Assets				
Derivative financial instruments	508	-	508	508
Cash and bank	-	31,645	31,645	
Trade and other receivables	-	9,941	9,941	
Advances to employees	-	181	181	
Total assets	$508	$41,767	$42,275	
Liabilities				
Lease liabilities	-	16,508	16,508	
Employee benefits	-	488	488	
Total non-current liabilities	-	16,996	16,996	
Derivative financial instruments	17	-	17	17
Trade payables and accruals	-	16,350	16,350	
Customer deposits	-	139	139	
Employee benefits and entitlements	-	3,772	3,772	
Lease liabilities	-	1,417	1,417	
Total current liabilities	17	21,678	21,695	
Total liabilities	$17	$38,674	$38,691	

8 RISKS AND FINANCIAL INSTRUMENTS (continued)

CLASSIFICATION AND FAIR VALUES (continued)

	Hedging instruments	Amortised cost	Total carrying amount	Fair value hierarchy Level 2
	$000	$000	$000	$000
2023				
Assets				
Derivative financial instruments	1,017	-	1,017	1,017
Cash and bank	-	39,319	39,319	
Trade and other receivables	-	9,314	9,314	
Advances to employees	-	170	170	
Total assets	$1,017	$48,803	$49,820	
Liabilities				
Lease liabilities	-	16,742	16,742	
Employee benefits	-	666	666	
Total non-current liabilities	-	17,408	17,408	
Derivative financial instruments	16	-	16	16
Trade payables and accruals	-	14,948	14,948	
Customer deposits	-	192	192	
Employee benefits and entitlements	-	4,915	4,915	
Lease liabilities	-	1,296	1,296	
Total current liabilities	16	21,351	21,367	
Total liabilities	$16	$38,759	$38,775	

There were no financial assets or liabilities with fair values classified as Level 1 or Level 3 in the fair value hierarchy.

Accounting policies

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Derivatives, being forward exchange contracts, have been measured at fair value using relevant valuation techniques which include net present value and discounted cash flow models and comparison with similar instruments for which observable market prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other information used in estimating discount rates and foreign currency exchange rates.

Non-derivative financial instruments comprise trade and other receivables, cash and bank and trade and other payables. Non-derivative financial instruments are recognised initially at fair value, inclusive of transaction costs, and are subsequently measured at amortised cost using the effective interest rate method less any impairment losses.

8 RISKS AND FINANCIAL INSTRUMENTS (continued)

DETERMINATION OF FAIR VALUES

The fair value of an asset or a liability is measured on a recurring basis. When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

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

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

There were no transfers between levels of the fair value hierarchy during the year.

MASTER NETTING OR SIMILAR AGREEMENTS

The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding are aggregated into a single net amount that is payable by one party to the other. In certain circumstances – for example, when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

The ISDA agreements do not meet the criteria for offsetting in the Consolidated Statement of Financial Position. This is because the Group does not have any currently legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrences of future events such as a default on the bank loans or other credit events.

The following table sets out the carrying amounts of recognised derivatives that are subject to master netting agreements:

	2024		2023	
	Derivative assets $000	Derivative liabilities $000	Derivative assets $000	Derivative liabilities $000
Gross amounts in the Consolidated Statement of Financial Position	508	(17)	1,017	(16)
Amounts offset	-	-	-	-
Net amounts in the Consolidated Statement of Financial Position	508	(17)	1,017	(16)
Related amounts that are not offset based on ISDA	(17)	17	(16)	16
Net amounts	$491	-	$1,001	-

9 OTHERS

This section includes the remaining information relating to the consolidated financial statements which is required to be disclosed to comply with financial reporting standards.

9a LEASES

This note provides information for leases where the Group is a lessee.

