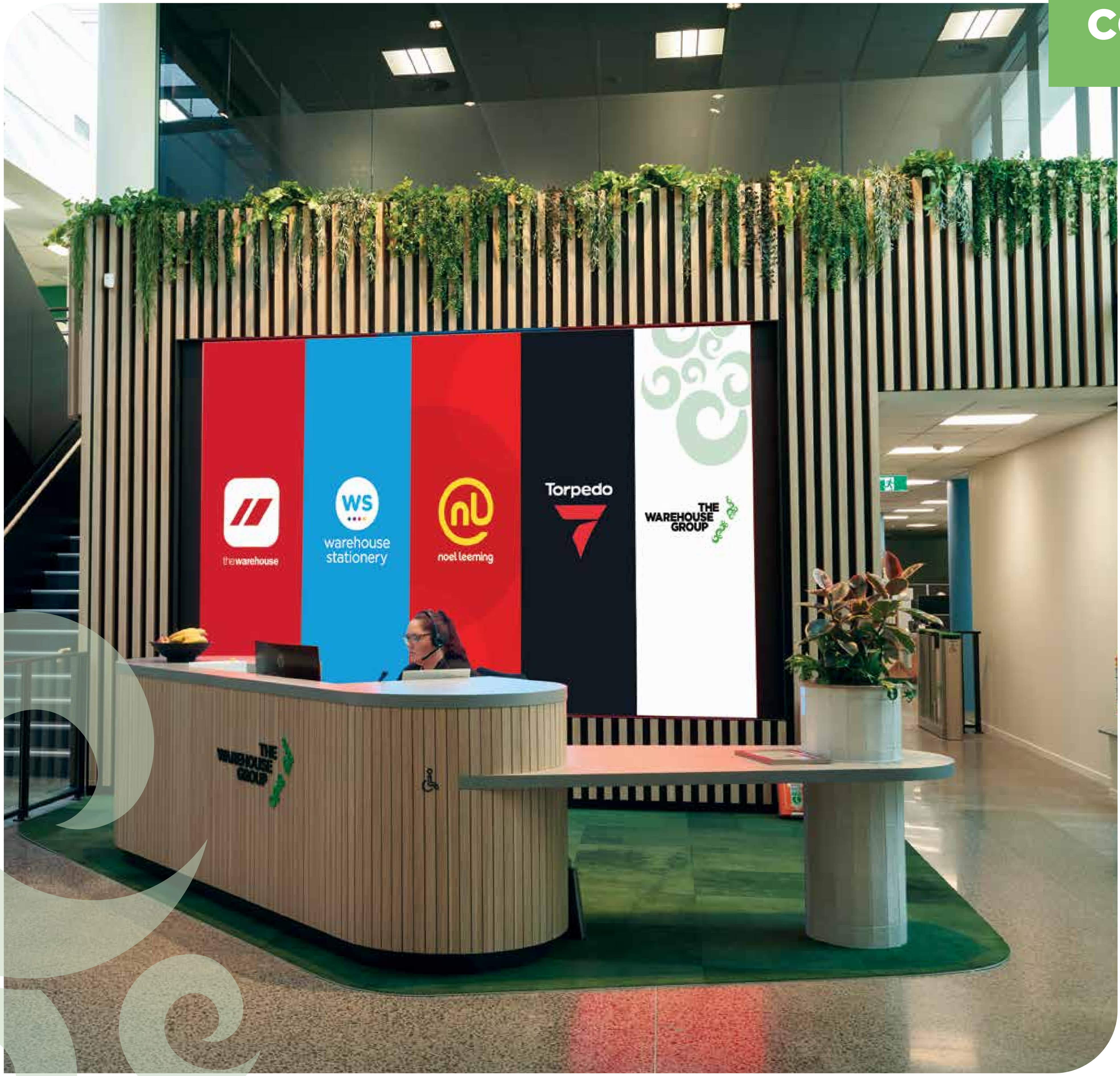
THE WAREHOUSE GROUP

2023 INTEGRATED ANNUAL REPORT

thewarehouse noel leeming warehouse stationery Torpedo7 THE MARKET



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The Warehouse Group Board and Leadership Squad are pleased to present our FY23 Integrated Annual Report

Joan Withers
Board Chair
27 September 2023

Dean Hamilton
Audit and Risk Committee Chair
27 September 2023

2023 AT A GLANCE

PERFORMANCE

We have achieved a strong full year sales result but a challenging financial performance as profitability was compromised with decreased margin and increased cost of doing business.

$3.4b
Group sales
up 3.2% on prior year

$37.5m
Adjusted NPAT
down from $85.5m in FY22

$29.8m
Reported NPAT
down from $89.3m in FY22

$48.1m
Net debt
compared to $41.2m in FY22, $83.4m in FY23H1. Liquidity $421.9m

SUSTAINABILITY

We are making progress on our vision to make sustainable living easy and affordable for everyone and on our ambition to achieve zero emissions in our operations by 2040.

33%
private label products with sustainable attributes, accounting for $343m in sales

We have diverted **72.9%** of operational waste from landfill

TOITŪ CARBON REDUCE ISO 14064-1 ORGANISATION

100% EV
Light passenger fleet
total reduction of 21.9tCO_2e compared to FY22 (Scope 1)

COMMUNITY

We've been helping Kiwi families and communities thrive since our doors opened in 1982.

Raised **$4.1m** for NZ charities and communities in FY23, including $1m from MarketClub

1.3m
MarketClub members can nominate a charitable cause to which The Warehouse donates on their behalf

GENDER EQUALITY

Gender equity is a core focus for us, and we're pleased to maintain gender pay equity at Group level.

50%
of senior leaders are female

101%
Gender pay equity

CUSTOMER

Our customers are increasingly coming into our stores and enjoying their experience. We are committed to developing a full product and service integrated retail experience across our brand websites, apps and in store.

$376.4m
Group online sales
making up 10.9% of total Group sales in FY23

76.3pts
Group in-store NPS
up 2.6pts from FY22

$156.6m
Group Click & Collect sales
making up 51.8% of omnichannel online sales in FY23

14.2%
Foot traffic
and in-store sales up 9.7% from FY22

JOAN WITHERS

CHAIR'S REPORT

FY23 has been a tough year for The Warehouse Group. A challenging trading environment with Kiwi families experiencing rising inflation, increased cost of living and rising interest rates has intersected with the Group being mid-way through a transformation programme and peak year of spending on information systems and digital infrastructure. As a result, we have had to make difficult decisions to reprioritise some of our strategic initiatives as we navigate these challenges.

Despite the ongoing macroeconomic environment, we have seen pleasing sales growth for the Group, achieving $3.4 billion in total Group sales, up 3.2% on the prior year. We saw a particularly strong sales result in The Warehouse of $1.9 billion – the brand's highest sales year on record and up 9.6% on FY22. Refer to our CEO Report for more commentary on brand performance.

Customers have responded to the economic climate by reducing their spending on higher discretionary items, impacting our other brands' sales.

The Group finished the year with a disappointing adjusted net profit after tax of $37.5 million for FY23, compared to $85.5 million in FY22, with reported net profit after tax of $29.8 million, after unusual items of $13.9 million, compared to $89.3 million in FY22. This year there are number of unusual items reflecting actions taken around our investment in Zoom Health, restructure and redundancy costs, and the closure of the 1-day business.

As the Group has traded through this environment, it has managed to strengthen its balance sheet from the half year, providing available liquidity of $421.9 million at year end. This is within our target liquidity range of $350 million to $450 million.

Making a difference in sustainability

Our commitment to make sustainable living easy and affordable for everyone starts with the products we sell. I am immensely proud of our sourcing teams who work with our local and international suppliers to ensure our product and packaging are more sustainable.

We have increased our efforts this year, and now 33% of our private label sales in The Warehouse and Warehouse Stationery are products with one or more sustainable features, up from 22% in FY22. This represents 46,637 product lines and $343 million in sales. In addition, 43% of our private label sales were derived from products with packaging that is compostable or which can be recycled via New Zealand's kerbside recycling infrastructure or instore, up from 22% in FY22.

Internally, our passenger fleet now comprises 100% electric vehicles (EVs), our sea freight and international airfreight emissions reduced by 11.6% and 62.5% respectively, and we diverted 72.9% of our operational waste to recycling.

We helped our customers recycle 198.9 tonnes of post-consumer waste through our soft plastics, e-waste, and ink and toner recycling programmes.

In September 2023, we completed negotiations with Lodestone Energy, a new developer and operator of solar electricity farms. This will result in over 260 The Warehouse Group sites being supplied by solar electricity as early as 2026 – significantly reducing our Scope 2 emissions.

"We are confident our customers will continue to find the best value options across our brands and we will remain top of mind for Kiwi families."

$3.4b
Group sales
up 3.2%
on prior year

Raised
$83.4m
for NZ charities and communities since 1982

100% EV
Light passenger fleet
Total reduction of 21.9tCO_2e compared to FY22 (Scope 1)

In December 2022, the New Zealand External Reporting Board (XRB) released the Aotearoa New Zealand Climate Standards (NZCS). New Zealand is leading the way on mandatory climate reporting, and we are pleased to be one of the driving participants in developing the New Zealand retail sector scenarios for this framework. These scenarios will be used to identify climate-related risks and opportunities and develop our transition plan to a 1.5-degree world. The New Zealand retail sector scenario public report was released on 19 September 2023 and can be found here.

Looking after our people and customers

We are deeply concerned by the continuing increase in retail crime. The safety of our store team members and customers is our absolute priority. We have continued to invest in safety measures and support services for our team members – such as training our store team members in incident management and investing $1.8 million to strengthen store security across all our brands and particularly in our Noel Leeming stores.

Supporting our communities

Our teams have continued to step up when it matters most. Earlier this year, the devastation of floods and Cyclone Gabrielle shook our country. I want to make a special mention of our Napier, Hastings, Tairāwhiti Gisborne, Northland, Auckland and Coromandel teams, whose resilience and teamwork have been incredible in very difficult circumstances.

Thank you to our customers who donated over $250,000 through our "Add $1" campaign to raise money for affected families. Combined with The Warehouse Group's contribution of $200,000 (cash and product) we donated over $450,000 to local community groups supporting families with relief.

The Warehouse Group has a strong history of giving back to its communities, having raised $83.4 million since 1982. This year we announced our new Here for Good Leave. This gives our team members eight hours of paid leave each financial year to volunteer in a meaningful way for them, recognising the close connection we have in the communities within which we operate.

Governance

I want to acknowledge and thank the Board for their contribution throughout the last year. Their leadership and contribution have been superb as we help guide The Warehouse Group through a challenging period.

I am proud that we've continued to attract the highest quality Directors to work with The Warehouse Group Board. This year we welcomed Jeremy O'Brien as a Future Director, replacing Caroline Rainsford who joined the Board as a Director in August 2022. Both appointments reflect the success of the Future Directors programme, co-founded by Sir Stephen Tindall, as it works to develop the next generation of Directors. We have gained great benefit from this excellent scheme.

In October 2022, we entered a four-year retention arrangement with Group Chief Executive Officer Nick Grayston. Since joining The Warehouse Group in 2016, Nick's strategic leadership has steered us through a significant period of transformation. He will play a critical role in implementing The Warehouse Group's long-term strategy and we want to ensure his leadership throughout this time.

At the Annual Shareholders Meeting (ASM) in November 2022, I announced my intention to conclude my tenure as Chair of The Warehouse Group at the FY25 ASM and I look forward to continuing to work with Nick through the intervening period.

Dividend

The Group dividend policy is to distribute at least 70% of the Group's full year adjusted net profit at the discretion of the Board and subject to trading performance, market conditions and liquidity requirements. In accordance with this policy, due to the trading performance, net debt, and liquidity levels at the half year, the Board made the difficult decision in March not to pay an interim dividend. Given the return of net debt to levels that meet our target liquidity range of $350 - $450 million, and in accordance with our dividend policy, the Board is pleased to declare a final dividend of 8.0 cents per share. The record date for the dividend will be 16 November 2023 and will be paid on 1 December 2023.

The year ahead

Looking ahead, we are confident our customers will continue to find the best value options across our brands, and we will remain top of mind for Kiwi families as they make tough choices about how to spend their income. We are conscious we need to do better and are confident we have put remedial actions in place to improve our Group performance.

On behalf of the Board, I'd like to extend heartfelt gratitude to all our valued customers across all our brands. Thank you for choosing us. I also want to recognise our Group Chief Executive Nick Grayston, our outstanding Leadership Squad, and our 11,000 team members. Being part of a team that comes together around a challenge and takes fast action is a privilege.

As always, to our shareholders, the Board and I value your support and look forward to meeting with you at our Annual Shareholders' Meeting in November.

Joan Withers – Chair

NICK GRAYSTON
CEO'S REPORT

I am pleased to report the second-highest Group sales in our history and our highest sales for The Warehouse in a challenging economic year for both us and our customers.

While sales were strong, FY23 was disappointing as our margin and profitability were compromised with increased costs, supply chain disruptions in the first half, and increased promotional and discounting activity to drive sales. Torpedo7 was a particular challenge during the year as sales were impacted by decreased consumer demand and profitability was significantly affected.

Adjusted net profit after tax was $37.5 million in FY23, down 56.2% on a very strong FY22 result of $85.5 million.

As we continue to invest in the transformation of the Group and our infrastructure in particular, this period of peak spending has coincided with a collapse in consumer confidence exacerbated by a change in accounting procedures, reducing capitalisation. We remain committed to our strategy, but the alignment of these actions has put pressure on our business and has impacted our performance in FY23.

We have taken extensive action on our strategic reprioritisation initiatives to improve performance, and I am encouraged that we are better positioned to weather the economic headwinds that we expect will continue in FY24.

Financial performance

We are pleased to have achieved a Group sales result of $3.4 billion in FY23, growing 3.2% on FY22, with The Warehouse brand achieving $1.9 billion in sales. This is the highest result on record, and increased 9.6% on last year.

Even with our strong sales growth, we have witnessed fundamental shifts in discretionary spending while managing the impact of inflation on our costs during a year of planned investment in critical infrastructure.

In the current challenging macroeconomic environment, New Zealanders have limited their spending on high-ticket items like appliances, televisions and bikes and have had to focus on the essentials over our peak period. We are proud to have provided real value for our customers at The Warehouse, keeping essential items affordable, and have seen this reflected in increased sales this year. However, the shift in consumer spending follows global trends and has challenged Noel Leeming and Torpedo7's performance, along with the added pressure of poor weather in the critical summer period, reducing interest in outdoor items.

We have had significant challenges with Torpedo7, resulting in an operating loss for the year of $22.2 million. As at FY23 we have provided for an inventory impairment of $4.6 million against Torpedo7 to manage excess and aged stock. We have a recovery plan in place for the business and this will be a major focus in FY24.

TheMarket.com loss was stemmed in the second half - improving from a $16 million loss in the first half to a loss of $6 million in the second half.

We've continued to deliver the best value for our customers across all our brands despite the cost of goods increasing materially, including shipping costs and MarketClub promotions, which impacted our margins. In the first half of the year, especially, we did not pass on all of the increased cost of product and cost of doing business (CODB), in particular wage pressures, to our customers. We have since taken action and implemented initiatives to recover some of these cost pressures and margin decline experienced in the first half and are pleased to see some improvement in the second half.

"We have taken action to improve operational performance and reduce our Cost of Doing Business."

$

$1.9b

The Warehouse brand sales

the highest result on record, growing 9.6% on last year and demonstrating New Zealand's need for value

+26.1%

Grocery sales

in FY23, contributing to 18.7% of The Warehouse sales

>1.3m

MARKETCLUB MEMBERS

an increase of 122% on FY22

Our strategic reprioritisation is focused on improving operational performance by minimising cost to serve, managing gross profit margin, and reducing working capital and CODB, as well as rebalancing capital expenditure across the Group.

In January 2023 we made the difficult decision to reduce labour costs in our Store Support Office. This is always a very challenging time for all those affected and, while this unfortunately resulted in reducing 340 roles, this has set the Group up for increased efficiency, greater productivity, and a laser focus on operational and financial priorities, while reducing CODB.

Value for Kiwis

Rising food prices has been a harsh reality for New Zealanders in the past year, and there's a clear need for access to the essentials at reliable and affordable prices. We have taken significant steps forward in our grocery offering at The Warehouse during this time, expanding our range and launching butter, coffee, pasta and sauces under our Market Kitchen brand, and trialling fresh fruit and vegetables at affordable prices in 12 of our stores.

Customers have embraced our offering, with grocery sales growing 26.1% in FY23, contributing to 18.7% of The Warehouse sales. Our challenge is to carry on fighting for access to wholesale supply at equitable cost prices to continue to achieve savings for our customers.

Our loyalty programme, MarketClub, now has over 1.3 million members, who represent our most engaged customers. Through MarketClub, we have been able to help customers save on essentials like nappies, butter and hygiene products in FY23.

This year The Warehouse secured a new value range of Samsung and Dyson products, allowing us to offer quality brands at affordable prices, with a more extensive and specialised range supported at Noel Leeming. This year Noel Leeming was proud to be one of the first retailers in the world to stock Starlink, connecting thousands of customers to high-quality internet throughout New Zealand since launch.

Expanding efficiency and revenue

Our transformation and agile model have allowed us to expand into new revenue sources and secure cost efficiencies. We have recently integrated Torpedo7 into our agile structure and ways of working to unlock Group-wide efficiencies.

Our Group Marketplace initiative was launched in October 2022, integrating some of the TheMarket.com products onto The Warehouse website and app. This extended our range online, adding over 103,000 products from 71 merchants to our existing online customer base.

MarketMedia, our retail media network, is scaling quickly, achieving several successful campaigns with suppliers in FY23 and growing revenue year on year. Improvements in supply have also enabled us to double our margin on retail media revenues compared to last year. Looking ahead, we are taking a significant step forward and launching physical retail media screens across The Warehouse and Noel Leeming store network to deliver a new marketing and media channel for our brands and suppliers to reach and convert customers shopping in our stores.

FY23 continued to see us invest in our infrastructure capability, completing existing major programmes of work to return operational efficiencies. The new Enterprise Resource Planning Finance Inventory (ERPFI) system is progressing well. This will provide more timely reporting, project accounting, real-time inventory management and enable improved stock availability. Continued purposeful investment in infrastructure that will reduce our cost to serve long term and enhance our customer experience remains a priority for the Group.

Sustainability

This year, I am very proud of the progress we continue to make on making sustainable living easy and affordable for everyone. As a team, we have challenged ourselves by asking, "Does it pass the Tomorrow Test?" in everything we do. While it's a simple sentence, it's a big question and we won't have the perfect answer every time. But every time we ask the question and make more headway in the right direction, we make a difference.

The Tomorrow Test has sparked incredible momentum in our team members' actions every day and is showing up in our stores from an increase in products with sustainable attributes to our expanding circularity programmes like e-waste and soft-plastic recycling. It's also encouraged us to innovate and look for new solutions like our new energy partnership to power over 260 Group sites with solar energy and the My Recycle Hub pilot, both of which we share more about in the Our Environment section of this report.

Outlook

While FY23 has been a challenging year, our initiatives to improve operational performance and reduce our CODB have strengthened our position. I am optimistic we will maintain this momentum into FY24, and our focus on improving financial performance will continue.

Looking ahead, we anticipate that FY24 will be challenging for our customers as they face into an unpredictable economic outlook, and we know we have an important part to play in offering Kiwis great value on the things they need most.

I thank our Chair, Joan Withers, and our Board for their unwavering support and dedication to the organisation. I also want to acknowledge and thank our Group CFO, Jonathan Oram, who departs The Warehouse Group in October, for his exceptional leadership over the past five years. Jonathan played a key role in our retail transformation journey and our flip to agile, performed a critical role in helping us manage through the COVID-19 pandemic, and helped the Group deliver record financial results in FY21. We wish him all the best in his new role.

In addition, I wish to thank our 11,000 strong team who continue to show up for their local communities. We stand together by our purpose of helping Kiwis live better every day, while providing sustainable long-term returns for our shareholders.

Nick Grayston – CEO

OUR PURPOSE, VISION, VALUES, AND CUSTOMER EXPERIENCES ARE ALIGNED

Every day, we're living our purpose by transforming our business to exceed our customers' expectations and to have a positive impact on our communities. Our vision guides our aspiration, while our values guide our behaviours and rituals.

We're focusing on the strategic customer experiences to achieve our objectives and to deliver on our long-term strategy and growth.

OUR PURPOSE

Helping Kiwis live better every day

Ia tangata, ia rā

OUR VISION

To make sustainable living easy and affordable for everyone

Kia ngāwari, kia utu māmā hoki te noho tiaki taiao a te katoa

OUR VALUES

DO GOOD
Mahi i nga mahi pai
We are one team, standing up for our people, our planet and our communities.

THINK CUSTOMER
Whakaarohia te kaiutu
We put the customer first in everything we do.

OWN IT
Kia haepapa
We walk the talk and make things happen.

OUR STRATEGIC CUSTOMER EXPERIENCES

1. **Range & Value**
Helping customers to find what they're looking for, at prices that are great, every time

2. **Availability & Fulfilment**
Helping customers to enjoy fast, easy and reliable ways to get what they need

3. **Sustainable & Affordable**
Helping customers to have access to affordable solutions that help them live sustainably

4. **Loyalty & Payments**
Helping customers to feel recognised and rewarded

5. **Customer Service**
Helping customers to get easy and high-quality customer service every time

OUR ECOSYSTEM

Our aim is to deliver a modern, integrated retail experience powered by a customer-centric ecosystem that makes shopping with The Warehouse Group easy and hassle free, all while providing more value for our customers.

Our ecosystem has strong foundations comprising our iconic brands, an established store footprint, and market-leading digital assets. Our assets position us to expand our offering further and invest in capability to enable us to serve our customers better and grow.

Our loyalty membership programme, MarketClub, is at the heart of our ecosystem, offering special deals and additional value. There are now over 1.3 million New Zealanders actively using MarketClub across TheMarket.com and The Warehouse.