AMOUNTS RECOGNISED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2024 $000	2023 $000
Right-of-use assets		
Buildings	8,220	8,017
Plant and equipment	225	358
Motor vehicles	359	241
	$8,804	$8,616
Lease liabilities		
Non-current	16,508	16,742
Current	1,417	1,296
	$17,925	$18,038

Additions to right-of-use assets during the year were $1,243,000 (2023: $331,000).

There was no impairment of right-of-use assets during the year (2023: Nil).

There was also no reversal of prior year impairment of right-of-use assets during the year (2023: Nil).

AMOUNTS RECOGNISED IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	2024 $000	2023 $000
Depreciation charge in respect of right-of-use assets		
Buildings	838	821
Plant and equipment	133	134
Motor vehicles	86	39
	$1,057	$994
Interest expense (included in finance costs)	$822	$879
Expense relating to short-term leases (included in cost of goods sold and administration expenses	$921	$311
Expense relating to leases of low-value assets that are not disclosed above as short-term leases (included in administrative expenses)	$43	$39

AMOUNTS RECOGNISED IN THE STATEMENT OF CASH FLOWS

	2024	2023
Total cash outflow for leases	$2,180	$2,930

9 OTHERS (continued)

9a LEASES (continued)

Accounting policies

The Group leases buildings, forklifts and motor vehicles, with contracts typically entered into for fixed periods ranging from between three to four years for motor vehicles, five to six years for fork hoists and up to sixteen years for buildings, but may have extension options as further discussed below.

Contracts may contain both lease and non-lease components. The Group has elected, for leases of motor vehicles, to not separate lease and non-lease components and instead account for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments; and
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee’s incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing secured by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was secured;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by lessees within the Group which does not have recent third-party financing; and
- makes adjustments, where necessary, specific to the lease taking into account country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability; and
- make good costs.

Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases of plant and equipment and motor vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

9 OTHERS (continued)

9a LEASES (continued)

EXTENSION OPTIONS

Extension options are generally incorporated into contracts for leases of buildings, with these options used to maximise operational flexibility with respect to the management of the buildings used in the Group’s operations. Where extension options are held, they are exercisable only by the Group and not by the respective lessor. Extension options are generally not included in contracts for leases of plant and equipment and motor vehicles because of the Group's ability to replace these assets without significant cost, delay or disruption to the business.

Estimates, judgements and assumptions

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended, with the Group reasonably certain to extend:

- if there are significant costs to not extend; and
- if leasehold improvements are expected to have a significant remaining value.

Otherwise, the Group considers other factors including the lease durations already provided for in the contract, the Group's future strategic or business direction and the costs and disruptions to the business as a consequence of any decision to not exercise an extension option.

As at balance date, potential future cash outflows of $17,666,000 (undiscounted) in respect of leases of buildings have not been included in the determination of lease liability because it is not reasonably certain that these leases will be extended (2023: $19,803,000).

The lease term is reassessed if an extension option is actually exercised. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. The Group did not revise its assessment of reasonable certainty with respect to extension options during the year (2023: Nil).

9 OTHERS (continued)

9b SHARE-BASED PAYMENT

The Company operates four share-based payment plans/schemes, with these plans/schemes designed to incentivise selected employees by providing them with opportunities to be issued equity interests in the Company.

The Company has determined the performance rights, the shares and the options issued under these plans/schemes to be equity-settled share-based payment arrangements pursuant to NZ IFRS 2 *Share-based Payment.*

There were no issue of performance rights, shares or options during the year (2023: 890,328 performance rights under the Bremworth 2022 Long-Term Incentive Scheme (2022 LTI Scheme)).

184,897 performance rights under the 2022 LTI Scheme lapsed during the year (2023: all performance rights under the Bremworth 2020 Long-Term Incentive Scheme (2020 LTI Scheme)).