We are committed to nurturing our members, purposefully investing in our MarketClub programme and expanding it across our Group. As the programme grows with more capabilities added, we can offer our customers a more personalised and valuable shopping experience, through the increased insights we gain through first-party data.

We are improving fulfilment capability and lowering our cost to serve as part of driving increased profitability on online, and our transformation work is delivering improvements across our stores, supply chain and online platforms.

Our retail media network, MarketMedia, is generating new and larger marketing and revenue opportunities. MarketMedia is launching in-store digital screen advertising across The Warehouse and Noel Leeming stores, giving our brands and suppliers the opportunity to reach customers while they are actively shopping.

Our ecosystem is grounded in our purpose: to help Kiwis live better every day, and we believe we can make a genuine impact on our customers' lives through innovation.

OUR STORES

ONLINE STORES

- ✓ The Warehouse
- ✓ Warehouse Stationery
- ✓ Noel Leeming
- ✓ Torpedo7
- ✓ TheMarket.com

APPS

- ✓ The Warehouse
- ✓ Noel Leeming
- ✓ TheMarket.com

PHYSICAL STORES

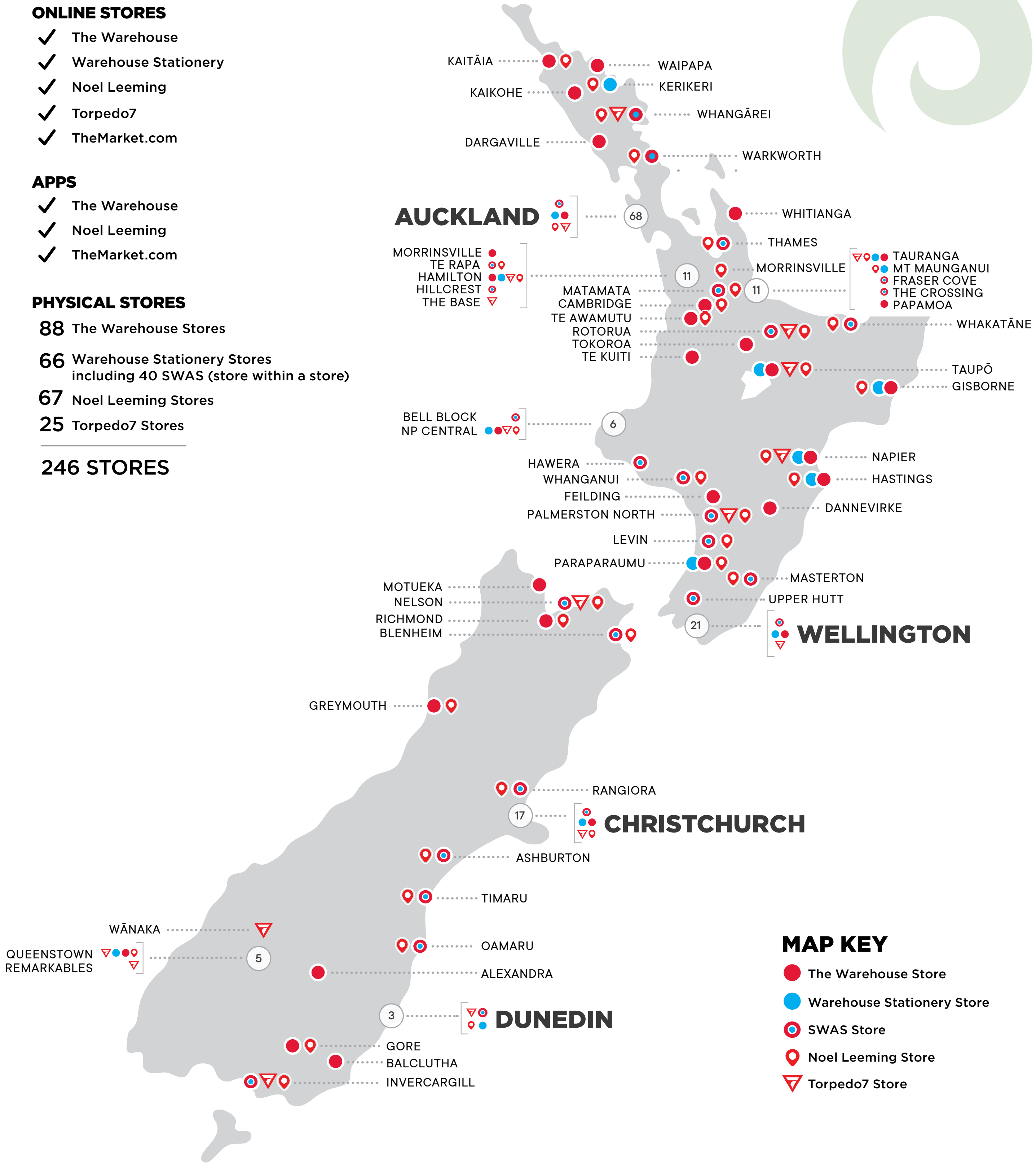
88 The Warehouse Stores

66 Warehouse Stationery Stores including 40 SWAS (store within a store)

67 Noel Leeming Stores

25 Torpedo7 Stores

246 STORES



OUR BRANDS

thewarehouse

WHERE EVERYONE GETS A BARGAIN

As New Zealand's largest general merchandise retailer where everyone gets a bargain, The Warehouse has been Here for Good for communities for over 40 years.

While Kiwis navigate the high cost of living, The Warehouse continues to focus on giving our customers great value through our MarketClub loyalty programme and by offering a wide range of quality products at affordable prices.

This year, The Warehouse has achieved our highest sales in history of $1.9 billion, with foot traffic up 17.6% in FY23 compared to the prior year. A key highlight is our increased range, including introducing a selection of Samsung and Dyson products, giving our customers more quality brands at value price points.

Our Group Marketplace initiative, launched in October 2022, offers our customers more choice. Group Marketplace is an integration between The Warehouse and TheMarket.com that enables an extended range of products on The Warehouse online. Over 71 third-party merchants and over 103,000 Marketplace products are now available on our website as we test our way into this integration.

FY23 saw our grocery range go from strength to strength as we demonstrated commitment to offering our customers much-needed value on essential items.

We launched our private label Market Kitchen 500g salted butter, and Market Kitchen coffee beans, plunger, instant coffee and coffee pods. This Market Kitchen range now includes 64 products, helping give Kiwis more affordable essentials and pantry staples. This year, we also launched our fresh fruit and vegetable trial in 12 stores – Waipapa, Whangārei, Westgate, Manukau, Te Rapa, Fraser Cove, Lyall Bay, Eastgate, Timaru, Riccarton, Dunedin South and Invercargill. We are proud to be working with local suppliers where practical to stock our shelves with seasonal produce, and we are encouraged by the positive response from customers so far.

Overall, grocery sales grew 26.1% in FY23, making up 18.7% of total The Warehouse sales. Within this category, we experienced 91.8% growth in pantry and chilled, 26.6% growth in household cleaning items, and 23.8% growth in pet care.

We're committed to making it easier for our customers to make affordable and sustainable choices, and we continue to make packaging improvements to a number of our products, including removing unnecessary plastic packaging as much as possible. We are finding new and innovative ways to make our products more sustainable; for example, using materials like recycled polyester and EcoVero™ viscose in our winter 2023 activewear range, which have a lower environmental impact.

We continue to grow our circularity solutions for customers in store. The soft-plastics recycling programme expanded to 44 stores, and in the last year, 88.1 tonnes of soft plastics have been collected and recycled. This is the equivalent of approximately 14.7 million pieces of plastic, based on the average weight of one piece of soft plastic being 6.3 grams.

In November 2022, The Warehouse celebrated 40 years of giving Kiwis great value on what they want and need. For 40 years, being Here for Good for the communities we serve has been part of The Warehouse's founding DNA. During our most recent community campaign, The Warehouse partnered with the Kindness Collective during our July Mega Toy Sale to donate $55,000 worth of new toys and $50,000 of vouchers to purchase new toys for deserving kids across New Zealand. Our customers got behind this campaign, adding $1 at checkout and raising $77,900 to help the Kindness Collective provide kindies, kōhanga and whānau services with toys, arts, crafts and books.

$1.9b
Sales
up 9.6% on FY22

$708.5m
Gross profit
up 1.7% on FY22 and gross profit margin 37.4% for FY23

88
Stores

$71.6m
Operating profit
down 5.5% on FY22

OUR
BRANDS

warehouse stationery

DO YOUR BEST WORK

Warehouse Stationery is New Zealand's go-to destination for all things stationery, offering everything from essential supplies to office furniture, technology, printing, and arts and crafts. We are also a leading supplier for businesses across the country.

In FY23, our sales held up well, given the strong sales over the last three years during peak COVID-19 periods as customers worked and learnt from home. This year, our Print and Copy Centres, which include personalisation services, grew from strength to strength. Sales increased 17.8%, and we printed 24.0 million pages on 100gsm paper, 1.4 billion mm of 6" photo paper, bound 250,000 booklets, and produced 43,000 personalised mugs.

Our store-within-a-store (SWAS) integration strategy continues to expand nationally, with 40 Warehouse Stationery stores now located within The Warehouse store network. This year, we integrated five new SWAS stores, allowing customers to access both brands and a wider product range in one place. Our Warkworth SWAS opening allowed us to trial a stand-alone service centre next to checkouts, offering print, copy and other services within The Warehouse. We relocated our Warehouse Stationery Manukau store to a more convenient location for our customers next to our Noel Leeming store in the Manukau Supa Centa.

Back to School continues to be a major event for Warehouse Stationery, offering everything families could need to kick-start the school year. Notably, fashion stationery sales rose by 49.1% in FY23, including new offerings with sustainable features, like our 'I was a bottle' range with stationery made from recycled plastic bottles and notebooks with paper made from stone, a more environmentally-friendly option.

As part of our Back to School campaign, we partnered with KidsCan to provide over 100,000 items to 73 lower-decile KidsCan schools across New Zealand. By adding $1 at checkout in Warehouse Stationery and The Warehouse stores, our customers generously contributed over $66,000, topped up to $74,000 by The Warehouse and Warehouse Stationery, to support KidsCan and help children access the essentials they need to have a successful start to the school year.

In July 2023, we launched a new brand campaign centred around how Warehouse Stationery helps customers 'Get the Small Stuff Right', reminding New Zealanders that we are here to help them succeed in business, creativity or education. This year, we launched our Get New Zealand Creating initiative, engaging customers in store and online over the school holidays with exciting deals and activities across arts and crafts. Over the year, we have seen a 4.3% increase in arts and crafts category sales.

In FY23, Warehouse Stationery renewed its focus as a pivotal partner for New Zealand businesses. We deliver great value to support their growth and increased our product and service offerings to government agencies. Internally, we have established a new customer mission tribe, Business Solutions, aiming to simplify service, enhance rewards, and offer ongoing promotions to our customers. As a result of sustained efforts by our teams and our commitment to driving sustainability, our potential to expand and support more business and government customers is significant. It will be a key focus for Warehouse Stationery in FY24.

$248.6m
Sales
down 0.4% on FY22

$116.6m
Gross profit
down 1.7% on FY22 and gross profit margin 46.9% for FY23

66
Stores
(40 SWAS)

$23.0m
Operating profit
down 0.2% on FY22

OUR BRANDS

noel leeming

THE AUTHORITY ON APPLIANCES, TECHNOLOGY AND SERVICES

Noel Leeming is one of New Zealand's leading consumer electronics retailers, helping Kiwis enrich their lives through technology. We pride ourselves on offering Kiwis global and home brands and innovative world-class service.

Noel Leeming's sales were affected by a year-on-year decline in category spend on higher discretionary items like televisions, driven by customers responding to the increased cost of living. The sales result was also impacted by spend in previous years on working and learning from home products during COVID-19.

Noel Leeming has seen strong growth in emerging categories like Gaming, up 50.8% from FY22, and Smart Home, up 40.7% from FY22. We have also seen growth in the Communications category through our expanded partnership with 2degrees to include pay monthly mobile plans, as well as exclusive deals on mobile phones and plans.

Our Noel Leeming service offering has continued to grow, introducing new partnerships to enhance our customers' technology experiences. We launched Starlink as their first New Zealand retail partner, offering Starlink broadband with hardware in our stores. Thanks to our committed team, we were able to provide significant support to communities heavily affected by Cyclone Gabrielle with Starlink packages, where critical infrastructure supply had been interrupted.

Noel Leeming continues to achieve high customer satisfaction ratings when customers shop in store with us. Our Net Promoter Score increased by 2.9 points this year, taking our score to 75.1 for FY23.

With the removal of COVID-19 restrictions, we've seen customers return to shopping in store more frequently, with foot traffic across Noel Leeming stores increasing by 13.1% in FY23. To support this, we continue the regular review of our store network to ensure we have the best availability and footprint to support customer needs. We welcomed a new concept store in Warkworth this year, replacing the smaller 11-year-old site. The new store is four times larger than the original site and features our full product range. In addition, we've closed our Noel Leeming George Street (Dunedin) store to support consolidation and to provide improved customer service from our larger-format store in Dunedin.

Online sales have normalised to pre-COVID-19 shopping patterns, making up 11.1% of total sales compared to 16.3% in FY22. Customers continue to choose Click & Collect as a means of fulfilment of their online purchases, with Click & Collect orders making up 62.9% of all online sales compared to 57.7% in FY22. Noel Leeming's one-hour Click & Collect offering introduced in FY22 continues to be popular.

In June, Noel Leeming celebrated its 50-year anniversary. Noel Leeming's customers enjoyed celebratory events and special deals for the month to commemorate the occasion. We launched a fundraising campaign for Orange Sky Aotearoa, which provides free laundry services, warm showers, and genuine connections for Kiwis experiencing homelessness and hardship. With our generous customers' $1 donations at Noel Leeming checkouts, we raised over $20,000 for this charity.

Along with our commitment to the community, we continue to drive forward sustainability initiatives in Noel Leeming. In partnership with TechCollect NZ, Noel Leeming offers free e-waste collection and recycling. In FY23, the programme expanded its offering and is now available across 28 (up from 16 in FY22) stores nationwide.

$1,061m
Sales
down 3.3% on FY22

$233.1m
Gross profit
down 8.2% on FY22 and gross profit margin 22.0% for FY23

67
Stores

$27.3m
Operating profit
down 49.3% on FY22

OUR BRANDS

Torpedo7

SEE YOU OUT THERE

Torpedo7 is the ultimate store for outdoor adventures in New Zealand. From activewear and hiking boots to all your camping, bike and snow gear, and the passionate know-how of our team, Torpedo7 has everything you need to get outdoors.

It has been a very challenging year for Torpedo7, with a global demand slowdown for bikes after a spike during COVID-19 lockdowns. A wet summer and late ski season impacted seasonal categories like water sports, camping and snow gear.

Profitability was compromised with decreased margin and increased cost of doing business, resulting in an operating loss for the year of $22.2 million. As at FY23 year end we have provided for an inventory impairment of $4.6 million against Torpedo7 to manage excess and aged stock. A recovery plan is in place for the business and this will be a major focus in FY24.

Despite the challenges in bike and seasonal impacts, Torpedo7 has seen pleasing growth across other categories in FY23, with 42.8% growth in footwear, 18.8% growth in athletic leisure wear and 26.9% growth in electronics. Our Torpedo7 private label ranges continue to grow and now make up more than 34.0% of total sales.

Customers continue to enjoy the knowledge and advice from our outdoor expert team members, with our customer Net Promoter Score increasing by 3 points to 71 in FY23.

In August 2023, our Torpedo7 support office, store leadership, logistics and fulfilment teams joined the rest of the Group in transitioning to agile ways of working, integrating the business under existing support structures and product purchasing into a new Sports and Adventure customer mission tribe.

The shift to agile will bring our Torpedo7 brand and teams closer to the Group to unlock efficiencies, grow our profitability and deliver a better customer experience. We also began the process of migrating Torpedo7 to our new Enterprise Resource Planning (ERP) software system. The new platform will replace and modernise our legacy systems, streamline our business operations and improve the experience for our customers.

With Torpedo7's passion for the outdoors and our local environment, we provide support through our community partnerships. This year, with the help of our customers, we raised more than $77,000 for our community partners including Hillary Outdoors Education Trust, to help young people experience the outdoors and build important life skills. In June, our stores and customers also raised $8,288 for St John's Annual Appeal.

$162.2m
Sales
down 5.4% on FY22

$22.2m
Operating loss
FY22: Operating loss $2.2m
FY23: Gross profit margin 29.9%

25
Stores

OUR
BRANDS

MarketClub

YOU GET EXCLUSIVE DISCOUNTS AND OFFERS

MarketClub is our free-to-join membership programme that gives our customers exclusive discounts and offers when shopping with us. Every time a customer uses MarketClub, we donate a portion of the proceeds to a charitable cause on their behalf.

In October 2021, we introduced MarketClub into The Warehouse, and this year we reached a major milestone with over 1.3 million customers using MarketClub. Our Club members are our most engaged customers, who enjoy exclusive deals on the products they love.

Currently, members can use MarketClub at The Warehouse through The Warehouse app, our online store, or by scanning the app at our store checkouts. At TheMarket.com, MarketClub members also get special deals for free. In addition, we offer MarketClub+, a subscription service on TheMarket.com that provides free shipping on millions of eligible items, VIP access to exclusive offers, priority customer service, and more.

In FY23, MarketClub members saved nearly $18.0 million with member discounts. The most popular deals were our $4 and $5 Tararua 500g butter, with over 220,000 customers scanning MarketClub to access the offer.

Since launching the platform in October 2021, we have raised over $1.6 million for various causes in New Zealand. Our charity partners include Life Education Trust, Whānau Āwhina Plunket, Variety – the Children's Charity, Sustainable Coastlines, and special campaigns like Be the Joy, helping Kiwis in need at Christmas.

>1.3m
MARKETCLUB MEMBERS
an increase of 122% on FY22

$1m
donated through MarketClub in FY23

MarketClub is a valuable addition to our ecosystem, designed to make shopping with us easy and rewarding for our customers, and we will continue to expand the platform purposefully.

SUPPORTING OUR COMMUNITIES

With the help of our generous customers, since 1982 The Warehouse Group has raised more than $83 million for New Zealand charities and communities to help Kiwi families thrive.

Since we opened our doors in 1982, our purpose has been clear: to help Kiwis live better every day. We're proud of our ongoing efforts to help our communities in meaningful ways and be there for them in moments that matter.

We focus on areas where we can truly make a difference, like bringing joy to families at Christmas, ensuring young people have access to period products, supplying essential school supplies to help kids thrive in school, and providing the essentials in an emergency.

This year, through the generosity of our customers and the engagement of our store team members, we raised $4.1 million for New Zealand charities and community groups.

On a national level, we partner with some fantastic charities, including Sustainable Coastlines, Youthline, Women's Refuge, Variety – the Children's Charity, The Salvation Army, Whānau Āwhina Plunket, The Period Place, Hillary Outdoors, and Life Education Trust.

Our community highlights

Be the Joy

Together with our partners at Women's Refuge and Variety – the Children's Charity, we helped to bring joy to thousands of Kiwi families by giving them a gift to open on Christmas Day. With the help of our customers purchasing $5 Be the Joy gift tags in our stores, we delivered over 17,500 gifts to children who would otherwise go without.

The Warehouse stores became a drop-off hub for customers to donate new, unwrapped gifts for each store's local Women's Refuge. Our Store Support Office and North Island Distribution Centre teams took part by collecting and donating gifts to Auckland City Mission too.

Our customers could add a dollar in store or at checkout online as well, and this raised over $130,000 for Women's Refuge and Variety – the Children's Charity.

Back to School

This year for our Back to School campaign, The Warehouse and Warehouse Stationery partnered with KidsCan to donate over 100,000 essential stationery items to 73 lower-decile KidsCan schools across New Zealand, including sun hats, pencil cases, pencils, pens, notebooks, rubbers, rulers, glue sticks and sun cream.

We also invited our customers to join us by adding $1 at checkout in Warehouse Stationery and The Warehouse stores. Our customers donated over $66,000 to support KidsCan and help children access the essentials they need to start the school year successfully. With an additional donation from MarketClub, over $74,000 was donated to KidsCan to help get food, raincoats, shoes and essentials to kids who need them.

Cyclone Gabrielle support

To help Kiwi families affected by Cyclone Gabrielle and North Island flooding, we turned on our emergency fundraising for customers to add $1 at our checkouts in all The Warehouse Group stores.

During this time, our customers gave an incredible $250,000. The Warehouse Group donated $200,000 (cash and product), resulting in over $450,000 going to a mix of community groups who were on the ground helping families in the affected regions, including the Hawke's Bay Foundation, SuperGrans Tairāwhiti Gisborne, The Northland Foundation, ButtaBean Motivation, The Middlemore Foundation, Te Hā Oranga, and The Salvation Army foodbanks.

Our store teams in the affected regions played an incredible role for their local communities during this time, donating essential products and opening the doors to our stores to serve the community's needs.

Mega Toy Donation

For our Mega Toy Sale, The Warehouse joined up with the Kindness Collective and donated $50,000 of vouchers for toys for deserving kids across New Zealand. Every The Warehouse store team used the funds from their reusable bag proceeds to get behind this campaign to donate an additional $55,000 of new toys to kindies, kōhanga or whānau services in their local area.

Our customers got behind this campaign as well, adding $1 at checkout and raising $77,900 to help the Kindness Collective.

Noel Leeming 50th Birthday

As part of our 50th birthday celebrations, Noel Leeming partnered with Orange Sky Aotearoa, a charity that provides laundry services, warm showers, and genuine connections for Kiwis experiencing homelessness and hardship. With our generous customers' $1 donations at Noel Leeming checkouts, we raised over $20,000 for this organisation.

P-TECH Programme

In FY23, we continued our role as a key partner in the Pathways in Technology (IBM P-TECH) programme. P-TECH helps get students job-ready by developing their digital skills and is now in 28 countries globally.

As an industry partner, The Warehouse Group provides financial assistance, paid internships, mentors who coach, guide and support the students throughout the programme, and the opportunity for P-TECH graduates to apply for employment roles within our Company.

This is our fourth year as a partner, and seven interns joined The Warehouse Group for a six-week internship. Over the course of the programme, students were introduced to gathering insights and data, design thinking, and interviewing customers in our stores.

Gateway students programme

We are proud to offer Year 12 and Year 13 school students work experience and the opportunity to achieve unit standard credits through the Gateway programme. In partnership with ServiceIQ, this programme provides students with hands-on work experience in the retail industry and a chance to make helpful, professional contacts for when they leave school.

Red Shirts in Schools in The Warehouse, Blue Shirts in Schools in Warehouse Stationery, Torpedo7 bike hub, and Discovering Passionate Experts in Noel Leeming reached 1,255 student enrolments in FY23.

The programme has a 90% completion rate across our 122 supporting stores, and this year, 24 students have been employed in roles on completion of the programme.

Access to period products

We're continuing to make period products accessible and affordable through our range of $1 pads, with one in every 10 sold donated to local organisations in need through the support of our community partner, The Period Place.

More than 86,400 period products have been donated through this initiative this year, bringing our total donations to date to over 266,000 period products. We also provide free period products for our team members across our stores, support offices, and distribution centres.

Reusable bags and local giving

Every time a customer buys a $1 red reusable bag from The Warehouse, a portion of the proceeds remain with that local store team to use to support the communities they serve at a local level. Our local stores also play a vital role in giving back to their communities, and this year, we raised $1.4 million through the sale of our red reusable bags.

Sausage Sizzles

This year, our The Warehouse store teams have given back to their local community by firing up the barbecue and bringing back the sausage sizzle.

For the opening weekend of our Warkworth The Warehouse store, four local community groups – Coastguard Kawau, Heart of Springboard, Warkworth Lions Club, Warkworth Scouts raised over $4,000, which the store matched to a total of $8,000 through sausage sizzles.

MarketClub donations with every scan

Every time a MarketClub member scans at The Warehouse we donate a portion of the proceeds to a charitable cause of their choice. Since launching the platform in October 2021, we have raised over $1.6 million to various causes in New Zealand. Our charity partners include Life Education, Whānau Āwhina Plunket, Variety – the Children's Charity, Sustainable Coastlines, and special campaigns like Be the Joy, helping Kiwis in need at Christmas.

more than **17,500** gifts provided by Be the Joy campaign, to Kiwi kids

Raised **$450k** to community groups affected by Cyclone Gabrielle

> $1.4m to support local communities through the sale of our red reusable bags

over **1.3m** **MarketClub members** can nominate a charitable cause to which The Warehouse donates on their behalf

INTEGRATED REPORT

Our Integrated Report is designed to report on how our resources contribute through our retail value creation model to deliver our vision to make sustainable living easy and affordable for everyone. These are demonstrated through the six capitals shown below and detailed in this report.

This is The Warehouse Group's fifth Integrated Report and aims to:

- Provide quality information to all stakeholders;
- Promote a holistic, cohesive and efficient approach to corporate reporting;
- Enhance accountability and stewardship for the application and use of inputs in the business to deliver retail value; and
- Support integrated thinking, decision-making and actions that focus on the creation of value over the short, medium and long term.

At the centre of our Integrated Reporting is the retail value creation model. This attempts to explain how the macro and internal inputs into the business (Capitals) are used through our strategy and business activities to deliver performance outcomes in FY23.

Refer to the following pages for further details on each of these capitals.

This is the third year we have also reported under the Global Reporting Initiatives (GRI) framework. Refer to pages 60 and 61 of this Annual Report for further information on the GRI reporting framework and The Warehouse Group's material topics, and pages 110–113 for the GRI content index.

The Group's Board and Management have established internal preparation and quality control processes to ensure the quality and integrity of this report. While we have not sought external audit or assurance for the non-financial information contained throughout this Integrated Report, we have received limited assurance on selected standards of the Group's GRI disclosures as well as our carbon emissions and energy consumption which are audited by Toitū Envirocare.

INPUTS

MANUFACTURED CAPITAL – OUR NETWORKS

We strive to build world-class customer experiences and an ecosystem enabled by our portfolio of brands, our supply chain network and enterprise systems.

INTELLECTUAL CAPITAL – OUR CUSTOMERS

Our expertise puts our customers at the centre of all that we do. We have enhanced our focus around five key strategic customer experiences – which are aligned with our purpose, our vision and our values.

SOCIAL AND RELATIONSHIP CAPITAL – OUR RELATIONSHIPS

We want to build strong relationships with our communities and our stakeholders to deliver sustainable value and positive change.

HUMAN CAPITAL – OUR PEOPLE

We strive to create a dynamic, purpose-driven organisation that enables, equips and empowers our people to succeed.

FINANCIAL CAPITAL – FINANCIAL CAPITAL

Our financial capital initiatives continue to focus on ensuring financial resilience while deploying more capital to execute our strategy.

NATURAL CAPITAL – OUR ENVIRONMENT

Our vision is to make sustainable living easy and affordable for everyone, to increase the sustainability of our own operations and help our customers save money while doing their bit to save the planet.

RETAIL VALUE CREATION PROCESS

SOURCING PRODUCT

SUPPORTING NEW ZEALAND COMMUNITIES

UNDERSTANDING OUR MARKET

INTEGRATED RETAIL SALES ENVIRONMENT

BRINGING PRODUCT TO MARKET

MEMBERSHIP

OUTPUTS

- 246 stores including 40 SWAS
- 26 The Warehouse stores with grocery offering including 12 with fresh fruit and veges
- 72 The Warehouse stores with Garden Centres
- 14.2% increased foot traffic with in-store sales up 9.7%

- Group Store NPS up 2.6pts to 76.3
- SKU reduction of 4.8% for The Warehouse and 13.6% for Warehouse Stationery
- Online sales 10.9% of total sales
- Click & Collect sales 51.8% of online sales from omnichannel brands
- The Warehouse 10.6% of core retail market share

- Raised $4.1m for New Zealand charities and communities, $83.4m since 1982
- Conducted 266 Labour and Environmental third party onsite audits
- 90% achievement on all environmental factors
- Started engaging with our suppliers on GHG emissions management as part of our programme to reduce (Scope 3) emissions

- Women in 50.0% of senior leadership roles
- 101% gender pay equity
- Established 26-week full pay Parental Leave P{olicy
- Critical events: 8 in FY23 (FY22: 52)
- TRIFR: 32.8 per million hours worked (FY22: 24.7)
- Lost-Time Injuries reduced by 10.9%

- Operating cashflow $214.2m (FY22: $105.4m)
- Capital expenditure $113.2m (FY22: $107.5m)
- Final dividend 8.0 cps
- $145m Sustainability Linked Loans
- Liquidity of $421.9m

- 33% of private label sales from products with sustainable attributes (FY22: 22%)
- 43% of our private label sales were derived from products with packaging that is compostable or which can be recycled via New Zealand's kerbside recycling infrastructure or instore (FY22: 22%)
- 7,657 tCO_2e of Scope 1 and 2 emissions (down 43.3%)
- 100% of the Group's passenger fleet is full EV
- Diverted 72.9% of operational waste from landfills
- Diverted 198.9 tonnes of post-consumer waste from landfill

RISK & MATERIALITY

Mōrea me te Tūponotanga

Risk management

The Group's risk management framework has been designed to identify, assess, control and monitor its key risks. The identification and ongoing management of these key risks assists the business in achieving its objectives and goals.

The Group has defined its risk appetite and recognises four main categories of risk:

- **Strategic Risk** – the consequence of an event occurring which will damage the Group's business model, undermining its value proposition which attracts customers and generates revenue;
- **Financial Risk** – referring to the Group's ability to manage its debt and financial obligations and includes credit, liquidity, market and capital project risk;
- **Operational Risk** – summarising the risks the Group undertakes when it operates within the retail environment which includes people, legal and compliance, business continuity, data and security;
- **Business Risk** – risk to earnings arising from developing consumer trends, supply chain risk, pricing volatility and product risk.

Risk management framework

Our risk management framework has incorporated agile practices, which allows the Group to identify and manage risk, and provides it with a mechanism to adapt and respond to the dynamic environment retail operates within. The Group's blended approach to risk management considers both traditional risk management and the agile operating model. Responsibility for operational risk management sits with our Leadership Squad but also considers the agile operating model which allows our teams to react quickly to change. This mixed model provides flexibility, which accommodates and learns from risk in executing strategic initiatives.

The Group, as part of its ongoing risk governance programme, operates an Enterprise Risk Management Committee, which comprises senior leaders from across the Group. The Committee meets every two months to ensure there is a balanced view of risk and that critical risks are understood, reviewed, appropriately managed and reported.

Agile application

Rapid change and increased technological innovation within the retail sector provides challenges for the Group to effectively compete. This increased velocity poses new challenges to risk and compliance functions as we strive to provide complementary practices which enable insight and value.

To combat this rapid rate of change, the Group has embraced an agile operating model. As part of this agile operating model, our team's focus is on short cyclic bursts of development, implementation and testing. Appropriate execution risk provides valuable decision-enabling insight throughout the initiative life cycle and agile delivery.

In an agile operating model, the Group applies an iterative risk management approach which is managed through quarterly business reviews, sprints, stand-ups and regular reviews. In this way risk management responses are broken up into smaller and more manageable components while also encouraging collaboration across stakeholders, project team members and sponsors.

This allows optimal challenge without slowing down agile teams. As initiatives are developed and implemented, technology-supported controls and real-time performance metrics can be utilised to monitor and mitigate the new business risks.

Ultimately, aligning risk management with agile execution enables the Group to improve customer experiences swiftly, thereby giving the Group a competitive advantage.

Materiality

Materiality in the six capitals of our Integrated Reporting is different from financial materiality in the financial statements. It is driven by the risk appetite settings, and the specific outcomes and strategies in each capital. A material improvement in our environmental reduction outcomes, for example, may be different this year compared to other years depending on the starting position and default trajectory of performance.

Building on an improvement may mean we have a higher appetite for change than if we were attempting to arrest a declining performance.

Materiality is therefore relative to every strategy and metric in each capital and is used to filter what is reported and what is not. The Integrated Report is not the definitive or last word that the organisation has to say on a given topic; it is the material performance report against those elements in the capitals that we are trying to influence or improve.

This is the third year we have reported under the Global Reporting Initiatives (GRI) framework and material topics. In 2023 we performed a high-level internal review of the material topics previously identified with a focus on the actual and potential, positive and negative impacts these topics have on our environment, the economy and our people. Refer to pages 60 and 61 for our GRI Report and the material topics under our GRI reporting framework.

Key risks

The Group periodically reviews key risks with its senior Leadership Squad to identify those risks which, if realised, would materially impact the success of the business. These risks have been assigned sponsors and are appropriately managed through the implementation of suitable control measures to manage the risk. These risks are as follows:

RISK		INHERENT RISK RATING	RISK APPETITE	RESIDUAL RISK RATING
Sourcing/Retention of Key Talent	Inability to source/retain key team members with appropriate capabilities to deliver initiatives and strategy	high	low	medium
Global Competition and Disruption	Acceleration of global competition and customer experiences could reduce Group market share, increase customer acquisition costs and/or decrease profitability	high	medium	medium
Legacy IT	Legacy IT infrastructure inhibits the Group's ability to transform at pace	high	low	high
Logistics and Supply Chain Disruption	Global interruption of supply chain affects the Group's ability to maintain stock availability – affecting sales	high	low	medium
Sustainability	Failure to implement sustainability practices means potential loss of trust in our brands, potential loss of market share, and exposure to looming regulation	high	medium	medium
Cost of Living	Customers face an increasing cost of living affecting their ability to transact with the Group	very high	medium	medium
Pace of Change (execution)	Failure to execute on key deliverables impedes other activities and may mean loss of market leading position	medium	low	low
Health, Safety and Wellbeing	Failure to adequately protect our people and customers from harm which could result in serious injury	medium	very low	low
Changing Consumer Trends/Behaviour	Evolving consumer trends are not identified, and the Group fails to meet their demand	high	medium	medium
Purchasing Decisions	Failure of the business to deliver a range of products and services which the market needs and demands	high	high	medium

OUR NETWORKS

Ngā Kōtuitanga

Our purpose to help Kiwis live better every day is enabled by developing a world-class customer experience through:

1. Our portfolio of brands, both online and instore;
2. A reliable and sustainable distribution and supply chain; and
3. Our enterprise systems, processes and data.

Our portfolio of brands – online and in store

We are proud of our portfolio of brands which provide a variety of products to serve our customers, wants and needs through our ecosystem of online, mobile app, in store and service offerings.

Our diversified brand portfolio delivers a range of products – from homeware, toys, grocery and apparel; stationery, office and study equipment; outdoor gear and sportswear; and a full electronic and appliance product and service offering to kit out every area of our customers' homes at a strong value price point.

Customers have the choice to shop at their own convenience, through our 246 stores, 3 mobile apps, and 5 online sites – all supported by our membership programmes which enable us to build stronger relationships with our customers and extend their engagement across the Group.

Store development

Our store strategy is all about ensuring we have the right stores, with the right footprint, in the right place for our customers. We undertake a great deal of research, including population and demographic shifts, when looking at new store locations, and we review store performance on an ongoing basis. During FY23, The Warehouse, Warehouse Stationery and Noel Leeming have seen some consolidation of store locations as we optimise our store network.

In particular, in May 2023, we closed The Warehouse Snells Beach, the Warehouse Stationery and Noel Leeming Warkworth stores and opened an exciting new retail centre in Warkworth including The Warehouse, Warehouse Stationery (SWAS) and a new Noel Leeming store.

In addition to the Warkworth retail centre opening, during the year we closed The Warehouse South City, Warehouse Stationery Auckland CBD and Warehouse Stationery Johnsonville. We opened a new Torpedo7 store in Botany, moved the Torpedo7 Christchurch store to a larger site, and closed the smaller of our two Noel Leeming stores in Dunedin.

In FY23, 26 The Warehouse stores received a new grocery customer experience roll-out with benefits including greater grocery, pantry and chilled food offerings. We have expanded our private label Market Kitchen range to include 64 different products. In addition, 12 The Warehouse stores now provide a fresh grocery offering to our customers. This is going very well, with all products (except bananas) sourced locally, supplying in-season fresh fruit and vegetables.

Our customers are also loving our Garden Centres in 72 of our 88 The Warehouse stores. This year, we have installed new garden equipment in these stores, enabling a better growing environment, better racking and easier customer access areas.

Customers continue to prefer our self-service checkouts, which have been deployed into over half of all The Warehouse stores. These checkouts have become an increasing helpful customer experience in our stores, especially in The Warehouse stores with a grocery offering.

We continue to optimise our Warehouse Stationery store-within-a-store (SWAS) integration programme with a further five Warehouse Stationery SWAS stores opening during the year including Lower Hutt, Palmerston North, Timaru, Warkworth and Hillcrest Hamilton.

We are excited about the upcoming new store openings in Wānaka in October 2023, including new The Warehouse, Warehouse Stationery SWAS and Noel Leeming stores in this growing region of New Zealand.

We also announced the closure of The Warehouse and Warehouse Stationery in Belfast, Christchurch and Noel Leeming Northlink in September 2023. We have temporarily closed The Warehouse Tory Street store in Wellington following an electrical fire, and are reviewing the location of this Wellington store.

Decisions like these are never made lightly and we take into consideration a number of factors such as population growth, foot traffic and proximity to our nearby stores. This is part of our regular store optimisation review to ensure we have our people and stores in the right place, and in the case of Belfast, we have seen more customers choosing to shop in our larger nearby locations, including our new stores in Papanui.

246 STORES

40 SWAS STORES up by 5 in FY23

14.2% FOOT TRAFFIC

Warkworth – Building the most energy-efficient retail building in New Zealand

Building is constructed with smart technology and highly insulated roofing and walls with the intention to reduce energy consumption.

The use of wooden framing means we have a lower carbon footprint in comparison with conventional steel-framed buildings.

The building is powered by 252 solar panels on the roof, generating a reduction of 140kWh of electricity.

Our stormwater tank helps us collect and conserve rainwater, which is used in our Garden Centre's irrigation system (this is also powered by the rainwater).

Later this year, six EV charging stations will go into the parking with more planned at a later date.

The Warehouse Warkworth is our 40th store location to offer soft-plastics recycling as part of The Packaging Forum's Soft Plastic Recycling Scheme. Customers can drop off their used ink and toner to the store to be recycled.

Noel Leeming Warkworth supports our e-waste programme, helping its customers to recycle their e-waste.

Store team and customer safety

Our team members and customers safety is of utmost priority for The Warehouse Group. As retail crime continues to challenge our business and our team, we work closely with New Zealand Police to mitigate every possible occurrence in our stores. As a Group, we have implemented a number of our own initiatives to keep our people and customers safe. We have installed fog cannons, glass guards, strong-room door strengthening and alarm integration in our Noel Leeming stores, and alarm system upgrades in 110 stores across our network.

Customer shopping habits in store and online

The year in review has seen a significant shift as customer's shopping habits return to normal after an unprecedented surge in online shopping during the last three years of COVID-19 disruption, and customers took to shopping online to access the goods they needed. In FY23, customers moved back to shopping in store with foot traffic up 14.2% and store sales up 9.7%.

As our in-store sales increased, online sales decreased compared to the prior year, with online sales making up 10.9% of total Group sales in FY23 compared to 16.8% in FY22, but increasing compared to pre-COVID-19 times, up from 7.8% in FY19.

Customers continue to embrace collecting their online orders in store through our Click & Collect offering – particularly at The Warehouse and Noel Leeming stores. Total Click & Collect sales accounted for 51.8% of omnichannel online sales (FY22: 49.0%), including 47.8% of The Warehouse online orders and 62.9% of Noel Leeming online orders. This year we updated our Click & Collect pricing model in The Warehouse where customers can use Click & Collect for free when products are in stock at their selected store, or with the option of paying a small $3 fee to get any product transferred to a store of their choice.

This has been accepted across all our store channels as we continue to offer customers the products they want, when and where they need them, while ensuring we cover our own cost to serve.

Our mobile apps continue to resonate with customers across The Warehouse, Noel Leeming and TheMarket. In particular, The Warehouse app ranked as the No.1 most downloaded shopping app in New Zealand for 107 days in FY23. We know our customers use it for shopping on the go, and also use the app to find products and compare prices while shopping in store.

Our third-party marketplace, powered by TheMarket.com, extended into The Warehouse. This expansion now allows third-party sellers to surface their products for customers via The Warehouse and TheMarket.com, all through TheMarket as our centralised third-party seller platform.

A reliable and sustainable supply chain

The reliability and efficiency of our supply chain is critical to getting products from our suppliers, through our distribution networks, into store and available for our customers.

In recent years, supply chains have been challenged, availability constrained, and cost of shipments at record highs. We are thrilled that by working strongly with our loyal suppliers and freight partners, these challenges and constraints have eased in this financial year and are returning to relative normality. Supply chain and shipping costs have also normalised back to pre-COVID-19 levels.

We did experience supply congestion during our peak trading period of November to December 2022 and while global supply chains and shipping partners returned to normal supply volume levels, their own infrastructure took time to catch up. That did cause some delays with products getting through our distribution centres and into stores, as well as in fulfilment delivery to our customers, but again these congestions have significantly lessened.

The Warehouse app ranked as the No.1 most downloaded shopping app in New Zealand for 107 days in FY23.

The grocery supply chain has stepped up to our increased demand levels. Our grocery private label, Market Kitchen, has grown at pace and while access to equitable cost prices remain challenged, we are seeing this supply chain improve.

We are enabling process changes across our own distribution and fulfilment network, and this year saw the go-live of our new Warehouse Management System (WMS). We are now embedding this new system to create better ways of working and unlocking operation and distribution efficiencies including pack size optimisation and distribution of fuller pallets.

Our key operating metrics to monitor the performance and efficiency of our distribution network include cost per units handled, distribution cost to serve, and fulfilment cost to serve.

Our distribution cost to serve (cost per unit of distribution to store) decreased during the year. We saw increased efficiencies this year as store sales increased, productivity improved, COVID-19 restrictions eased, and we lapped FY22 which saw COVID-19 disruption in our distribution centres including shutdown periods, rapid antigen testing and social distance requirements.

51.8% of omnichannel online sales
CLICK & COLLECT

10.9% of total sales
ONLINE SALES

30.5% decrease in value of goods in transit
IMPROVED SUPPLY CHAIN

In comparison, our customer fulfilment cost to serve (cost per unit of distribution of product to customers home or via Click & Collect) increased during the year. As customers returned to pre-COVID-19 shopping habits, online sales have decreased in FY23, resulting in less volume going through our fulfilment centres. In addition, we have seen a large increase in costs from our freight-forwarding partners including New Zealand Post. The combination of less volume and higher variable and fixed costs has increased our fulfilment cost to serve.

Powered by enterprise systems, processes and data

In FY23 we made significant progress in developing our operational systems to enable access to real-time data across procurement, distribution and fulfilment. This has allowed our team members to deliver even better in-store and online customer experiences.

The largest initiative is the deployment of our Enterprise Resource Planning Finance and Inventory (ERPFI) solution and this has been a multi-year development programme. Testing is expected to continue through 2023 with the go-live in the second half of FY24, depending on progress with testing and avoiding disruption from peak trading.

The first phase of our Group Order Management Solution (GOMS) went live in October 2022. Through our brands' eCommerce webstore and mobile apps, future GOMS releases will deliver a single fulfilment optimisation solution integrated with real-time inventory for all our brands. This will improve our customer experience for online orders, for delivery and Click & Collect.

Our Master Data Management (MDM) system is deployed across all our brands and products and is integrated into our ERPFI Inventory, WMS and eCommerce platforms. Our last iteration will see us integrate dimension and supplier data through a self-service portal, expected to be completed in FY24.