The following is a summary of the outstanding performance rights or options under the various plans/schemes as at balance date:

	2024	2023
Outstanding options under the Bremworth Share Option Scheme	1,000,000	1,000,000
Outstanding performance rights under the 2022 LTI Scheme	705,435	890,332

Maximum number of shares that could be issued under current share-based payment arrangements (excluding those already issued under the 2022 LTI Scheme)

	2024	2023
Balance at 1 July	1,000,000	2,071,394
Lapsed during the year	-	(1,071,394)
Balance as at 30 June	1,000,000	1,000,000

Impact of share-based payment arrangements on the consolidated financial statements
$117,000, being the proportion of fair value of the options under the Bremworth Option Scheme and the fair value of the performance rights under the 2022 LTI Scheme relating to the year ended 30 June 2024, were recognised in administration expenses in the Consolidated Statement of Profit or Loss for the period, with a corresponding credit totalling $117,000 to the share-based payment reserve within equity (2023: $202,000 under the 2020 LTI Scheme, the Bremworth Option Scheme and the 2022 LTI Scheme).

Accounting policies
The assessed fair value of the performance rights and options at grant date are recognised as an expense in profit or loss over the period from date on which the participant started rendering service or the grant date (whichever is the earlier), adjusted to reflect only those rights and options where the service condition will be met, with corresponding entries to the share-based payment reserve within equity.

9 OTHERS (continued)

9c PROVISIONS

	Warranties $000	Claims $000	Other $000	Total $000
Balance at 1 July 2023	1,306	190	139	1,635
Provided during the year	513	75	10	598
Utilised during the year	(504)	(114)	(40)	(658)
Released to profit or loss during the year	-	-	(69)	(69)
Balance at 30 June 2024	$1,315	$151	$40	$1,506
Non-current	772	-	40	812
Current	543	151	-	694
Balance at 30 June 2024	$1,315	$151	$40	$1,506
Balance at 1 July 2022	1,110	350	239	1,699
Provided during the year	1,145	15	-	1,160
Utilised during the year	(949)	(175)	-	(1,124)
Released to profit or loss during the year	-	-	(100)	(100)
Balance at 30 June 2023	$1,306	$190	$139	$1,635
Non-current	730	-	89	819
Current	576	190	50	816
Balance at 30 June 2023	$1,306	$190	$139	$1,635

Warranties

The provision for warranties for carpet sold is based on estimates made from historical warranty data associated with similar products sold by the Group.

The Group has no history of material warranty claims in respect of non-carpet products sold. As a consequence, no provision for warranties is required in respect of these other products.

The amount of warranty costs recognised as an expense directly to the Consolidated Statement of Profit or Loss during the year totalled $736,000 (2023: $1,208,000).

Warranties relating to the sale of carpet are standard warranties. The Group does not offer extended warranties that would be subject to a separate performance obligation.

Accounting policies

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. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Estimates, judgements and assumptions

Provision for warranties requires judgement to be applied by considering a range of factors including the nature and extent of historical claims data associated with similar products sold by the Group, the terms of the warranties built into supply contracts, consumer protection laws in key markets and the corrective actions being taken to address quality issues at production.

9 OTHERS (continued)

9d CONTINGENT LIABILITIES

The Group has granted indemnities in favour of Bank of New Zealand and National Australia Bank Limited (together, "the Bank") at balance date in respect of Bank guarantees relating to leases and other commitments totalling $2,068,000 (2023: $2,068,000).

Some subsidiaries in the Group are parties to a cross guarantee in favour of the Bank securing each other's obligations, with the property-owning companies in the Group also granting in favour of the Bank first-ranking mortgages in respect of land and buildings as security for all obligations if the Group to the Bank.

The Group's indebtedness under the cross guarantee at balance date amounted to nil (2023: Nil).

9e RELATED PARTIES

TRANSACTIONS WITH DIRECTORS AND KEY MANAGEMENT PERSONNEL

For the purposes of this note, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity.

Directors and key management personnel as shareholders
One of the Directors is a shareholder in the Company.