Our Human Capital Management (HCM) system had a first release in October 2022 which included deployment for around 2,400 employees, with the full system going live in August 2023. This has now been rolled out to all 11,000 team members including stores and distribution centres. In addition to the Employee Self-Service module, full deployment includes automation through our recruiting and new employee onboarding processes.

Looking forward to FY24, our key systems will include go-live of the ERPFI solution, final roll-out of GOMS, further data enrichment in MDM, and the deployment of MS Dynamics 365 at Torpedo7 to help integrate all our agile brands across the Group.

OUR CUSTOMERS

Ngā Kiritaki

In FY23, our focus remained on enhancing and delivering our five strategic customer experiences aligned with our purpose, vision and values.

No.1
THE WAREHOUSE

Value perception across key competes

1 Helping customers to find what they're looking for, at prices that are great, every time

Offering a diverse range of products at price points that customers perceive as great value continues to elevate their experience with our brands.

Our approach to range and pricing involves harnessing the power of data alongside the expertise of our experienced team. We curate our ranges and manage our pricing structures using data to pinpoint our optimal range of Stock Keeping Units (SKUs) and affordability. The way our teams work with data enables us to proactively respond to shifting customer preferences through forecasting, price optimisation, and range continuity.

This year we launched Group Marketplace initiative, which extends our Marketplace range into The Warehouse website and app, New Zealand's No.1 retail site by traffic, by integrating products from TheMarket.com. With over 103,000 third-party products from 71 third-party merchants now available to our existing online customer base, we've delivered $8.9 million additional sales through Group Marketplace.

In the current economic climate, our Price Perceptor products continue to be a key driver for our customers, with The Warehouse delivering strongly through our Everyday Low Price (EDLP) positioning. For example, The Warehouse recently introduced a new value range of Samsung and Dyson products, offering a curated selection of quality appliances at affordable prices. The Warehouse also maintained its No.1 position in value perception across key competes in FY23.[1]

With the surge in food prices over the last year, presenting a challenging reality for most New Zealanders, our commitment to providing access to essentials at affordable prices such as food, pet care, baby care, and household basics remained unwavering.

Our strides in grocery at The Warehouse have been significant, with grocery sales growing 26.1% to make up 18.7% of total The Warehouse sales. Within this category, we experienced 91.8% growth in pantry and chilled, 26.6% growth in household cleaning items, and 23.8% growth in pet care. We have expanded our range and our private label Market Kitchen, launching butter, coffee and sauces at excellent price points. We have also ventured into a trial to offer fresh bulk fruit and vegetables at affordable prices in 12 of our stores. We remain committed to value and staying in tune with what our customers are looking for from our brands.

[1]Source: The Warehouse Group Brand Tracker. The Warehouse leads on "has good everyday prices", "is easy to find great value" and "has great deals" perceptions vs key competes.

SKU REDUCTION FY23

4.8%
The Warehouse
(FY22: 3.0%)

13.6%
Warehouse Stationery
(FY22: 14.0%)

> 1.3m
MARKETCLUB MEMBERS
(an increase of 122% on FY22)

2 Helping customers to enjoy fast, easy and reliable ways to get what they need

Our focus remains on ensuring availability and efficient fulfilment through our integrated supply chain, enabling our customers to access the right products quickly, sustainably and at affordable prices.

For product availability, we've refined our assortment selection processes, optimising ranges for each category while upholding Everyday Low Prices. In FY23, significant progress was made in redesigning our delivery and fulfilment network. Our new Warehouse Management System has enhanced visibility and control over stock flow, and we've continued to work on optimising forecasting, planning and transportation.

This year has seen a global decline in online shopping post COVID-19, with customers showing a preference for in-store shopping. Our Group online sales have returned to pre-COVID-19 levels, achieving $376.4 million. This represents 10.9% of total Group sales (including Gross Merchandise Value (GMV) sales through TheMarket.com and Group Marketplace), compared to 16.8% in FY22. The Warehouse contributed $119.0 million (6.3% of its total sales, and Noel Leeming contributed $118.1 million (11.1% of its total sales).

Our customers still enjoy our same-day Click & Collect offering at The Warehouse and 1-hour at Noel Leeming. Click & Collect accounted for $156.6 million in FY23, representing 51.8% of total omnichannel online sales.

$376.4M
GROUP ONLINE SALES[2]
10.9% of total Group sales
(FY22: 16.8%)

$156.6M
GROUP CLICK AND COLLECT
51.8% of total omnichannel online sales (FY22: 49.0%)

[2]Online sales includes online sales through omnichannel brands and Gross Merchandise Value ("GMV") sales through TheMarket.com and Group Marketplace."

Online shopping and Click & Collect continue to play an important role in helping our customers get what they need quickly and effortlessly.

3 Helping customers to have access to affordable solutions that help them live sustainably

We are committed to helping make sustainable living easy and affordable for our customers. Last year, we shared our ambition to increase the share of private label products and packaging that are sustainable or circular to 50% by 2025 and 100% by 2035. In addition, we're committed to reducing our Group's Scope 3 emissions – those generated by our suppliers – by 50% by 2035 and 80% by 2040.

We know sustainable choices matter to our customers. In FY23, 33% of our private label sales were from products that featured one or more sustainable materials or production attributes, up from 22% in FY22. This accounted for 46,637 individual product lines and sales value of $343 million. Also, 43% of our private label sales were derived from products with sustainable packaging, a significant increase from 22% in FY22.

We have continued to grow our in-store circularity solutions, including soft-plastic recycling in 44 The Warehouse stores, e-waste and mobile phone recycling in 33 Noel Leeming and Warehouse Stationery stores, and ink and toner recycling in 131 Noel Leeming and Warehouse Stationery stores.

By making sustainable products and solutions more accessible for our customers, we're taking significant strides towards achieving our vision.

4 Helping customers to feel recognised and rewarded

Growing customer engagement and nurturing relationships are fundamental in the world of retail. At The Warehouse Group, our efforts are dedicated to delivering what our customers want and need through our portfolio of brands, ensuring they keep choosing us.

MarketClub sits at the heart of our customer engagement strategy, offering customers added value and discounts. Since its October 2021 launch, MarketClub's growth has been exceptional, growing to over 1.3 million members at the end of FY23, an increase of 122% on FY22.

We have been encouraged by the rising number of The Warehouse customers opting to join MarketClub. In FY23, our members saved nearly $18 million through MarketClub deals. Our most popular MarketClub deal was our $4 and $5 Tararua 500g butter, which was enjoyed by over 220,000 members.

As we introduce new features and brands, the expansion of MarketClub across the Group remains a central focus. We envision considerable growth potential for the programme in the future, as the platform gets smarter and learns what our customers love from our brands. Our commitment to investing in MarketClub remains steadfast, as it's a key driver of customer value and growth.

At The Warehouse Group, our efforts are dedicated to delivering what our customers want and need.

5 Helping customers get easy and high-quality customer service every time

Providing great customer service, both online and in store, is crucial to our customers' experience. With customers using our online platforms for research and inspiration, and buying in-store more, we're working to make sure we have the right people in the right places to give our customers the service they expect.

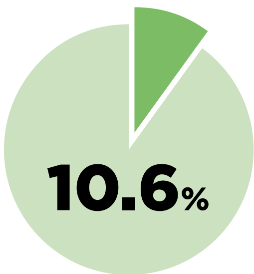
We're pleased to see that our weighted-average in-store Net Promoter Score (NPS) for the Group, which measures customer satisfaction, increased in FY23 to 76.3, a 2.6 point increase on FY22.

We continue to improve our stores across our network to make it easier and quicker for customers to find what they need, and we continue to upgrade our systems to support our customers better. Our team members are rostered to work where and when they're needed, thanks to our Group Workforce Management Solution that collaborates with other systems. Our ERP systems will help us predict demand, plan, and budget accurately. We've successfully implemented our agile model in stores and in the field to adapt to changing customer needs and allocate resources effectively.

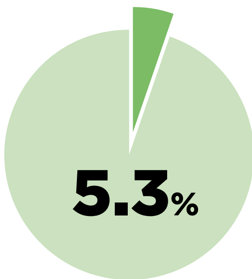
76.3pts

FY23 GROUP WEIGHTED-AVERAGE IN-STORE NPS

up 2.6 pts on FY22
(across all four omnichannel brands)



THE WAREHOUSE NZ
CORE RETAIL MARKET SHARE
(up 0.5pts from FY22)



THE WAREHOUSE NZ
TOTAL RETAIL MARKET SHARE
(down 0.5pts from FY22)

OUR RELATIONSHIPS

Te Ara Whanaungatanga

Since the day Sir Stephen Tindall founded The Warehouse over 40 years ago, the relationships we have with our communities and our stakeholders have been critical to our success, delivering value, creating positive change and helping us make a difference for New Zealand and beyond.

Our community and government partners

Guided by our purpose of helping Kiwis live better every day, The Warehouse Group has been able to continue to support our communities with more than $4.1 million raised for New Zealand charities and community groups this year, bringing the total raised to date to $83.4 million across the Group since 1982.

At a national level our key charity partners include Sustainable Coastlines, Youthline, Women's Refuge, Variety – the Children's Charity, The Salvation Army, Parenting Place, Whānau Āwhina Plunket, The Period Place, Hillary Outdoors and Life Education Trust. Over the course of FY23 we have also supported many more charities, including KidsCan during our The Warehouse and Warehouse Stationery Back to School campaign, the Kindness Collective for The Warehouse's annual Mega Toy Sale and Orange Sky Aotearoa when we celebrated 50 years of Noel Leeming.

The generosity of our customers and teams was felt during the extreme weather events including Cyclone Gabrielle in early 2023, with $251,680 raised by our The Warehouse, Warehouse Stationery, Noel Leeming and Torpedo7 customers. A further $200,000 was donated by The Warehouse Group, bringing the total to $451,680 shared between community groups including The Hawke's Bay Foundation, SuperGrans Tairāwhiti Gisborne, The Northland Foundation, ButtaBean Motivation, The Middlemore Foundation, Te Hā Oranga and The Salvation Army foodbanks.

184 FACTORIES

new factories qualified to enter our supply chain via third-party audits

Raised **$4.1m** for NZ charities and communities

$83.4m total raised to date across the Group

More information about our work with national and local community groups and organisations can be found on pages 26 and 27.

The Warehouse Group Business (TWGB) has been working with organisations across New Zealand to source and supply products and services to multiple commercial sectors since 2019. Our agile ways of working means that we're well positioned to be more responsive to customer needs and ensure we are delivering customer-centred outcomes. This new way of working will also help improve our business-to-business (B2B) platforms and ensure we're future-ready. This will enable us to turn up as a 'one-stop-shop' supplier, leveraging our extensive supply chain to deliver complete solutions for our B2B customers across a variety of settings including accommodation, education facilities, and office environments.

In June 2023, TWGB hosted an event in Wellington to showcase the extensive range of products and services available to our government and commercial customers and show how we can support them with their sustainability goals through our commitment to sustainability and ethical sourcing practices. Not only did we demonstrate how our brands come together in a physical space, but we were able to share our knowledge and challenges on our mission to be New Zealand's most sustainable B2B supplier. In particular, we demonstrated how we can support government customers with procurement through our recent inclusion on the Government Property Group Workplace and Classroom Furniture contract.

During the Hawke's Bay relief response, the TWGB team partnered with key government agencies to provide emergency supplies for affected families. Within 24 hours, we delivered 27 pallets of products to families most in need including bedding, towels, toys, and other essential supplies. TWGB continues to partner with humanitarian and government agencies to provide ongoing accommodation fit-out support for families displaced in Auckland and the Hawke's Bay. These fit-out solutions include beds, dining and living room furniture, and soft furnishings, with a full delivery and installation service so families can walk right into a furnished home.

Our suppliers

Ethical sourcing

The Warehouse Group has had a comprehensive ethical sourcing programme for almost 20 years, primarily focused on private label products in The Warehouse, Warehouse Stationery and Torpedo7, to give our customers confidence that our products have been ethically sourced, and trust that we are maintaining sound labour and environmental standards throughout our supply chain.

This programme is underpinned by our Ethical Sourcing Policy. This policy outlines our requirements in eleven dimensions: Management Systems, Child Labour, Voluntary (Forced) Labour, Health and Safety, Wages and Benefits, Working Hours, Freedom of Association and Collective Bargaining, Environment, Subcontracting and Business Integrity, and has recently been expanded to include supplier responsibilities for Greenhouse Gas Management.

In FY23, The Warehouse Group's private label products were sourced from around 680 factories primarily located in China, New Zealand, Australia, Bangladesh, USA, India, Vietnam, Thailand, Malaysia and the United Kingdom, involving about 300,000 workers.

Our private label factories must undergo ethical, labour and environmental assessments before entering our supply chain. In FY23, 184 new factories qualified to enter our supply chain via the recognition of existing third-party credentials, validated self-assessments or independent third-party labour and environmental audits. In addition to all-important labour rights, these assessments include a review of our suppliers' actions to monitor wastewater discharge, control air pollutants, dispose of solid waste, enable recycling, and deal with any hazardous waste. In FY23, we conducted 266 labour and environmental third party on-site audits and maintained internal continuous improvement oversight, working actively with 296 factories in the year to assist them achieve compliance with our standards and local regulations.

Out of our 680 active private label factories, we found that 20 factories (2.9% of private label factories) had actual or potential negative social impacts which they failed to address, resulting in us ceasing trading with them. Decisions to terminate relationships with suppliers are not taken lightly. The 20 factories we ceased trading with consistently failed to participate transparently during assessments or did not meet the baseline criteria set by our Ethical Sourcing Policy.

The primary issue we identified during on-site assessments was a lack of transparency. This was evident in 42 factories (15.8% of those audited this year). Another common actual or potential negative social impact we observed was maintaining legal limits on working hours and compensation.

These findings emphasised the need for ongoing monitoring and remedial action, which we always require.

Our commitment remains firm: to ensure that every partner in our supply chain operates with the highest ethical and social standards.

Overall assessment scores averaged 88% with a 90% average for environmental factors, 94% average for health and safety factors, and 96% average for employment policies including child labour.[1]

Engaging suppliers

Our programme at Tier 1 (final manufacture) factory level is relatively mature. We traced our orders to 680 Tier 1 factories, and we estimate these represent 93% of private label product orders. This year we also traced and qualified 32 Tier 2 factories (raw material and component suppliers to our Tier 1 factories), relying on their existing third-party credentials, self-assessments with supporting evidence, and a smaller number of on-site assessments conducted by our own specialists.

Training remains a critical part of our engagement with suppliers. To help our factories achieve The Warehouse

[1] Refer to the Ethical Sourcing Report.

Group's ethical sourcing expectations and develop new capabilities such as carbon management, or the use of more sustainable materials and packaging, suppliers participated in 354 on-site or virtual training sessions and completed 1,175 e-learning lessons on various labour, environment and greenhouse gas management topics.

In Bangladesh we and our suppliers continue to co-fund programmes under the Reimaging Industry to Support Equality (RISE) initiative which supports collaborative industry action to advance gender equality in global garment, footwear and home textiles supply chains. Two new factories joined us in this work over the past year in addition to the two factories whose programmes reached completion.

Our supplier scorecard guides our sourcing decisions and supplier selection, and looks at labour and environmental audit outcomes, alongside commercial performance measures. Going forward we intend to include a representation of supplier's baseline greenhouse gas measurement (GHG), and the presence of Science Based Target initiative (SBTi) targets.

Our 2023 Ethical Sourcing Report with full details of our programme will be released in October 2023.

We have begun engaging our suppliers on the topic of GHG Management as part of our programme to reduce (Scope 3) emissions within our supply chain.

Our investors

Our relationship with our shareholders is critical to our success as a key provider of capital and owners of the business.

We engage with our shareholders through regular investor meetings, the release of our interim and annual reports, our annual shareholders' meeting, governance roadshows, and through market updates via the New Zealand Exchange in accordance with the principles of continuous disclosure. We welcome all individual and group meetings with a variety of investor groups to gain further insights into what is most important to them. We are committed to transparent reporting of both financial and non-financial objectives. To report against all these objectives, targets and measurements, we report under Integrated Reporting and Global Reporting Initiatives (GRI).

This is our fifth Integrated Report through which we inform all stakeholders of our full retail value creation process – delivering key outcomes through six capital inputs from our networks, our customers, our relationships, our people, our financial capital and our environment. Refer to pages 28 and 29 for full details.

This is the third year we have reported under GRI as our sustainability reporting framework. We have maintained the view of our material topics which are most important to our shareholders and other stakeholders and have reported on the relevant GRI standards which are applicable to these material topics. Refer to pages 60 and 61 for the GRI Report and pages 110–113 for the GRI Content Index.

In December 2022, the New Zealand External Reporting Board (XRB) released the Aotearoa New Zealand Climate Standards (NZCS) for mandatory application for annual reporting periods beginning on or after 1 January 2023. We have already made progress in preparing for these disclosures including being a leader in the development of New Zealand retail sector scenario analysis for the Strategy section of this framework. These scenarios will be used to identify climate-related risks and opportunities and develop our transition plan to a 1.5-degree world. The New Zealand retail sector scenario public report was released on 19 September 2023 and can be found here.

We are on the pathway to report under the Aotearoa New Zealand Climate Standards in FY24.

OUR PEOPLE

Ngā Tāngata

We strive to create a dynamic, purpose-driven organisation that enables and empowers our people to succeed.

As volatile economic headwinds set the tone for FY23, we recognised three critical drivers to equip our people for the challenging year ahead:

- Unlocking productivity and performance through a focus on leadership capability;
- Being the best place to work through learning and career development, employee benefits, and diversity and inclusion; and
- Strengthening and streamlining our health, safety and wellbeing programmes so everyone gets home healthy and safe every day.

A focus on business productivity and performance

Accelerating leadership capability in our store network

In FY23, we set out to boost leadership capability, particularly across our store network, starting with moving our store leadership teams in The Warehouse, Warehouse Stationery and Noel Leeming to agile ways of working. This followed two years of agile experience in our Store Support Office (SSO), showing how agile can empower our teams to operate faster, better adapt to customer needs and work cross-brand and cross-functionally to deliver at speed.

Our store leaders are a core part of defining business solutions, driving positive outcomes in their stores and regions, and have taken on opportunities to lead initiatives and projects outside of their stores. We've also seen an uplift in cross-brand leadership succession and an increase in gender diversity at store and regional leadership with female leaders increasing from 22% in FY22 to 29% in FY23.

Refining our labour operating model

This year, we examined our labour operating model across the business to seek efficiencies where appropriate.

We refined our SSO agile structure to improve our ability to deliver on customer missions, supercharge performance and productivity, and strengthen our focus on operational and financial efficiencies. In line with these changes, we reduced our SSO labour costs, disestablishing 340 roles. While this was a tough decision for our teams and business, it was an important step in enabling us to respond to the challenging retail environment and changing customer priorities.

We standardised leadership and team structures across the Group by expanding our agile ways of working to integrate our teams from TheMarket, Torpedo7, Services, Customer Care, Business Solutions and Logistics (including distribution and fulfilment centre management).

Be the best place to work

Growing our people through learning

We're proud to offer learning and growth opportunities for our people, spanning from retail and role-based learning, leadership development, future skills training, and transition assistance programmes. Overall, there are around 140,000 hours of learning available to our team members.

To support retail education, team members can gain NZQA Retail qualifications through our partnership with ServiceIQ. This year, 23 team members completed or began the certificate programmes covering topics such as service excellence, product knowledge, health and safety on the job, and resilience in a changing industry.

50.0%
of senior leaders are female

10.9%
Lost Time Injuries

26 weeks
Full-pay Parental Leave Policy
79 team members utilised this leave in FY23

Our The Warehouse Group Scholarship supports those interested in completing vocational qualifications related to a career in retail. A total of 21 team members have been awarded this scholarship since it launched in FY21. In addition, each team member has access to the External Learning Fund, offering up to $2,000 to fund a course or training that supports their personal career development.

In FY23, we expanded our store leadership programmes, with over 41 team members taking part across our brands. We grew our SSO Link Leadership Development Programme, with over 119 current and aspiring leaders enrolled in FY23. We invited 450 leaders business-wide to attend high-performance workshops focused on unlocking personal and team potential.

Team members are encouraged to take control of their own learning by making use of Udemy, our digital learning platform which offers 204,000 digital courses across an array of topics.

Ensuring that our team members understand their role in keeping our customers, business and each other safe is important. Anti-corruption policies have been communicated to all governance body members and team members. In the year ended 30 July 2023, 86.3% of SSO team members and 95.5% of store team members have completed compliance module training.

Overall, we spent approximately 64,000 hours training our team members in FY23, equating to 5.8 hours training per person per year.

Looking after our teams in 2023

We offer our people a variety of employee benefits.

At the start of FY23, we supported our team through COVID–19 with Care Leave so they could take time off and adhere to government regulations without impacting their sick or annual leave entitlements.

This year, we introduced Here for Good Leave, giving team members paid time off to volunteer for groups and organisations that do good for people, our communities and the planet. Being Here for Good is an important part of our DNA – so we're proud to offer our team the opportunity to lend a helping hand.

We're pleased to see 79 team members make use of our Parental Leave Policy this year, which offers 26 weeks full pay, topping up the Government's paid parental leave payments to 100% of a permanent team member's salary or wage.

We continue to evolve our wellbeing approach to focus on holistic wellbeing for our teams.

Critical risk events
8
(FY22: 52)

TRIFR
32.8
per million hours worked
(FY22: 24.7)

Our ongoing wage commitment offers a minimum of $23.58 an hour to employees at The Warehouse and Warehouse Stationery with at least a year's worth of service, compared to New Zealand's minimum wage of $22.70 an hour. Noel Leeming sales team members receive a minimum of $22.70 an hour and $23.50 an hour for non-sales roles, while our Torpedo7 sales roles receive an entry-level wage of $22.70. Sales roles in Torpedo7 and Noel Leeming can earn commission. Currently, 12.7% of our employees are covered by collective agreements.

This year, recruitment slowed as we navigated a tight talent market. The average number of days to fill roles was 38 in FY23, up from 33 in FY22. Despite this, we continued to fill critical roles across the network and through peak recruitment. In the second half of the year, the talent market began to improve, reducing our average number of days to fill roles to 32.

We are pleased that our employee turnover has decreased this year from 28.4% in FY22 to 26.9% in FY23.

Celebrating diversity and inclusion

In FY23, we worked to empower our teams to bring our diversity and inclusion strategy to life by launching four team member-led community groups: Te Ao Māori, Pride, Wāhine (women) Advocates and Neurodiversity. Members are enabled to drive programmes and initiatives that are important to them and help elevate events such as Matariki and Māori Language Week, International Women's Day and Pride Month. We plan to empower and strengthen these groups in FY24.

Gender equity remains a core focus and we're pleased to achieve 101% gender pay equity. Female leaders hold 50.0% of senior leadership roles, up from 46.6% in FY22, and the Board comprises 50.0% female directors since August 2022. Refer to the full Diversity and Inclusion Report on page 105 for more diversity and inclusion objectives, initiatives and metrics.

Health, safety and wellbeing (HSW)

The health and safety of our people and customers is top priority, with conversations, reporting and action plans spanning every level of the organisation, from the HSW Board committee, our Leadership Squad and our teams on the shop and distribution centres floors.

In FY23, we strengthened and streamlined our training programmes and initiatives to increase health and safety confidence and reduce risk of injury. This reflects our intention to move from a culture of compliance to a culture of care, where compliance obligations become second nature.

To enable this, we embedded our health and safety system ecoPortal in 2022 and saw significant improvement in incident reporting, data tracking and team member response to safety huddles.

We maintained our tertiary level of performance under the ACC Accredited Employers' Partnership Programme, which is the highest level. We also reintroduced our store Health and Safety Champion Programme, recognising individuals for their active role in keeping store environments safe.

Critical risk management

An essential part of our HSW strategy is critical risk management, which monitors and addresses high-risk activities with the potential to result in fatality or a life-altering injury. Our specific focuses continue to be violent and aggressive behaviour (VAB) and traffic management, with their high potential to occur and result in severe consequences.

By year end, 224 VAB incidents had been reported, with one incident escalated to WorkSafe. This increase reflects improved reporting from our team and ongoing increase of VAB incidents across our network and our communities. To mitigate VAB risks, all store team members complete annual Situational Incident Management training covering de-escalation and prevention skills. To compliment our training, we invested $1.8 million this year to strengthen store security measures, particularly within our Noel Leeming stores.

To improve traffic management practices, we introduced a new learning programme across our sites and implemented consistent reviews and management processes through ecoPortal. Only one critical traffic management incident was reported in FY23, down from 11 in FY22.

Eight other critical risk events (previously known as Severity 1 events) were reported this year, significantly down on FY22's 52 events reported. We're pleased to see our Lost Time Injuries reduce by 10.9%. Similarly, the Lost Time Injury Frequency Rate (LTIFR) was 13.7, down from 14.2 in FY22.

In FY23, Total Recordable Injuries (TRI) increased 21.8% to 470, up from 386 in FY22. The Total Recordable Injury Frequency Rate (TRIFR) was higher at 32.8 per million hours worked, based on 14.3 million hours, compared to 24.7 per million hours worked in FY22, based on 15.6 million hours.

This year, same-day injury reporting was 90%, up from 89% in FY22 and on track to reach our target of 96% by FY25. However, incidents closed within 10 days dipped to 87% compared to 90% in FY22.

There are no workers who are not employees controlled by the Group for which the organisation is responsible. There were no fatalities in FY23.

Safety assurance reviews

As an ACC Accredited Employer, Safety Assurance Reviews play an integral role in managing our hazards and risks, and ensure best practice and legal requirements are applied across all our sites. In FY23, we conducted 113 reviews, including 11 across our logistics and fulfilment centre locations for the first time. These provide both assurance and valuable insights for us to plan future improvements and identify areas of focus.

Wellbeing

We continue to evolve our wellbeing approach to focus on holistic wellbeing for our teams. FY23 saw us bring more structure to our wellbeing strategy focusing on four key areas: mental, physical, financial and ways of working. Across each pillar, we developed engagement programmes and offered optional learning opportunities to help boost team member wellbeing. We worked closely with our partner Benestar to offer confidential support to our team members, including professional coaching, personal counselling and access to a self-serve Wellness portal.

FINANCIAL CAPITAL

Tahua Hautaonga

Our financial capital initiatives continue to focus on ensuring financial resilience while deploying capital to execute our strategy. Our demand for capital within the Group reached a new high in FY23, with core systems and investment in our store network being the largest areas of investment. This demand for capital is reducing as we are through the peak of this investment.

Our strategy on financial capital focuses on the following key areas:

- Financial resilience through tough economic times;
- Preserving gross profit margin while maximising gross profit;
- Efficient allocation and prioritisation of capital based on Group strategy and return metrics; and
- Providing sustainable and long-term returns to shareholders.

Financial resilience

This has been a challenging year, operationally and financially, as our customers face increased cost of living pressures driven by inflation and interest rates impacting their disposable income, while our own cost of doing business increased. Although we have seen sales growth in The Warehouse, other brands faced sales declines as customers experienced a tightening of their disposable income. Our margins were put under pressure as we absorbed increased costs of product and freight that we did not pass on to customers.

After a disappointing decline in gross profit margin and increased CODB in the first half of the year, margin management initiatives have improved gross margin in the second half across all brands. We made the difficult decision to restructure areas of the business, particularly in the Store Support Office, and have carefully managed store labour. As a result, we have seen efficiency gains and employee expenses have remained flat year on year despite wage pressures.

This pressure on financial performance has seen us further ration capital investment. We expect total project spend for FY24 to be between $70 million and $80 million.

Financial performance – preserving gross profit margin

Total Group revenue was $3.4 billion, up 3.2% from FY22. We are pleased to report sales growth in FY23 following a decrease in sales last year, resulting in FY23 sales returning to FY21 record levels.

While the first half experienced relatively strong sales growth of 4.8%, the second half saw softer growth of 1.4% as the increased cost of living constrained customers' discretionary spending.

Driving profitable sales growth has been challenging in a constrained economic environment. Category mix has changed year on year as COVID-19 driven spending behaviour in categories like office furniture, bikes and large discretionary items normalise and move to growth in categories such as grocery, pantry and chilled items in The Warehouse and smart home, mobile phones, and appliances in Noel Leeming.

Gross margin was disappointing in the first half as the costs of products and freight were impacted by inflation and global supply chain disruption. While striving to continue to deliver value to our customers by keeping prices as low as possible, we did not move quickly enough to manage these costs through our margin. In the second half we took action through margin management initiatives to recover some of this loss while preserving value on critical items. Overall Group margin increased from 32.7% in the FY23 half year to 33.4% for the FY23 full year. Gross profit margin decline in the second half was 180 basis points versus 200 basis points in the first half. Although an improvement, this is still down from 35.3% in FY22, and we continue to put in place initiatives to recover this.

Operating profit[1] was $61.2 million, down from $116.8 million in FY22. Lower operating profit for the year was significantly impacted by the decrease in gross margin, combined with increased CODB. While the CODB increased in dollar terms we were able to decrease this as a percentage of sales from 31.8% in FY22 to 31.6% in FY23. The CODB increased mainly due to the immediate expensing of key information systems costs (Software as a Service) and incremental depreciation driven by increased capital expenditure in recent years.

Adjusted net profit after tax (NPAT)[2] was $37.5 million, compared to $85.5 million in FY22.

In the second half of the year, the Group undertook a number of actions including a restructuring of our Store Support Office, integration of TheMarket.com into the Group's agile structure and the closure of the unprofitable 1-day business. Restructuring costs of $10.9 million ($7.9 million after tax) are made up of staff redundancy costs, the write-off 1-day business assets and the costs connected with the disposal of 1-day inventory.

Reported NPAT was $29.8 million, compared to $89.3 million in FY22.

The Warehouse sales increased 9.6% in FY23 to $1,892 million – the brand's highest annual sales ever. Following a very strong first half with 13.2% sales growth, the second half was softer with 5.7% sales growth. Gross profit margin declined in the first half to 36.3% but recovered in the second half to 38.7%, resulting in a full year Gross profit margin of 37.4%, compared to 40.3% in FY22. Gross profit margin was particularly impacted by freight cost increases, MarketClub promotional activity and changes in product mix with sales growth in lower-margin categories such as grocery, pantry and chilled, and sales decline in higher-margin categories such as home furnishings and apparel.

Warehouse Stationery sales held up relatively well, declining slightly by 0.4% to $248.6 million in FY23. While customers purchased working and learning from home equipment during COVID-19 in FY20 and FY21, sales plateaued in FY22 and FY23. FY23 saw sales growth of 1.7% in the first half, while sales declined 2.5% in the second half. Similar to its red counterpart, gross profit margin declined in the first half to 45.9% but improved in the second half to 47.9%, resulting in a full year gross profit margin of 46.9%, compared to 47.5% in FY22.

Noel Leeming sales were impacted by customers' reduced and redeployed discretionary income and follows a global trend of a reduction in sales of big-ticket items. Sales decreased 3.3% in the year to $1,061 million; however, this is lapping very strong years in FY21 and FY22 which saw an increase in customers purchasing big-ticket items as they lived, worked and learnt from home during COVID-19, and reflects 14.7% sales growth on FY19 (pre-COVID-19). The Noel Leeming gross profit margin was also impacted by product mix with growth in lower-margin categories such as communication products offset by decreased sales in higher-margin categories such as televisions.

While Torpedo7 sales decreased 5.4% compared to FY22 to $162.2 million, this brand was most impacted by customers' reduced discretionary income. Comparisons are impacted by exceptionally strong COVID-19 impacted sales growth in FY21 and FY22. There has also been a significant dislocation of the bike market, Torpedo7's largest category, which had a negative effect on gross profit margin with the current brand and range mix. As at FY23 we provided for an inventory impairment of $4.6 million against Torpedo7 to manage excess and aged stock. Decreased gross profit margin, increased COBD, combined with the inventory impairment, have resulted in an operating loss for the year of $22.2 million. We have a recovery plan in place for the business and this will be a major focus in FY24.

[1] Operating Profit excludes the impact of IFRS 16 but includes Cloud Computing Arrangements accounting adjustments ("SaaS") which is now taken to the Profit and Loss rather than Balance Sheet capital expenditure.
[2] Adjusted NPAT is before unusual items and is a non-GAAP measure. A reconciliation between Adjusted and Statutory NPAT is located in Note 5 of the financial statements for the year ended 30 July 2023.

$214.2m
OPERATING CASH FLOWS
compared to $105.4m in FY22

$113.2m
CAPITAL EXPENDITURE
$107.5m in FY22 after the impact of Cloud Computing Arrangement accounting adjustments (SaaS)

33.4%
GROUP GROSS PROFIT MARGIN
down from 35.3% in FY22

$29.8m
Reported NPAT
down from $89.3m in FY22

$421.9m
TOTAL LIQUIDITY
(FY22: $378.8m)

8 cps
FINAL DIVIDEND
No interim dividend was declared at the FY23 half year

Cash flow and financial Position

Operating cash flows were $214.2 million, an increase of 103.2% with a decrease in trading earnings before interest, taxes, depreciation and amortisation(EBITDA) offset by a material improvement in working capital due to reduced inventory and receivables. Other benefits to operating cash flow include lower taxes paid in FY23 compared to FY22.

The capitalised portion of Project Spend amounted to $113.2 million in FY23 (FY22: $107.5 million). Cash flows in relation to this investment amounted to $115.1 million for the year, after adjustments for timing of cash payments (FY22: $107.5 million).

During the year, we sold the Royal Oak property which was one of our owned store sites. The sale proceeds were $30.5 million under a sale-and-lease-back arrangement with the proceeds being used to reduce debt.

Dividend payments were lower this year due to no FY23 interim dividend declared. Therefore, dividends paid in FY23 were $35.0 million being the FY22 final dividend of 10.0 cents per share paid during the year.

The above receipts and payments resulted in net debt of $48.1 million at FY23 year end, compared to $41.2 million as at FY22 year end, and a significant improvement on the net debt of $83.4 million at FY23 half year.

Efficient allocation of capital

During a challenging trading period, we have invested a significant amount of capital in addressing our core systems, store development, Store Support Office and North Island Distribution Centre facilities. We are excited about the efficiencies and operational improvements these investments will bring to the Group.

We are conscious that we spend capital on the right initiatives and projects which will deliver our strategic priorities and drive shareholder value.

Much of the investment undertaken in FY23 related to key Software as a Service (SaaS) projects that are a blend of capitalised and expensed spend. The combination of capitalised and expensed investment is referred to as Total Project Spend.

Total project expenditure was $154.4 million including capital expenditure, prepayments, SaaS expenditure and operating expenditure. This comprised capitalised project spend of $113.2 million in FY23 (FY22: $107.5 million) and prepayments of $11.4 million in relation to SaaS projects in FY23 (FY22: $8.2 million).

In addition to the capitalised portion, expensed project spend relating to SaaS projects amounted to $21.9 million and non-SaaS-related expensed project spend amounted to $7.9 million in FY23.

Similar to last year, the Group's major investments in the year were in core systems, including the development of ERP Finance and Inventory (ERPFI) for which the Finance module was deployed in FY22. Testing on the final end-to-end inventory module will continue through the first half of FY24 with go-live scheduled for the second half of FY24.

Our core systems investment also included delivery of our Group Order Management System, Warehouse Management System, Master Data Management, and the implementation of our new people and HR system, Human Capital Management (HCM).

Store development continued in FY23, but at a lesser pace than in FY22. New stores opened this year included a new Warkworth retail centre including The Warehouse, Warehouse Stationery and Noel Leeming, a new Torpedo7 store in Botany Auckland, and the relocation of Torpedo7 Christchurch to a bigger site. Our Warehouse Stationery SWAS integration programme continues, with five new SWAS stores opening during the year including Lower Hutt, Palmerston North, Timaru, Warkworth and Hillcrest (Hamilton) – taking the total number of SWAS stores to 40.

Capitalised project spend as a percentage of depreciation and amortisation was 170% in FY23, compared to 209% in FY22 (after SaaS adjustment).

As we near the end of many of our large core system investment projects, capital expenditure is expected to decrease in FY24 to be between $60 million to $70 million (after SaaS adjustments), and total project expenditure will be capped at $80 million.

Access to capital

To ensure financial resilience and to maintain our liquidity policy thresholds, we maintain access to a variety of capital sources. The Group manages three primary sources of capital – operating cash flow, debt and equity.

The Group's operating cash flow has increased significantly in FY23 due to an improvement in working capital, with operating cash flow of $214.2 million in FY23, compared to $105.4 million in FY22.

The Warehouse Group has been listed on the NZX for 29 years, and we were pleased to be included in the NZX50 index again from May 2022. The last year has seen a significant decline in the Group's share price, driven by our financial performance against a backdrop of a weakening macroeconomic environment, consumers under cost of living pressures and uncertainty in outlook. The company share price has decreased from $3.25 at FY22 to $1.80 at FY23 year end and a market capitalisation of $624 million.

During FY23, the Group secured additional bank facilities of $50 million, increasing our total facilities to $470 million. Bank facilities include $145 million of Sustainability Linked Loans which affirm our commitments and targets under sustainable packaging, ethical sourcing, reduction of carbon emissions, and gender equity.

The Sustainability Linked Loans include commitments to four key performance indicators (KPIs), including:

- Sustainable packaging – at least 50% of private label sales (by $ value) to have sustainable packaging by 31 July 2025;
- Ethical sourcing – achieve traceability of all Tier 2 sources for at least 50% of Tier 1 suppliers by 31 July 2025;
- Greenhouse gas (GHG) emissions – reduction in annual Scope 1 and Scope 2 GHG emissions by at least 20% against baseline by 31 July 2025; and
- Gender pay equity and women in leadership – achieve at least 100% gender pay equity and at least 50% women in senior leadership roles by 31 July 2025.

Ernst & Young Limited have provided limited assurance over the annual performance of the KPIs within our Sustainability Linked Loans, and the disclosures against these made in this Annual Report.

Cash on hand of $28.3 million, combined with committed bank facilities of $470.0 million, less Group borrowings of $76.4 million, provides total liquidity of $421.9 million at FY23 year end, compared to $378.8 million at FY22 year end. This is in line with the Group's Liquidity Policy target range of between $350 million and $450 million.

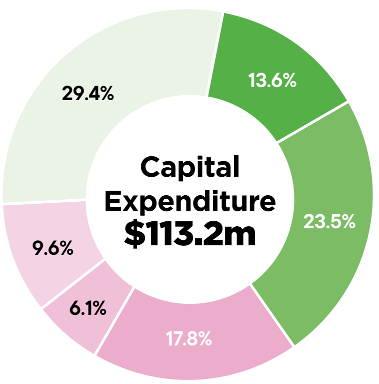
Sustainable and long-term returns to shareholders

The Group has declared a final dividend of 8.0 cps for the 2023 financial year. Due to trading at the time, uncertain outlook and liquidity below Group policy, no interim dividend was declared at the FY23 half year.

The Group Total Shareholder Return (TSR) was down 41.5% in FY23, compared to 2.5% in FY22, due to a share price decrease of 44.6% from $3.25 to $1.80 as at 30 July 2023, and the FY22 final dividend paid during the year with no FY23 interim dividend declared.

The Group's TSR compares with the performance of the market with the NZX50 gross index growth of 4.8% in FY23.

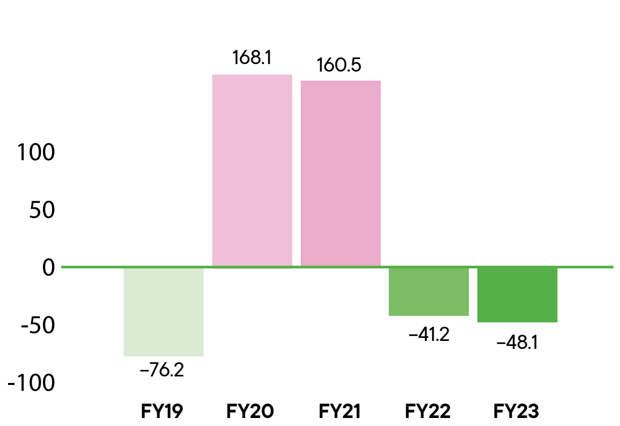
The Group measures and monitors return on invested capital (ROIC) as one of the key indicators of business performance. ROIC represents the return generated by the operating assets of the business and, relative to return on funds employed, includes the value of right-of-use assets which largely relate to leased premises of physical stores, distribution centres and fulfilment centres. The Group is delivering shareholder value where ROIC is greater than its cost of capital. In FY23, ROIC was 6.3% (FY22: 9.9%).



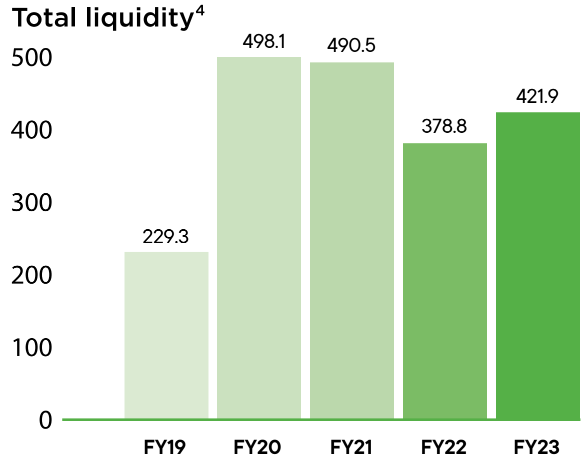
$million	FY23 Capex Spend	FY23 Prepayments	FY23 SaaS Spend	FY23 Opex Spend	FY23 Total Project
Core Systems	15.4	11.2	16.2	3.6	46.4
Store Development	26.6	-	-	-	26.6
Other Information Systems	20.1	-	3.7	2.2	26.0
Digital and Customer	6.9	-	1.8	1.4	10.1
Supply Chain	10.9	-	-	-	10.9
Other	33.3	0.2	0.2	0.7	34.4
Total Project Spend	**113.2**	**11.4**	**21.9**	**7.9**	**154.4**

[3] The difference between Capital Expenditure of $113.2 million and Capital Expenditure per Statement of Cash Flows of $115.1 million is due to timing of accruals and creditor payments.

Cash/(Net debt)



Total liquidity[4]



[4] Liquidity comprises cash on hand plus committed bank facilities less Group borrowings.

CARING FOR OUR ENVIRONMENT

Manaaki Taiao

for our people, our customers and the planet

Our vision is to make sustainable living easy and affordable for everyone. Increasing product and packaging sustainability for our customers and reducing our waste and emissions is no longer a nice to have – it is a must-do for our people, our customers, and the planet.

Building capability

This year, we launched the Tomorrow Test – a platform that empowers our team to deliver sustainability outcomes, big or small. Team members ask, "Does it pass the tomorrow test?" in everything they do to challenge, ideate and make change happen.

The Tomorrow Test has driven the integration of sustainability into some team members' remuneration models and position descriptions. These team members' annual performance is now directly assessed against their contribution to our sustainability metrics.

To help our team members activate the Tomorrow Test, we have equipped them with sustainability training, launching the The Warehouse Group Sustainability Academy. This training builds our team members' knowledge, craft and mindset to achieve our ambitious sustainability goals.

We continue to focus on the 2040 Sustainable Living Plan targets we set last year. Our plan is grounded in four building blocks, which are now our default way of working as we roll out the initiatives required to meet the targets we have set:

Product and packaging sustainability leadership

Improving the sustainability of our products and packaging is one of our biggest contributions to making sustainable living easy and affordable for everyone.

Our Targets:

- **To increase the share of private label sales[1] from products and packaging which are more sustainable or have a circularity solution to 50% by 2025 and 100% by 2035; and**
- **To reduce the Group's Scope 3 emissions[2] generated by our suppliers by 50% by 2035 and by 80% by 2040**

We have made significant improvements in product and packaging sustainability in FY23. We are proud of our team members and suppliers lifting the bar in this space through sourcing practices, improved production methods, material choices, and reducing plastic waste in packaging.