The Chief Executive Officer is also a shareholder in the Company by virtue of the fully paid-up ordinary shares issued to, and held by him, pursuant to the Bremworth Equity Plan.

Their shares rank pari passu with all the other ordinary shares in the capital of the Company and do not therefore confer additional rights to dividends paid or to attend or vote at any meetings of the shareholders of the Company.

The Directors are precluded by the NZX Listing Rules from voting at general meetings of shareholders on certain matters prescribed by the New Zealand Exchange. These matters include, in the case of the Directors who are also shareholders, shareholders' approval of directors' fees.

Directors and key management personnel as lenders or borrowers
An interest-free, full-recourse, loan of $208,050 was provided to the Chief Executive Officer in September 2021 pursuant to the terms of the Bremworth Equity Plan, with the proceeds of that loan applied towards the amount payable for the 500,000 fully paid-up ordinary shares issued to the Chief Executive Officer under the Bremworth Equity Plan.

Directors and key management personnel as providers of services
Paul Izzard Design Limited, a company owned and directed by non-executive Director, Paul Izzard, provided the Group with design services in relation to the new Bremworth brand experience store during the year (2023: Nil).

The fees charged by Paul Izzard Design Limited for the professional services rendered totalled $38,553, with these services approved by the Board and the fees confirmed as arms-length.

9 OTHERS (continued)

9e RELATED PARTIES (continued)

Directors' remuneration and benefits

The fees paid to the Directors for services in their capacity as Directors totalled $387,000 during the year (2023: $387,000).

No other services were provided by the Directors during the year (2023: Nil).

The scale of fees payable to the Directors was last reviewed and approved by the Board in January 2019, with the current scale of fees applying with effect from 1 January 2019 set out below:

Directors' fees	Per annum	Explanatory notes
Non-executive Chairman of the Board	$128,100	Inclusive of time spent on Board committees and as Chairman of Nomination Committee
Non-executive Directors (including Deputy Chairman of the Board, if any)	$61,000	Inclusive of time spent on Board committees
Chairman of the Audit Committee	$10,000	In recognition of additional time and responsibilities as Chairman of Audit Committee
Chairman of the Remuneration Committee	$5,000	In recognition of additional time and responsibilities as Chairman of Remuneration Committee

The Directors do not receive any other benefits (cash or non-cash) in their role as directors and are not entitled to retiring allowances on cessation of office.

Key management personnel's (including the Chief Executive Officer's) remuneration and benefits

In addition to salaries and performance-based payments, the Group also provides non-cash benefits to the Chief Executive Officer of the Company and key management personnel of the Group.

These non-cash benefits may include the provision of motor vehicles, income protection insurances, life insurances and medical insurances. In assessing the value of the non-cash benefit provided to the Chief Executive Officer and key management personnel, the Group has used the value of the benefit that is used for calculating fringe benefit tax grossed up for the fringe benefit tax that is paid or payable.

The remuneration paid and payable, and the benefits provided, to the Chief Executive Officer and key management personnel (but excluding the Directors' remuneration and benefits) comprised:

	2024 $000	2023 $000
Salaries, bonuses and leave entitlements	3,312	2,878
Share-based payments	108	202
Employee benefits	312	287
Termination payments	569	-
	$4,301	$3,367

The Chief Executive Officer and key management personnel are not entitled to any post-employment benefits under their contracts of employment.

9 OTHERS (continued)

9e RELATED PARTIES (continued)

Other transactions
The Group deals with many entities and organisations in the normal course of business. The Group is not aware of any of the Directors, the Chief Executive Officer or key management personnel, or their related parties, holding positions in any of these entities or organisations that result in them having control or significant influence over the financial or operating policies of these entities or organisations (other than as disclosed above).

The Group does not transact with the Directors, the Chief Executive Officer or key management personnel, and their related parties, other than in their capacity as directors and employees, except that they may purchase carpets and rugs from the Group for their own domestic use. These purchases are on the same terms and conditions as those applying to all employees of the Group and are immaterial and personal in nature.