Our focus is on our private label products, where we directly control product specifications, processes and packaging.

Product sustainability

In FY23, 33% of private label sales in The Warehouse and Warehouse Stationery were from products with one or more sustainable features, up from 22% in FY22. This represents 46,637 individual product lines and $343 million in sales.

We are a member of the Better Cotton Initiative (BCI) – the world's largest sustainable cotton initiative, operating in 26 countries globally and accounting for almost 20% of global cotton production. In FY23, 81% of our private label cotton garment and home textile sales in The Warehouse were linked to our investments in BCI production technique, representing 30,000 individual product items.

Wood and paper products certified to Forest Stewardship Council (FSC), FSC Mix or Programme for the Endorsement of Forest Certification (PEFC) criteria accounted for $66 million in sales representing 5,500 products in FY23. These certifications ensure the forests at the origin of products within our stationery, art and craft, furniture and homeware ranges are managed sustainably and provide a verified supply chain.

Our memberships of initiatives like BCI and The Packaging Forum, along with certifications such as FSC, OEKO-TEX® 100, Rainforest Alliance, and the Global Recycling Standard, help extend our influence on the origin of raw materials and give our customers confidence that their purchases are making a positive difference.

With our apparel partners, we are looking at more sustainably-made fabrics. Key suppliers are already investing in reducing water and energy use and waste and investing in rooftop solar to reduce their carbon footprint. Polyester is a widely used material in garments and home décor but has a significant environmental impact. We are working with suppliers to increase the use of recycled polyester recovered from waste fabrics and plastic bottles, like our puffer jackets with outer fabric and inner filling made from recycled polyester, each equivalent to about 20 plastic bottles. In FY23, 6,800 products within our garment ranges were made with recycled polyester, accounting for $34 million in sales.

Packaging sustainability

Our customers want products with less plastic packaging and expect packaging to be easily recyclable through kerbside collection.

OUR 2040 SUSTAINABLE LIVING PLAN

	TARGETS	FY23 PROGRESS
Product and packaging sustainability leadership Increasing the number of more sustainable products and packaging and helping our suppliers reduce their GHG emissions	Increase the share of private label sales[1] from more sustainable products, or products with circularity solutions to 50% by 2025 and 100% by 2035	33% of private label sales were derived from products with one or more sustainable material or production features (FY22: 22%).
	Increase the share of private label sales[1] from products with more sustainable packaging to 50% by 2025 and 100% by 2035	43% of our private label sales were derived from products with packaging that is compostable or which can be recycled via New Zealand's kerbside recycling infrastructure or instore (FY22: 22%).
	To reduce the Group's Scope 3 emissions[2] generated by our suppliers by 30% by 2030, 50% by 2035, and by 80% by 2040	Engaged with our direct suppliers representing around 80% of private label orders to start measuring their Scope 1 and 2 emissions (our Scope 3) to set a baseline of Scope 3 emissions by 2025.
Sustainable living solutions Enabling sustainable living solutions that help our customers live a healthy, low-carbon lifestyle	Install electric vehicle (EV) charging stations at all possible stores by 2030	13 of the 28 The Warehouse stores which offer free EV charging have been upgraded to 25kW DC rapid chargers.
Circularity solutions for customers Providing circularity solutions that reduce the amount of post-consumer waste going to landfill	Enable 2.5 million customers to use our waste recycling or circular reuse solutions by 2030	• **Soft-plastic recycling:** 44 The Warehouse stores recycled 88.1 tonnes (up 38.7% from FY22). • **e-waste recycling:** 33 Noel Leeming and Warehouse Stationery stores recycled 91.5 tonnes (up 55.3% from FY22). • **Ink and toner recycling:** 131 Noel Leeming and Warehouse Stationery stores collected 10.3 tonnes (up 17.0% from FY22). • We diverted a total of 198.9 tonnes of post-consumer waste from landfill disposal in FY23.
Running a Sustainable Operation Increasing the sustainability performance of our operations and decreasing our operational carbon emissions (Scope 1 & 2) to zero by 2040	Reduce Scope 1 and 2 emissions, aligned to a 1.5-degree trajectory, by 42% by 2030 compared to our 2020 base year[3] and with the pathway to zero emissions by 2040.	• Scope 1 and 2 emissions decreased 43.3% compared to FY22 and decreased 40.4% compared to our 2020 base year. • The Group's light passenger fleet is now 100% EV (FY22: 98%). • 41% of our store sites now have 100% LED lighting (FY22: 32%).
	Reduce domestic and international freight emissions by 40% by 2030 and only use sustainable transportation fuel by 2040	• Sea freight emissions reduced by 1,224.7 tCO_2e (9.8%) compared to FY22 and 3,784.8 tCO_2e (25.2%) compared to FY20 (Scope 3); and • International airfreight emissions reduced by 333 tCO_2e (62.5%) compared to FY22 and 288 tCO_2e (59.1%) compared to FY20 (Scope 3).
	Become a zero-waste status organisation by 2025.	Diverted 72.9% of operational waste from landfill in FY23 (FY22: 73.4%).

[1] Target boundary includes private label products at The Warehouse and Warehouse Stationery.
[2] Target boundary includes private label products at The Warehouse and Warehouse Stationery, with planned expansion to other brands, against a baseline yet to be established.
[3] FY20 was set as our base year in accordance with our SLL agreement which aligns our Scope 1 and 2 emissions reduction targets to 1.5°C degree SBTi criteria.

Our suppliers continue to innovate to reduce plastic packaging and improve transport efficiency by optimising the spatial characteristics of packaging.

We are exploring an innovative solution to replace expanded polystyrene that provides shock protection for consumer electronics. To remove expanded polystyrene used for this purpose completely, we are piloting a solution using moulded cardboard and a form of mushroom-based packaging for one of our TVs.

We have replaced almost all the vinyl (PVC) satchels used across our bedding, sheeting and duvet ranges with reusable cloth bags or recyclable cardboard bands.

In FY23, 43% of our private label sales were derived from products with packaging that is compostable or which can be recycled via New Zealand's kerbside recycling infrastructure or instore, up from 22% in FY22.

Roadmap to measuring Scope 3 emissions

For retailers globally, it is estimated that Scope 3 emissions constitute up to 96% of their overall emissions.[3] These emissions are difficult to measure and influence as they are outside our direct control and span complex interconnected supplier networks and geographies.

In our Sustainable Living Plan, we have set an ambitious target to reduce Scope 3 emissions from private label products at The Warehouse and Warehouse Stationery by 50% by 2035 and 80% by 2040, against a baseline yet to be established. Most of our Scope 3 emissions are linked to the production of goods in our supply chains, the use of products by our customers, and their disposal at the end of the product's life.

As of today, we only report on our measured Scope 3 emissions generated from the moment we take ownership of the products we source. This includes our freight emissions, transportation and shipping from the port of ownership to our distribution centres, stores and customers, and the emissions generated from our operational waste. In FY23, our measured Scope 3 emissions reduced by 13.4% compared to FY22 and 13.5% compared to our 2020 base year.

We have continued to engage our suppliers to deepen our understanding of Scope 3 emissions and opportunities to improve our data. We have begun to expand our private-label supplier ethical assessment process to capture their Scope 1 and 2 emissions data (our Scope 3) and their reduction targets and initiatives. Refer to Our Relationships section on page 40 of this report for further details.

In the coming year, we plan to revisit the baseline calculation of our overall Scope 3 footprint across our entire value chain. The methodologies and emission factors used to generate these estimates are continuously evolving. We will re-examine our earlier work to ensure we have the most accurate understanding and deploy our emissions reduction efforts where they are most impactful. Our existing Scope 3 targets may also be updated as a result of this work.

We are working with our shipping partners to reduce the emissions generated by the shipping of our products. For example, we worked with our sea freight partners to purchase a fossil-based LNG and biomethane mix, with a guarantee of origin shipping fuel. This fuel can reduce the emissions generated by the transport of sea shipping containers by 25% of well-to-wake emissions[4].

The fuel purchase is attributed to our shipments CO_2e reduction through declarations that are in accordance with methodologies from the Clean Cargo Working Group and ISO standards 14020/14021/14067.

This fuel purchase resulted in 134.1 tonnes tCO_2e reduction in emissions. We plan to expand the use of low-emission fuels as their cost curve improves.

Sustainable living solutions

We are establishing a new customer value proposition around sustainable living solutions. This area is in its infancy, with initiatives currently being developed, and we hope to provide solutions to reduce our customers' energy and water usage and increase customer benefits to help them live more sustainably.

Our Target:

- **To install electric vehicle (EV) charging stations at all possible stores by 2030**

Today, 28 The Warehouse stores offer free EV charging, with 13 offering 25kW DC rapid chargers.

Our sourcing and buying teams already focus on sourcing and selling sustainable living products for our customers, including considering water and energy efficiency. An example is working with our suppliers to supply more water – or energy-efficient, four- and five-star-rated appliances in Noel Leeming and The Warehouse.

While customer solutions are unfolding organically, we need to build a structure around this building block and build the data capability and reporting of the targets associated with these initiatives.

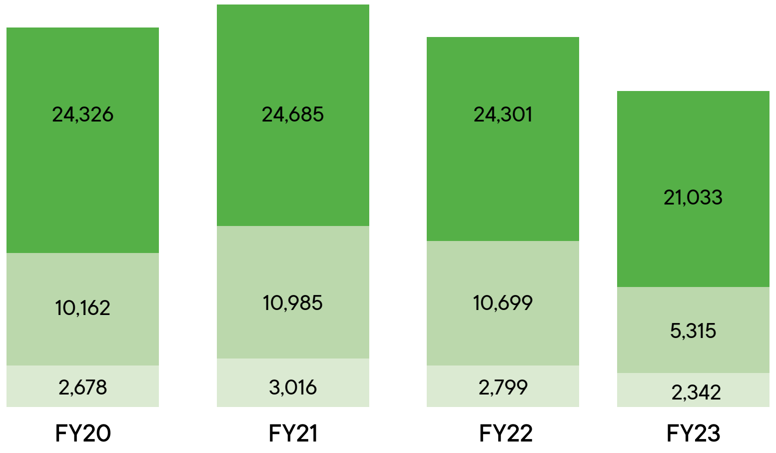
[4] Well-to-wake emissions include all marine fuel upstream and downstream emissions, including fuel production, delivery and use on board ships.

THE WAREHOUSE GROUP'S EMISSIONS REDUCTION PROGRESS

- Scope 1 emissions (tonnes CO_2e)
- Scope 2 emissions (tonnes CO_2e)
- Measured Scope 3 emissions (tonnes CO_2e)

Emissions factors are sourced from the Ministry for the Environment 2023 Measuring Emissions Guide.

The Warehouse Group has restated its Scope 2 emissions in FY20 (base year), FY21 and FY22, to account for the August 2022 MfE revised emission factors for electricity, which was a change in methodology. A base year restatement is required in accordance to our ISO 14064 and Toitū CarbonReduce certification when an emission factor change in methodology occurs.



Circularity solutions for customers

In addition to reducing and improving our packaging, we continue to offer and expand circular solutions for our customers to help them minimise waste to landfill.

Our Target:

- **To provide waste recycling and circular solutions in all our stores, where possible, enabling up to 2.5 million customers to reduce their own waste by 2030, particularly from the products we sell**

In FY23, we trialled My Recycling Hub at The Warehouse in Royal Oak. This pilot programme helped us understand how we can deliver integrated post-consumer solutions that encourage recycling hard-to-recycle items like apparel, toys, oral care products and coffee capsules. We collected significant consumer insights and data to inform our future circularity programmes. This initiative highlighted the need for increased collaboration with government agencies, local councils, and industry partners to fulfil high customer demand and make wider post-consumer recycling capabilities successful.

We have continued to expand cost-effective recycling and circular solutions offered in our stores, including soft plastics, e-waste, and ink and toner recycling.

In FY23, we expanded our e-waste recycling service to a further 12 Noel Leeming stores. Our Soft Plastic Recycling Scheme is now available in 44 The Warehouse stores, with six stores launching this year, and we are now offering an ink and toner recycling service at all Noel Leeming and Warehouse Stationery stores.

More customers are using our recycling services, with the average collection volume per store increasing by 15% from 1.7 tonnes to 2.0 tonnes. We are pleased to continue the TerraCycle NZ recycling programme with three The Warehouse stores collecting hard-to-recycle products and packaging like toothpaste tubes and coffee capsules.

Through these post-consumer recycling initiatives, we diverted 198.9 tonnes of post-consumer waste from landfill disposal in FY23.

In July 2020, the Government announced six 'priority products' to establish regulated product stewardship schemes under the Waste Minimisation Act 2008 (WMA). To ensure these schemes are convenient, practical and feasible for New Zealand, we are participating in the Plastic Packaging and Expanded Polystyrene Product Stewardship Schemes design process. Our engagement involves participating in steering committees, technical working groups and government consultations, and we are co-designing product packaging regulation, improving process capability, and incentivising waste minimisation practice.

13.4%
SCOPE 3 EMISSIONS
compared to FY22 and reduced by 13.5% compared to our 2020 base year

43%
up from 22% in FY22
PRIVATE-LABEL SALES
derived from products with packaging that is compostable or which can be recycled via New Zealand's kerbside recycling infrastructure or instore

33%
PRIVATE-LABEL SALES FROM PRODUCTS WITH SUSTAINABLE ATTRIBUTES

Running a sustainable operation

Reducing our direct carbon emissions (Scope 1 and 2) is one of the most important parts of our sustainability plan. Our ambition is to reach zero emissions in our operations by 2040 – without using carbon offsets.

Our Targets

- **Reduce Scope 1 and 2 emissions aligned to a 1.5-degree trajectory, reducing 42% by 2030 compared to our 2020 base year and with a pathway to zero emissions by 2040;**
- **Reduce domestic and international freight emissions by 40% by 2030 and only use sustainable transportation fuel by 2040; and**
- **Become a zero-waste status organisation by 2025.**

On the path to sourcing our electricity from 100% renewable sources

In September 2023, we have a new Solar Power Purchase Agreement with Lodestone Energy, a new developer and operator of solar electricity farms. Over 260 The Warehouse Group sites, including The Warehouse, Warehouse Stationery, Noel Leeming and Torpedo7 stores, will be 100% powered by solar energy as early as 2026. We'll gradually transition our Aotearoa New Zealand sites to Lodestone Energy solar farms, and by the end of December 2026, we anticipate we'll have eliminated close to 100 per cent of all our New Zealand electricity emissions.

Our partnership with Lodestone will support the development of additional renewable generation, supporting New Zealand's goal to achieve 100% renewable electricity generation by 2030. Lodestone's electricity provided to The Warehouse Group will be certified 100% renewable through the New Zealand Energy Certificate System maintained by Certified Energy. The use of renewable certificates will ensure that the Group's use of renewable electricity is reflected in the New Zealand Electricity Grid Carbon Intensity.

Overview of our carbon emissions

Total measured emissions (Scope 1, 2 and measured Scope 3) for FY23 was 28,690 tCO_2e, compared to 37,799 tCO_2e in FY22, a reduction of 24.1% from FY22, and a reduction of 22.8% compared to our 2020 base year.

We have reduced our electricity consumption by 2.5% compared to FY22 and 6.0% compared to FY20. Scope 1 and 2 emissions decreased 43.3% compared to FY22 and deceased 40.4% compared to our FY20 base year.

Our significant reduction in emissions is primarily due to two reasons. In August 2022, the Ministry for the Environment (MfE) revised its methodology for calculating Scope 2 emissions, which required the Group to backdate and restate our FY20 base year and subsequent years. Secondly, the 2023 MfE emission factors were significantly lower than historical years due to lower use of fossil fuels and an increase in renewable energy generation on the national grid.

Our measured Scope 3 emissions[5] decreased 13.4% compared to FY22 and decreased 13.5% compared to our 2020 base year. This was primarily due to the Group shipping significantly less product in FY23, especially in the final quarter as we normalised our inventory.

Initiatives that have had a specific impact on the reduction of our emissions include:

- The Group's light passenger fleet is now 100% EV, resulting in the Group's total fleet emissions, including our light commercial utes, vans and trucks, decreasing by 27.3 tCO_2e compared to FY22 and 36.8 tCO_2e compared to FY20 (Scope 1 & 3);
- 41% of our store sites now have 100% LED lighting (up from 32% in FY22) (Scope 2);
- Sea freight emissions reduced by 1,224.7 tCO_2e (9.8%) compared to FY22 and 3,784.8 tCO_2e (25.2%) compared to FY20 (Scope 3); and
- International airfreight emissions reduced by 333 tCO_2e (62.5%) compared to FY22 and 288 tCO_2e (59.1%) compared to FY20 (Scope 3).

Total emissions (Scope 1, 2, and measured Scope 3) intensity ratio decreased from 11.5 total gross GHG emissions per revenue (tCO_2e/$million) in FY22 to 8.4 in FY23, down 26.7%.

Our base year is FY20 in accordance with our SLL agreement, which aligns our Scope 1 and 2 emissions reduction targets to 1.5°C SBTi criteria.

Emissions reporting

For our FY23 emissions, we have updated our Toitū Envirocare (Toitū) certification with the Toitū CarbonReduce certification. This move follows our announcement of a new solar electricity procurement agreement with Lodestone Energy, allowing the Group to reduce our Scope 2 emissions to zero by FY27. From FY24, we will shift our focus and investments towards accelerating our Scope 3 emission reductions. Working with our suppliers, we believe we will make a significant difference in lowering our products' impact, emissions and waste.

We are proud of what we have achieved since February 2019, when we became the first retailer in New Zealand to achieve Toitū Net CarboNZero certification. Since then, The Warehouse Group has:

- Invested $1.65 million offsetting 189,812 tonnes of carbon emissions through our carbon offset partners; and
- Built the capacity needed to address our Scope 3 emissions, the most material and challenging area of emissions impact for mass retailers.

SOFT-PLASTIC RECYCLING

44 The Warehouse stores recycled 88.1 tonnes of soft-plastic waste (up 38.7% from FY22), equivalent to 14.0 million pieces of soft-plastic waste

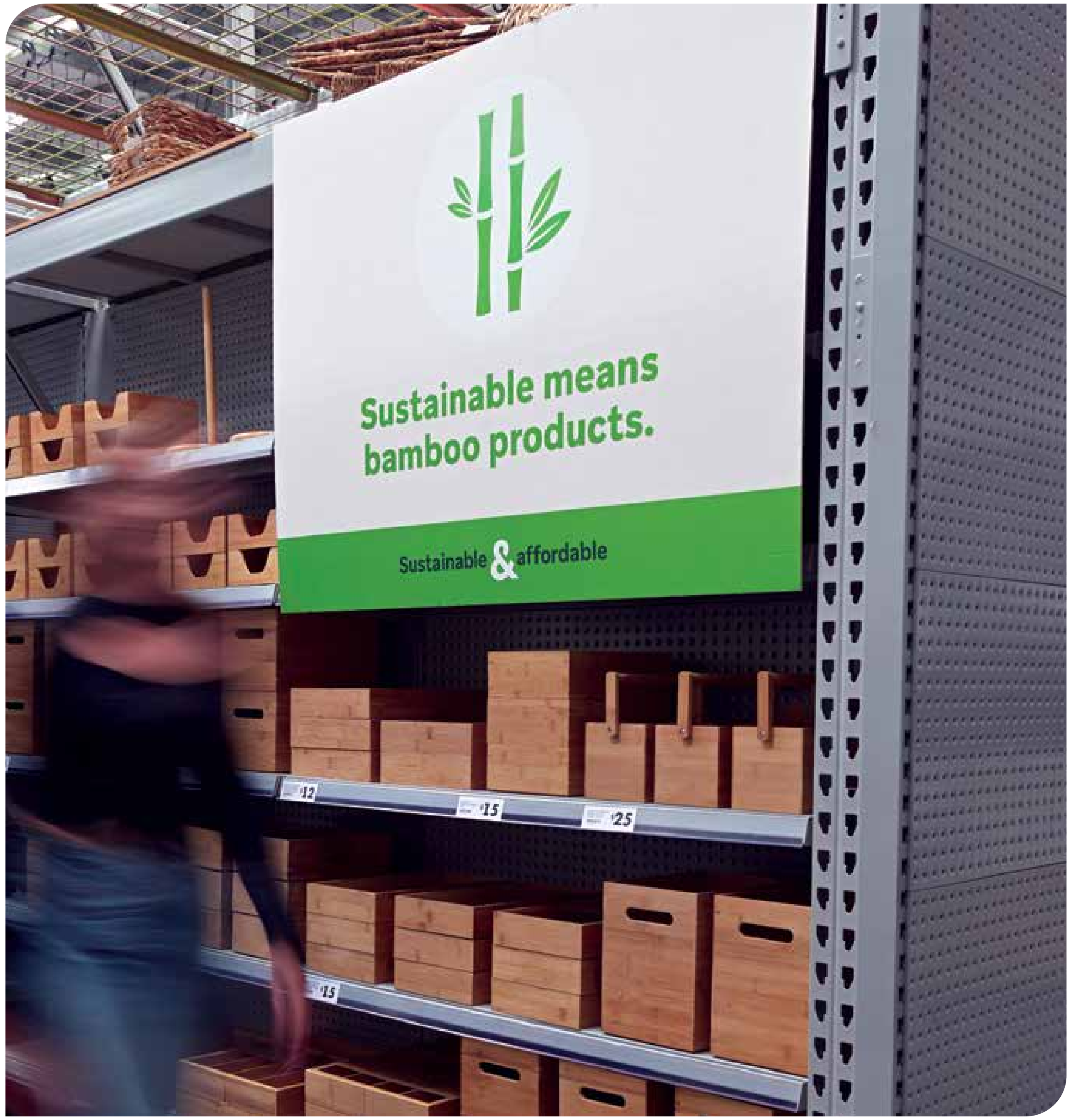
E-WASTE RECYCLING

33 Noel Leeming and Warehouse Stationery stores recycled 91.5 tonnes of e-waste (up 55.3% from FY22)

INK AND TONER RECYCLING

All ink and toner brands

131 Noel Leeming and Warehouse Stationery stores collected 10.3 tonnes, (up 17.0% from FY22) equivalent to 36,478 units in FY23



ENERGY CONSUMPTION WITHIN THE ORGANISATION[6]

	FY23 consumption (litres/kWh)	FY23 consumption (GJ)	GJ increase/ (decrease) vs FY22
Diesel	509,057	19,451,067	-3.9%
LPG	170,594	4,527,565	-3.7%
Petrol – Premium	13,919	492,461	-36.4%
Petrol – Regular	50,676	1,782,264	23.8%
Scope 1 Fuel Consumption	**744,246**	**26,253,356**	**-3.3%**
Electricity Consumption	86,865,821	312,714	-2.5%
Scope 2 Electricity Consumption	**86,865,821**	**312,714**	**-2.5%**
Total Scope 1 and 2 Energy Consumption	**87,610,067**	**26,566,071**	**-3.3%**

FY23 Energy intensity ratio[7]

7,815.62 GJ / $m of revenue down from 8,245.62 GJ / $m in FY22

FY23 Reduction of energy consumption

915,747 GJ reduction (-3.3% compared to FY22)

[5] Measured Scope 3 emissions covers product transportation, business travel and waste services.