9f OPERATING SUBSIDIARIES OF THE GROUP

		Country of	Interest (%)	
	Principal activity	**incorporation**	**2024**	2023
Bremworth Carpets and Rugs Limited	Carpet sales and manufacturing	New Zealand	**100**	100
Bremworth Pty Limited	Carpet sales	Australia	**100**	100
Cavalier Bremworth (Australia) Limited	Carpet distribution	New Zealand	**100**	100
Bremworth Spinners Limited	Carpet yarn sales	New Zealand	**100**	100
Elco Direct Limited	Wool acquisition	New Zealand	**100**	100

9g EVENTS AFTER BALANCE DATE

There have been no events subsequent to 30 June 2024 which would materially affect the consolidated financial statements.

9h CLIMATE-RELATED DISCLOSURES

Understanding, and dealing with, the impact of climate-related risks
The Group has considered the impact of climate-related risks on the business and on its future financial performance, financial position and cash flows as part of the sustainability framework that has been adopted under the Group's transformation strategy to becoming an all-wool and natural materials organisation.

One of these key risks is the exposure to the effects of climate change through adverse climatic conditions (for example, flooding, with the Napier site inundated by flood waters following Cyclone Gabrielle in February 2023 and both the Whanganui and Auckland sites identified as having specific flood risks). In time, it is expected that the Group would also have to understand, and deal with, the effects of rising seas levels, with both the Napier and Whanganui sites within close proximity of the coast and significant rivers.

In relation to this risk, work to understand natural hazards at all of the Group’s manufacturing sites as well as available mitigation strategies is ongoing. These mitigation strategies will include establishing appropriate stormwater infrastructure and processes to mitigate the current levels of risk posed by these events while also gaining a deeper understanding of the potential impact of these weather events including their frequency and severity as well as the resilience of the wider flood-protection infrastructures and systems that we rely on as part of our climate change adaptation.

9 OTHERS (continued)

9h CLIMATE-RELATED DISCLOSURES (continued)

Risk mitigation and business continuity plans

The Group has continued to focus on its risk mitigation and business continuity plans following Cyclone Gabrielle, with particular attention being given to the resilience of the new hybrid supply chain model while also ensuring that the ongoing staged reinstatement of the Napier plant is designed and implemented to improve the overall resilience of the plant should another similar event arise again.

It is also now standard practice to incorporate into all capital project assessments the learnings from the February 2023 flooding event at the Napier site, thereby reducing the risks of a similar flooding event having a similar impact on the Group following Cyclone Gabrielle in February 2023.

Insurance

The Group has in place insurances to protect it against losses arising from climate-related events.

While cover for material damage and business interruption as a consequence of floods (with cover including the recently reinstated Napier dyehouse) has been capped at $47.3 million, and with a deductible of $2.5 million and a waiting period of 45 days, at the last renewal of the Group's insurance policy, the Group will continue to work with its insurance brokers to better understand what would be required for its insurers to reinstate full flood cover for the Group over time.

Financial implications

Based on the Group's assessment, there is nothing to indicate that climate-related risks have had any impact on the carrying value of its non-financial assets as at 30 June 2024 other than those already recognised following Cyclone Gabrielle as discussed at note 3 (Cyclone Gabrielle) to the consolidated financial statements for the year ended 30 June 2024.

The Board will continue to closely monitor developments in this area and, in particular, the scope of future insurances against flooding.

9i STANDARDS, INTERPRETATIONS AND AMENDMENTS TO STANDARDS

There are no new, or pending, standards or amendments to existing standards which have, or are expected to have, a material impact on the Group.

The Group has applied the following amendments for the first time for the annual reporting period commencing 1 July 2023:

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to NZ IAS 12, and
- Disclosure of Accounting Policies – Amendments to NZ IAS 1 and IFRS Practice Statement 2.

These amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.