[6] Includes diesel, LPG, petrol and electricity energy consumption used within the organisation.

[7] Energy intensity ratio includes energy consumption within the organisation only; it excludes any Scope 3 energy consumption.

Toitū Envirocare Kaiwhakahaere matua CEO Teressa Betty says The Warehouse Group is helping to set an example for other New Zealand companies by shifting from a Toitū net carbonzero certified organisation, to a Toitū CarbonReduce certified organisation for FY23.

"The Warehouse Group has been striving to be a sustainable business over the years and has now reached the point in its carbon reduction journey where it is shifting all its offset spending to pure reduction initiatives as these will have the most impact. It's great to see the company is also planning to accelerate its Scope 3 emission reductions, which is a big challenge."

Our annual carbon emissions reporting continues to follow the strictest audit standards (Toitū CarbonReduce certification) of our reporting partner, Toitū. Our reduction targets align with the New Zealand Climate Leaders Coalition commitments, which reflect the Paris Agreement guidelines. The Warehouse Group is certified in accordance with ISO 14064-1:2018 and ISO 14064-3:2019.

The Group reports to the Carbon Disclosure Project (CDP). This not-for-profit runs the global disclosure system for investors, companies, cities, states and regions to help them manage their environmental impacts. CDP rates companies on themes such as transparency, risk management, and initiatives they have in place to reduce carbon emissions. These scores give organisations an overall rating from A (best) to D (worst). The rating highlights how well the organisation performs to best practices concerning climate change.

For our 2022 assessment, our Group scored a B, putting us in the 'Management' category for performance on climate change. 'Management' means the Group is taking co-ordinated action on climate issues. The Group's score is higher than the Oceania regional average of C, as well as the Global Retail Average and overall Global Average of C.

We have taken steps this year to improve our score, and we hope to improve our score to our 2020 score of A- in the coming years.

For an in-depth review of performance against energy and greenhouse gas emissions, please refer to The Warehouse Group Emissions Inventory Report https://www.thewarehousegroup.co.nz/sustainability/emissions-inventory-report.

Become a zero-waste organisation by 2025

To become a zero-waste organisation by 2025 will require us to reduce unnecessary, non-recyclable shipping and freight packaging, and, where residual waste does occur, ensure it is diverted from landfill.

The majority of our internal waste is generated from shipping and freight packaging which is removed and disposed of at our distribution centres, and general use waste in our stores and Store Support Office (SSO). All operational waste is generated onsite. Our waste data is consolidated from individual reports, provided by our waste and recycling service providers.

Waste diversion from disposal was slightly lower in FY23 than the prior year (72.9%, compared to 73.4%) due to store refurbishment and SSO construction, where a large proportion of the construction waste could not be recycled.

When waste is sent to landfill, we use landfills with Landfill Gas Recovery Facilities (LGRF) that capture greenhouse gas generated from the breakdown of organic matter to reduce the negative climate impacts of landfill gas. In FY23, 93.6% (FY22: 89.5%) of landfill waste was sent to landfills with LGRF.

Our national waste and recycling service providers supply comprehensive waste-minimising solutions in our stores, including commingled paper and cardboard recycling. At our SSO, we provide various recycling services to our team members, including food waste services, which diverted 15 tonnes of compostable organic waste in FY23 (FY22: 13 tonnes).

The Warehouse Group disposed of 1.86 tonnes of hazardous waste in FY23 (FY22: 0.09 tonnes). All hazardous waste is professionally collected, transported, treated and disposed of by our licensed waste service provider.

Future focus areas

In FY24 and beyond, we will continue our progress to make sustainable living easy and affordable for everyone. This includes:

1. Maintaining our progress to embed sustainability in our business operations, finance, process, learning and development, data systems and governance. We will continue to review opportunities and mechanisms to make our carbon emissions and waste impact tangible for our teams, customers and broader stakeholders.
2. Extending the Retail Sector Climate Risk disclosure we led in FY23 and deliver the next chapter of The Warehouse Group's specific Climate-related risk disclosure and transition plan following the new XRB Aotearoa New Zealand Climate Standards.
3. Accelerate our work to address our Scope 3 suppliers' emissions, which will deliver more sustainably sourced and packaged products for our customers.
4. Continue to make recycling easy for our customers by making our stores the go-to destination for free and convenient post-consumer waste solutions, and expand our current e-waste solution availability in FY24.
5. Participate in consultations and provide advice on policies and actions that help our sector and country move towards a more sustainable future.

Operational Waste	Waste generated (tonne)	Waste diverted from landfill (tonne)	Waste directed to landfill (tonne)
General waste	3,829	-	3,829
Paper, cardboard and plastic wrap	9,177	9,177	-
Mixed recycling and other	1,099	1,099	-
Hazardous waste	2	-	2
Total operational waste	**14,107**	**10,276**	**3,831**
FY23 operational waste diverted and directed to landfill		**72.9%**	**27.1%**

100% EV
THE GROUP'S LIGHT PASSENGER FLEET

72.9%
in FY23
DIVERTED OPERATIONAL WASTE
from landfill
(FY22: 73.4%)

Diverted
198.9 tonnes
OF POST-CONSUMER WASTE
from landfill disposal
in FY23

GRI REPORT

GLOBAL REPORTING INITIATIVES (GRI)

The Warehouse Group has reported in accordance with the GRI Standards for the period 1 August 2022 to 30 July 2023. We have applied the 2021 GRI reporting principles, including Accuracy, Balance, Clarity, Comparability, Completeness, Sustainability Context, Timeliness and Verifiability when determining what material topics and disclosures to include in this report.

Determining material topics
In 2021 we undertook an in-depth internal and external stakeholder mapping exercise, assessment and interview process. This included groups which our organisation has a significant impact on, and those stakeholders who have a high interest in or considerable influence on the success of our business. These include:

- Retail customers;
- Business customers;
- Employees;
- Suppliers;
- Community partners;
- Shareholders.

This process has informed and developed our list of material topics in accordance with the requirements under 2021 GRI Standard 3: Material Topics – determining the impacts of these issues on the business and how the Group manages these issues.

In 2023 we performed a high-level internal review of the material topics previously identified to confirm these are still valid and with a focus on the actual and potential, positive and negative impacts these topics have on the environment, the economy and our people.

This review concluded there have been no significant changes in the material topics this year. However, we have consolidated our focus on the most material topics which have the highest importance to stakeholders, the highest value at stake and therefore the highest impact on the environment, economy and our people. This has not changed our reporting as we already reported on the GRI Standards applicable to these material topics in prior years.

Our 2023 material topics are:

1. Sustainable products and packaging
2. Supply chain management
3. GHG emissions
4. Waste reduction
5. Responsible and ethical sourcing
6. Employee health, safety and wellbeing
7. Employee engagement, diversity and inclusion
8. Business ethics and human rights.

The Group's material topics has been approved by the Environmental and Social Sustainability Committee.

We intend to perform a complete materiality assessment in FY24 as a combined review of reporting under GRI and the XRB Aotearoa New Zealand Climate Standards.

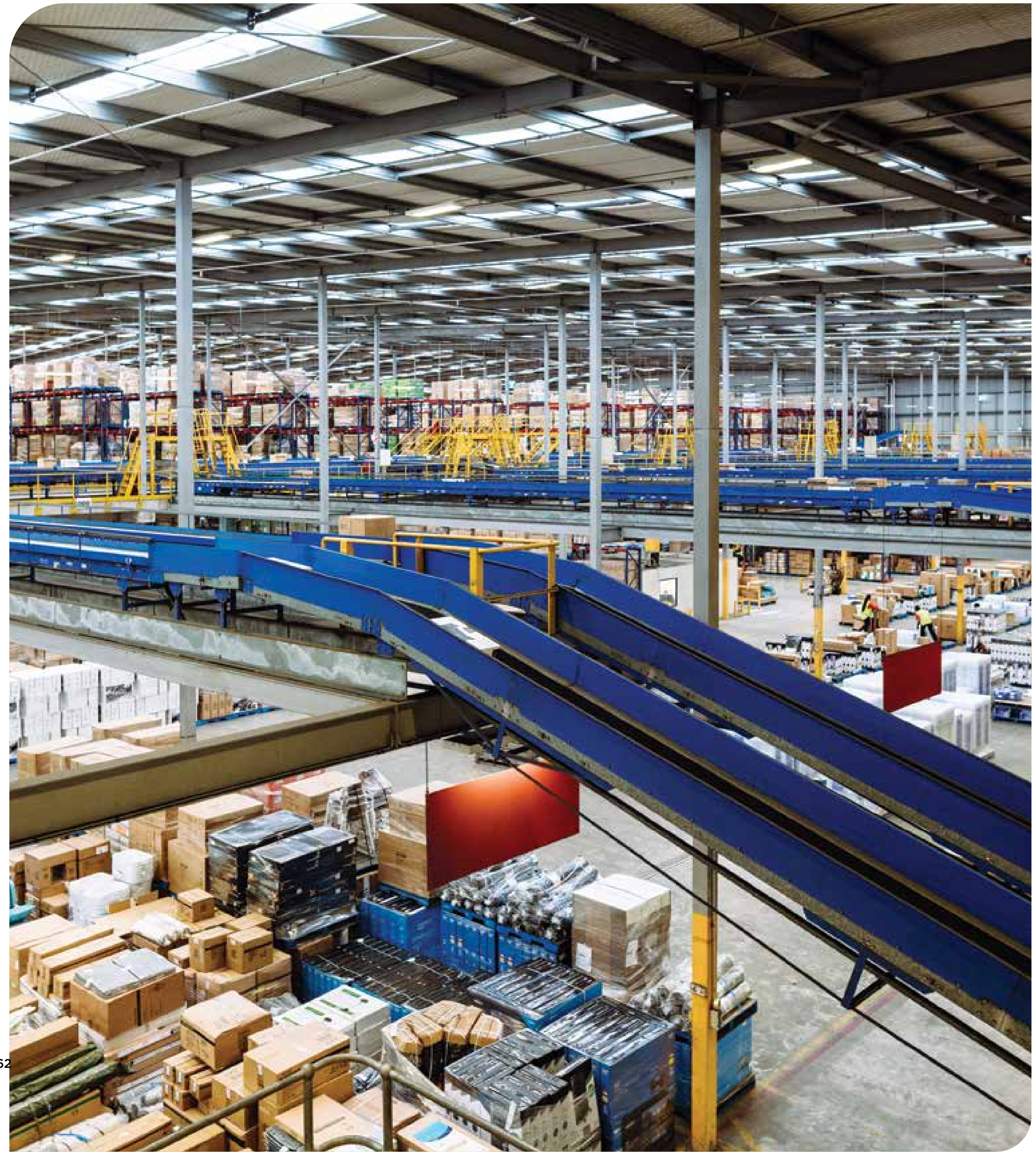
The Warehouse Group is active in the New Zealand retail sector. A GRI sector-specific standard is not yet available for the retail sector. Refer to pages 110–113 for the GRI Content Index.

MATERIAL TOPICS – ASSESSMENT AND REPORTING

Material Topic	Impact / Commitment	How we measure performance	GRI Reporting Standard	Integrated Report Capital
1. Sustainable products and packaging	To increase the share of private label sales from products and packaging which are more sustainable, or which have a circularity solution, to 50% by 2025 and 100% by 2035.	• Percentage of private label sales in The Warehouse and Warehouse Stationery were derived from products with one or more sustainable material or production features; • Percentage of private label sales were derived from products with packaging which can be recycled via New Zealand's kerbside recycling infrastructure, or circularity solutions.	N/A	Our Environment
	Enable 2.5 million customers to use our waste recycling or circular reuse solutions by 2030.	• Number of tonnes of post-consumer waste recycled.	N/A	Our Environment
2. Supply chain management	To build a reliable and sustainable supply chain network.	• Assessment scores of ethical, labour and environmental audits; • Number of new and existing suppliers screened using environmental audits.	GRI 414–1 GRI 414–2	Our Networks Our Relationships
	Ensure products get from our suppliers, through our distribution networks, into store and available for our customers.	• Amount of goods in transit and stock availability; • Distribution cost to serve; • Fulfilment cost to serve.	N/A	Our Networks
3. GHG emissions	Reduce Scope 1 and 2 emissions by 42% by 2030, and zero emissions by 2040.	• Scope 1 and 2 reduction in emissions year on year and compared to 2020 base year.	GRI 305–1 GRI 305–2 GRI 305–3 GRI 305–4 GRI 305–5	Our Environment
4. Waste reduction	Become a zero-waste status organisation by 2025.	• Percentage of waste diverted from landfill year on year.	GRI 306–1 GRI 306–2 GRI 306–3 GRI 306–4 GRI 306–5	Our Environment
5. Responsible and ethical sourcing	To build a reliable and sustainable supply chain network.	• Percentage of private label sales derived from products with one or more sustainability features; • Number of new and existing suppliers screened using environmental audits; • Supplier audit and results.	GRI 407–1 GRI 408–1 GRI 409–1 GRI 414–1 GRI 414–2	Our Relationships Our Environment Ethical Sourcing Policy Ethical Sourcing Report
	Work with suppliers, associations and initiatives for sustainable sourcing and materials e.g. BCI, FSC.	Membership of sustainable material initiatives.	GRI 2.28	Our Environment Corporate Disclosures Statutory Disclosures
6. Employee health, safety and wellbeing	Build a strong and effective high-performance and agile culture that gets everyone home healthy and safe at the end of their day.	Critical Risk Management and Safety Assurance Reviews, including: • Number of violent and aggressive behaviour incidents; • Number of traffic management critical events; • Total Severity 1 Frequency Rate (SV1FR); • Total Recordable Injury Frequency Rate (TRIFR).	GRI 403–9	Our People
7. Employee engagements, diversity and inclusion	Be the best place to work by creating an environment of belonging and connection.	• eNPS; • Promotion of worker health.	N/A GRI 403–6	Our People
	Provide learning pathways and career development.	• Average training hours per year per employee; • Programmes for upgrading employee skills and transition assistance programmes.	GRI 404–1 GRI 404–2	Our People
	Celebrating diversity and providing equal opportunities for everyone.	• Percentage of senior leaders who are female; • Gender pay equity; • Rainbow Tick accreditation; • Diversity, inclusion and wellbeing initiatives and objectives.	GRI 405–1 GRI 405–2	Our People Diversity & Inclusion Report
8. Business ethics and human rights	The Company is committed to fostering the highest standards of ethical behaviour and good conduct.	• Adherence to NZX Corporate Governance Code, Principle 1; • Compliance with Code of Ethics, Financial Products Trading Policy, and Market Disclosure Policy; • Supplier and factory labour and environmental audits.	GRI 2.23 – 2.27 GRI 205–2 GRI 205–3 GRI 206–1 GRI 407–1 GRI 408–1 GRI 409–1	Corporate Governance

2023 THE WAREHOUSE GROUP

FINANCIAL STATEMENTS



Financial Statements

For the 52 week period ended 30 July 2023

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

These financial statements have been approved for issue by the Board of Directors on 27 September 2023.

Joan Withers
Board Chair
27 September 2023

Dean Hamilton
Audit and Risk Committee Chair
27 September 2023

CONTENTS

The Warehouse Group Limited is a limited liability company incorporated and domiciled in New Zealand.
The address of its registered office is Level 4, 4 Graham Street, PO Box 2219, Auckland.

Consolidated Income Statement

For the 52 week period ended 30 July 2023

	Note	2023	2022
		$000	$000
Retail sales	2.1	3,399,112	3,294,332
Cost of retail goods sold	8.1	(2,262,388)	(2,129,950)
Gross profit		1,136,724	1,164,382
Other income	3.1	8,585	7,683
Employee expense	3.2	(574,352)	(575,361)
Depreciation and amortisation expense	3.3	(162,696)	(146,122)
Other operating expenses	3.4	(306,211)	(291,812)
Operating profit	2.1	102,050	158,770
Unusual items	5.0	(13,935)	-
Earnings before interest and tax		88,115	158,770
Net interest expense	3.6	(44,521)	(36,831)
Profit before tax		43,594	121,939
Income tax expense	4.1	(13,657)	(34,851)
Net profit for the period		29,937	87,088
Attributable to:			
Shareholders of the parent		29,810	89,311
Minority interests	11.5	127	(2,223)
		29,937	87,088
Earnings per share attributable to shareholders of the parent			
Basic earnings per share	6.0	8.6 cents	25.9 cents
Diluted earnings per share	6.0	8.6 cents	25.9 cents

Consolidated Statement of Comprehensive Income

For the 52 week period ended 30 July 2023

	Note	2023	2022
		$000	$000
Net profit for the period		29,937	87,088
Items that may be reclassified subsequently to the income statement			
Movement in foreign currency translation reserve		(206)	294
Movement in derivative cash flow hedges		(18,510)	8,873
Tax relating to movement in hedge reserve		5,183	(2,484)
Other comprehensive income		(13,533)	6,683
Total comprehensive income		16,404	93,771
Attributable to:			
Shareholders of the parent		16,277	95,994
Minority interest	11.5	127	(2,223)
Total comprehensive income		16,404	93,771

Consolidated Balance Sheet

As at 30 July 2023

	Note	2023	2022
		$000	$000
ASSETS			
Current assets			
Cash and cash equivalents	11.2	28,330	24,999
Trade and other receivables	8.2	76,274	87,853
Inventories	8.1	493,308	562,313
Derivative financial instruments	12.2	5,208	29,491
Current taxation	4.2	5,038	1,505
Total current assets		608,158	706,161
Non current assets			
Trade and other receivables	8.2	20,747	11,664
Property, plant and equipment	9.1	222,289	224,355
Intangible assets	9.2	168,239	151,825
Right of use assets	10.1	661,025	673,278
Investment in associate		-	3,839
Deferred taxation	4.3	88,476	89,227
Total non current assets		1,160,776	1,154,188
Total assets		1,768,934	1,860,349
LIABILITIES			
Current liabilities			
Borrowings	11.2	76,400	66,150
Trade and other payables	8.3	407,339	480,596
Derivative financial instruments	12.2	7,320	668
Lease liabilities	10.3	98,996	95,849
Provisions	8.4	49,292	49,831
Total current liabilities		639,347	693,094
Non current liabilities			
Lease liabilities	10.3	704,162	724,991
Provisions	8.4	22,405	21,165
Total non current liabilities		726,567	746,156
Total liabilities		1,365,914	1,439,250
Net assets		403,020	421,099
EQUITY			
Contributed equity	11.3	360,235	360,235
Reserves	11.4	10	12,739
Retained earnings		41,825	48,940
Total equity attributable to shareholders		402,070	421,914
Minority interest	11.5	950	(815)
Total equity		403,020	421,099

Consolidated Statement of Cash Flows

For the 52 week period ended 30 July 2023

	Note	2023	2022
		$000	$000
Cash flows from operating activities			
Cash received from customers		3,409,163	3,304,417
Payments to suppliers and employees		(3,139,848)	(3,119,707)
Income tax paid	4.2	(11,033)	(42,514)
Interest paid		(44,099)	(36,773)
Net cash flows from operating activities		214,183	105,423
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		30,667	456
Purchase of property, plant and equipment and computer software		(115,088)	(107,469)
Purchase of associate		-	(4,500)
Purchase of minority interest	11.5	(691)	(1,716)
Net cash flows from investing activities		(85,112)	(113,229)
Cash flows from financing activities			
Proceeds from borrowings		10,250	66,150
Lease principal repayments		(101,171)	(98,264)
Treasury stock dividends received		138	381
Dividends paid to parent shareholders		(34,907)	(95,863)
Dividends paid to minority shareholders		(50)	(125)
Net cash flows from financing activities		(125,740)	(127,721)
Net cash inflow/(outflow)		3,331	(135,527)
Opening cash position		24,999	160,526
Closing cash position	11.2	28,330	24,999

Reconciliation of Operating Cash Flows

For the 52 week period ended 30 July 2023

	Note	2023	2022
		$000	$000
Net profit		29,937	87,088
Non cash items			
Depreciation and amortisation expense	3.3	162,696	146,122
Right of use asset impairment	10.1	226	-
Share based payment expense	3.2	804	-
COVID-19 landlord rent relief	10.2	-	(1,775)
Movement in deferred tax	4.3	5,934	4,239
Total non cash items		169,660	148,586
Items classified as investing or financing activities			
Loss on disposal of property, plant and equipment		2,634	1,128
Loss from investment in associate		3,839	661
Gain on lease terminations	2.2	(977)	(2,681)
Supplementary dividend tax credit	4.2	223	481
Total investing and financing adjustments		5,719	(411)
Changes in assets and liabilities			
Trade and other receivables		2,496	(15,564)
Inventories		69,005	(105,162)
Trade and other payables		(59,802)	30,159
Provisions		701	(26,890)
Income tax		(3,533)	(12,383)
Total changes in assets and liabilities		8,867	(129,840)
Net cash flows from operating activities		214,183	105,423

Consolidated Statement of Changes in Equity

For the 52 week period ended 30 July 2023

	Note	Share Capital	Treasury Shares	Hedge Reserves	Foreign Currency Translation Reserve	Employee Share Benefits Reserve	Retained Earnings	Minority Interest	Total Equity
		$000	$000	$000	$000	$000	$000	$000	$000
For the 52 week period ended 30 July 2023									
Balance at the beginning of the period		365,517	(5,282)	12,560	179	-	48,940	(815)	421,099
Profit for the period		-	-	-	-	-	29,810	127	29,937
Movement in foreign currency translation reserve		-	-	-	(206)	-	-	-	(206)
Movement in derivative cash flow hedges		-	-	(18,510)	-	-	-	-	(18,510)
Tax relating to movement in hedge reserve	4.3	-	-	5,183	-	-	-	-	5,183
Total comprehensive (loss)/income		-	-	(13,327)	(206)	-	29,810	127	16,404
Contributions by and distributions to owners									
Share rights charged to the income statement		-	-	-	-	804	-	-	804
Minority put options exercised		-	-	-	-	-	(2,379)	1,688	(691)
Dividends paid	7.1	-	-	-	-	-	(34,684)	(50)	(34,734)
Treasury stock dividends received		-	-	-	-	-	138	-	138
Balance at the end of the period		365,517	(5,282)	(767)	(27)	804	41,825	950	403,020
		(note: 11.3)	(note: 11.3)	(note: 11.4)	(note: 11.4)	(note: 11.4)		(note: 11.5)	
For the 52 week period ended 31 July 2022									
Balance at the beginning of the period		365,517	(5,282)	6,171	(115)	-	60,573	(2,694)	424,170
Profit/(loss) for the period		-	-	-	-	-	89,311	(2,223)	87,088
Movement in foreign currency translation reserve		-	-	-	294	-	-	-	294
Movement in derivative cash flow hedges		-	-	8,873	-	-	-	-	8,873
Tax relating to movement in hedge reserve	4.3	-	-	(2,484)	-	-	-	-	(2,484)
Total comprehensive income/(loss)		-	-	6,389	294	-	89,311	(2,223)	93,771
Contributions by and distributions to owners									
Minority put options exercised		-	-	-	-	-	(5,943)	4,227	(1,716)
Dividends paid	7.1	-	-	-	-	-	(95,382)	(125)	(95,507)
Treasury stock dividends received		-	-	-	-	-	381	-	381
Balance at the end of the period		365,517	(5,282)	12,560	179	-	48,940	(815)	421,099
		(note: 11.3)	(note: 11.3)	(note: 11.4)	(note: 11.4)	(note: 11.4)		(note: 11.5)	

Notes to the Financial Statements - Basis of Preparation

For the 52 week period ended 30 July 2023

1.0 BASIS OF PREPARATION

1.1 Reporting entity

The Warehouse Group Limited (the Company) and its subsidiaries (together the Group) trade in the New Zealand retail sector. The Company is a limited liability company incorporated and domiciled in New Zealand. The Group is registered under the Companies Act 1993 and is an FMC Reporting Entity under Part 7 of the Financial Markets Conduct Act (FMCA) 2013. The address of its registered office is Level 4, 4 Graham Street, PO Box 2219, Auckland. The Company is listed on the New Zealand Exchange (NZX).

1.2 Compliance statement

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

1.3 Basis of preparation

The measurement basis adopted in the preparation of these financial statements is historic cost, as modified by the revaluation of certain assets and liabilities at fair value. The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand, unless otherwise stated. Certain comparative amounts have been reclassified to conform with the current year's presentation.

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

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Material subsidiaries at year end are listed below.

			Percentage Ownership	
Name of Entity	Principal Activity	Note	2023	2022
The Warehouse Limited	Retail		100	100
Torpedo7 Limited	Retail		100	100
TheMarket.Com Limited	Online marketplace	11.5	100	97
Eldamos Investments Limited	Property		100	100
The Warehouse Nominees Limited	Investment		100	100

Group structure

At the commencement of the financial year the Group legally amalgamated Noel Leeming Group Limited with The Warehouse Limited. This amalgamation was designed to simplify processes by merging the support office functions and combining the balance sheet management of both operations. The amalgamation did not result in any significant changes to the store operations or branding. In August 2022 the Group also acquired the remaining 3% minority interest in TheMarket.com for a consideration of $0.7 million.

1.4 Changes in accounting policies, interpretations and agenda decisions

In December 2022 the External Reporting Board published it's Climate-related Disclosures standards. The Group has begun planning how it will prepare for the necessary climate-related disclosures and what information and external assistance it will require. The Group will be including climate-related disclosures based on the three new climate standards in the July 2024 Annual Report. The Group intends to specifically review and report on exposure to climate-related risk as required in the consolidated financial statements for the year ended July 2024.

In May 2023 the International Accounting Standards Board issued amendments to IAS 7 'Statement of Cash Flows' and IFRS 7 'Financial Instrument Disclosures', that do not affect recognition or measurement principles, but require the Group to provide specified disclosures regarding its supplier financing arrangements. The new disclosure requirements will be effective for the Group's annual July 2025 reporting period. There are no other new or amended standards or interpretations that become effective on or after balance date that would have a material impact on the Group's financial statements.

1.5 Reporting period

These financial statements are for the 52 week period 1 August 2022 to 30 July 2023. The comparative period is for the 52 week period 2 August 2021 to 31 July 2022. The Group operates on a weekly trading and reporting cycle which means most financial years represent a 52 week period. A 53 week catch-up year occurs once every 5 to 6 years and next occurs in the 2025 financial year.

1.6 Critical accounting judgements, estimates and assumptions

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

(a) Lease liabilities and right of use assets (notes 10.1 and 10.2)
(b) Inventories (note 8.1)
(c) Derivative financial instruments (note 12.2)
(d) Torpedo7 impairment considerations (note 2.3)

1.7 Non-GAAP financial information

The Group uses operating profit, earnings before tax and interest, unusual items and adjusted net profit to describe financial performance as it considers these line items provide a better measure of underlying business performance. These non GAAP measures are not prepared in accordance with NZ IFRS and may not be comparable to similarly titled amounts reported by other companies. The Group's policy regarding unusual items and adjusted net profit is detailed in note 5.0.

Notes to the Financial Statements - Financial Performance

For the 52 week period ended 30 July 2023

2.0 SEGMENT INFORMATION

2.1 Operating performance		Retail Sales		Operating Profit		Retail Operating Margin	
	Note	2023	2022	2023	2022	2023	2022
		$ 000	$ 000	$ 000	$ 000		
The Warehouse		1,892,351	1,726,936	71,596	75,742	3.8%	4.4%
Warehouse Stationery		248,629	249,749	23,004	23,058	9.3%	9.2%
TheMarket.com		33,652	49,954	(22,001)	(24,734)		
Warehouse segment		2,174,632	2,026,639	72,599	74,066	3.3%	3.7%
Noel Leeming		1,061,026	1,096,744	27,342	53,907	2.6%	4.9%
Torpedo7		162,200	171,474	(22,204)	(2,240)	-13.7%	-1.3%
Other Group operations		8,395	6,866	(16,549)	(8,961)		
Inter-segment eliminations		(7,141)	(7,391)	-	-		
Group		3,399,112	3,294,332	61,188	116,772	1.8%	3.5%
Adjustments for NZ IFRS 16	2.2			40,862	41,998		
Operating profit				102,050	158,770		
Unusual items	5.0			(13,935)	-		
Earnings before interest and tax				88,115	158,770		

Retail sales

Retail sales are recognised when the customer receives the goods which typically occurs at the point of sale for in-store sales or where the goods are purchased online when the goods have been delivered to the customer. Revenue from the sale of goods is recognised at the fair value of the consideration received or receivable, net of returns, discounts and excluding GST.

Operating segments

The Group has five retail brands trading in the New Zealand retail sector which include a specialty online marketplace (TheMarket.com). These brands form the basis of internal reporting used by senior management and the Board of Directors to assess performance and assist with strategy decisions. Brand trading performance is assessed using operating profit, which is a non-GAAP measure that excludes the impacts of NZ IFRS 16 Leases, and is considered a better measure of underlying brand performance. Brand assets and liabilities are not distinct following the amalgamation of the Group's legal entities and are managed and reported to senior management and the Board of Directors on a consolidated basis.

Customers can purchase product from the four main retail chains either online or through the Group's physical retail store network. At period end the Group's physical store network consists of 88 The Warehouse stores, 66 Warehouse Stationery stores (including 40 stores trading within The Warehouse stores), 67 Noel Leeming stores and 25 Torpedo7 stores. The Warehouse predominantly sells general merchandise and apparel, Noel Leeming sells technology and appliance products, Torpedo7 sells outdoor and sporting equipment and Warehouse Stationery sells stationery products.

Other Group operations include a property company, a chocolate factory and the residual cost of unallocated support office functions.

2.2 Adjustment for NZ IFRS 16 (Leases)	Note	2023	2022
		$000	$000
Pre NZ IFRS 16 rent expense		135,889	133,931
Right of use asset amortisation	10.1	(96,004)	(94,614)
Gain on lease terminations		977	2,681
Impact on operating profit	2.1	40,862	41,998
Lease liability interest	3.6	(36,199)	(36,683)
Impact on net profit before tax (excluding unusual items)	5.0	4,663	5,315
Lease impairments classified as unusual items	5.0	(226)	-
Impact on net profit before tax		4,437	5,315

2.3 Torpedo7 impairment considerations

Significant judgements and estimates

It has been a challenging year for Torpedo7 and other retail specialists exposed to the bike market, as the sector attempts to reduce an inventory over supply through discounted sales. The Group believes the outdoor and sporting goods sector will remain challenging for the next two financial years and has developed a Recovery Plan in response to the expected economic conditions to turn the business around from its current year operating loss of $22.2 million and back into profit within 3 years.

The Group was mindful that the Torpedo7 trading performance and sector outlook were indicators of potential asset impairment. The Group considered the merits of the Recovery plan and also looked at alternative scenarios, weighing up the associated risk and likely outcomes of these scenarios. It was concluded that the Torpedo7 inventory impairment provisions should be increased by $2.9 million to bring the total inventory provision to $4.6 million and that no other assets should be impaired at this time. The assets held in Torpedo7 at balance date are Inventory – net of provisioning ($56.3 million), Receivables ($4.6 million), Plant and Equipment ($10.8 million) and Right of Use Assets ($26.3 million).

The impairment calculations have been performed using a fair value less cost of disposal approach and required the Group to make judgements to estimate future cash flows and likely economic conditions as part of its impairment assessment. The Group considered a wide range of factors including the Group's financial budgets, strategic plans, external benchmarks and historical performance to formulate the cash flow projections. The Group also engaged an external expert to determine an appropriate post tax discount rate (11.1%) and long-term growth rate (2.1%), integral to the valuation of the Torpedo7 cash generating unit. The key judgements made are sensitive to the Recovery Plan gross margin and revenue recovery assumptions, which, if not executed, might result in future impairment of the above asset classes.

3.0 INCOME AND EXPENSES

3.1 Other income	Note	2023	2022
		$000	$000
COVID-19 landlord rent relief	10.2	-	1,775
COVID-19 Leave support		1,668	-
Tenancy rents received		1,991	2,165
Other		4,926	3,743
Other income		8,585	7,683

3.2 Employee expense	Note	2023	2022
		$000	$000
Wages and salaries		561,337	566,174
Directors' fees		936	884
Performance based compensation		11,275	8,303
Equity settled share based payments expense	13.0	804	-
Employee expense		574,352	575,361

3.3 Depreciation and amortisation expense	Note	2023	2022
		$000	$000
Property, plant and equipment	9.1	44,863	38,204
Computer software	9.2	21,829	13,304
Right of use assets	10.1	96,004	94,614
Depreciation and amortisation expense		162,696	146,122

3.4 Other operating expenses	2023	2022
	$000	$000
Other operating expenses include:		
Bad debt and movement in provision for doubtful debts expense	144	2,467
Loss on disposal of plant and equipment	1,655	1,128
Donations	168	106
Net foreign currency exchange (gain)	(125)	(67)

3.5 Auditors' fees	2023	2022
	$000	$000
Auditing the Group financial statements	878	711
Reviewing the half year financial statements	120	112
Other non-audit or review services:		
- Agreed upon procedures	27	24
- Taxation services	12	10
- Other services	41	71
Total fees paid to PricewaterhouseCoopers	1,078	928

Audit fees - Corporate Governance

In accordance with the Group's policies regarding audit governance and independence, other non-audit services are approved by the Group's Audit and Risk Committee. The Group's policy permits the audit firm to provide non-audit services that are not considered to be in conflict with the preservation of the independence of the auditor, subject to Audit and Risk Committee approval.

3.6 Net interest expense	Note	2023	2022
		$000	$000
Interest on deposits and use of money interest received		(748)	(592)
Interest on borrowings		9,070	740
Interest on leases	10.2	36,199	36,683
Net interest expense		44,521	36,831

4.0 TAXATION

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

4.1 Taxation - income statement	Note	2023	2022
		$000	$000
Profit before tax		43,594	121,939
Taxation calculated at 28%		12,206	34,143
Adjusted for the tax effect of:			
Non deductible expenditure		302	540
Associate investment		1,075	185
Income tax under/(over) provided in prior year		74	(17)
Income tax expense		13,657	34,851
Income tax expense comprises:			
Current year income tax payable	4.2	7,723	30,612
Deferred taxation	4.3	5,934	4,239
Income tax expense		13,657	34,851

Income taxation

The income tax expense for the period is the tax payable on the current year's taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries and associates where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised in equity are similarly recognised in equity.

Goods and services tax (GST)

The income statement and statement of cash flows have been prepared so that all components are stated exclusive of GST. All items in the balance sheet are stated net of GST with the exception of receivables and payables which include GST invoiced.

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

4.2 Taxation - balance sheet current taxation asset/(liability)	Note	2023	2022
		$000	$000
Opening balance		1,505	(10,878)
Current year income tax payable	4.1	(7,723)	(30,612)
Net taxation paid		11,033	42,514
Supplementary dividend tax credit		223	481
Closing balance		5,038	1,505

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

4.3 Taxation – balance sheet deferred taxation asset	Note	Inventory	Leases	Property, Plant Equipment and Software	Employee Provisions	Derivatives	Other	Total
For the 52 week period ended 30 July 2023		$000	$000	$000	$000	$000	$000	$000
Opening balance		10,700	40,149	22,591	15,733	(4,884)	4,938	89,227
Charged/(credited) to the income statement	4.1	1,606	(1,094)	(4,599)	(658)	-	(1,189)	(5,934)
Net charged to other comprehensive income		-	-	-	-	5,183	-	5,183
Closing balance		12,306	39,055	17,992	15,075	299	3,749	88,476
For the 52 week period ended 31 July 2022								
Opening balance		12,941	41,648	18,328	17,483	(2,400)	7,958	95,958
Charged/(credited) to the income statement	4.1	(2,241)	(1,499)	4,263	(1,750)	-	(3,012)	(4,239)
Net charged to other comprehensive income		-	-	-	-	(2,484)	(8)	(2,492)
Closing balance		10,700	40,149	22,591	15,733	(4,884)	4,938	89,227

5.0 ADJUSTED NET PROFIT

Adjusted net profit reconciliation	Note	2023	2022
		$000	$000
Net profit attributable to shareholders of the parent		29,810	89,311
Add back: Unusual items			
Gain on sale of property		(413)	-
Restructuring costs		10,876	-
Associate impairment		3,472	-
Unusual items		13,935	-
Adjustments for NZ IFRS 16	2.2	(4,663)	(5,315)
Income tax relating to above items		(1,624)	1,488
Adjusted net profit		37,458	85,484

Certain transactions can make the comparison of profits between years difficult. The Group uses adjusted net profit as a key indicator of performance and considers it a better measure of underlying business performance. Adjusted net profit makes allowance for the after tax effect of unusual items which are not directly connected with the Group's normal trading activities. The Group defines unusual items as any gains or losses from property disposals, goodwill and brand impairment, costs relating to business acquisitions or disposals, ineffective hedge derivatives and costs connected with restructuring the Group. Following the adoption of NZ IFRS 16 the non-cash impact relating to the lease accounting standard are also excluded from adjusted net profit.

Gain on sale of property

The Group sold its Royal Oak store property (Auckland) in July 2023 for $30.5 million as part of a 'sale and lease back' arrangement, which realised a gain on sale of $0.4 million and a reduction in the right of use asset related to the new leases of $0.5 million (refer note 10.1).

Restructuring costs

In response to a decline in profitability due to customers cutting back their spending caused by higher living costs and a deteriorating economy the Group restructured its operations to lower its cost of doing business. The Group also postponed certain capital expenditure projects and paused recruitment. The restructure included the integration of TheMarket.com into the Group's Agile structure and closing the 1-day business. The restructure costs represent staff redundancy costs, the write-off of redundant 1-day business assets and costs connected with the disposal of the 1-day inventory.

Associate impairment

In August 2021 the Group invested $4.5 million to acquire a 26% interest in Zoom Healthcare, a health technology company, with a view that the Group could potentially, in the future take a controlling interest in the company. Zoom Heathcare has not achieved the anticipated outcomes set by the Group, resulting in the impairment of the carrying amount of its investment.

6.0 EARNINGS PER SHARE

Earnings per share calculation	Note	2023	2022
Net profit attributable to shareholders of the parent ($000s)		29,810	89,311
Adjusted net profit ($000s)	5.0	37,458	85,484
Basic			
Weighted average number of ordinary shares (net of treasury shares) on issue (000s)		345,354	345,354
Basic earnings per share (cents)		8.6	25.9
Adjusted basic earnings per share (cents)		10.8	24.8
Diluted			
Effect of dilutive potential share rights (000s)		1,684	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share (000s)		347,038	345,354
Diluted earnings per share (cents)		8.6	25.9

Earnings per share (EPS) is the amount of post tax profit attributable to each share. Basic EPS is calculated by dividing net profit attributable to shareholders by the weighted average number of ordinary shares (net of treasury shares) outstanding during the year. Adjusted basic EPS is similarly calculated using adjusted net profit as the numerator.

Diluted EPS adjusts for any commitments the Group has to issue shares in the future that would decrease the basic EPS. Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding and earnings to assume conversion of the Group's share rights (refer note 13.0).

Notes to the Financial Statements - Financial Performance
For the 52 week period ended 30 July 2023

7.0 DIVIDENDS

7.1 Dividends paid	2023	2022	2023	2022
	$000	$000	CENTS PER SHARE	CENTS PER SHARE
Prior year final dividend	34,684	60,698	10.0	17.5
Interim dividend	-	34,684	-	10.0
Total dividends paid	34,684	95,382	10.0	27.5

Dividend policy

In a typical year the Group declares two dividends, the first in respect of the half year (interim dividend) and second in respect of the full year result (final dividend). Dividends are declared at the discretion of the Board and subject to trading performance, market conditions and liquidity requirements. The Group's dividend policy is to distribute at least 70% of the Group's full year adjusted net profit.

Due to the challenging economic outlook, financial performance remaining uncertain, and currently heightened capital expenditure, the Board decided not to pay an interim dividend and determined the final dividend based on the full year result for the current year.

In accordance with this policy the Board declared a fully imputed final dividend of 8.0 cents per ordinary share on 27 September 2023 to be paid on 1 December 2023 to all shareholders on the Group's share register at the close of business on 16 November 2023.

7.2 Dividend policy reconciliation	Note	2023	2022	2023	2022
		$000	$000	CENTS PER SHARE	CENTS PER SHARE
Interim dividend		-	34,684	-	10.0
Final dividend (declared after balance date)		27,747	34,684	8.0	10.0
Total dividends declared in respect of the current financial year		27,747	69,368	8.0	20.0
Group adjusted net profit	5.0	37,458	85,484		
Pay-out ratio (%)		74.1%	81.1%		

7.3 Imputation credit account	2023	2022
	$000	$000
Imputation credits at balance date available for future distribution	130,226	132,796

The above amounts represent the balance of the Group's imputation credit account at balance date, adjusted for imputation credits that will arise from the payment of the amount of the remaining current year provision for income taxation.

8.0 WORKING CAPITAL

8.1 Inventory	2023	2022
	$000	$000
Finished goods	448,895	485,486
Inventory provisions	(20,973)	(17,244)
Retail stock	427,922	468,242
Goods in transit from overseas	65,386	94,071
Inventory	493,308	562,313

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

Significant judgements and estimates
Assessing provisions for inventory obsolescence, net realisable value and shrinkage involves making estimates and judgements in relation to future selling prices and expected shrinkage rates between the most recent store stock counts and balance date. Shrinkage is a reduction in inventory due to shoplifting, employee theft, record keeping errors and supplier fraud. The Group considers a wide range of factors including historical data, current trends and product information from buyers as part of the process to determine the appropriate value of these provisions.

Goods in transit from overseas
Goods in transit from overseas are recognised when title to the goods is passed to the Group. Title to the goods is passed when valid documents (which usually include a 'bill of lading') are received, and terms, as set out in a supplier's letter of credit or in the supplier's terms of trade, are met.

8.2 Trade and other receivables	2023	2022
	$000	$000
Trade receivables	31,257	35,526
Prepayments	35,755	34,256
Rebate accruals and other debtors	30,009	29,735
Trade and other receivables	97,021	99,517
Less non current prepayments	(20,747)	(11,664)
Current trade and other receivables	76,274	87,853

Trade receivables arise from sales made to customers on credit or through the collection of rebates from suppliers not otherwise deducted from suppliers' payable accounts. Trade receivables are non-interest bearing and are generally on 30 to 60 day terms. Trade receivables are recognised based on the value of the invoice sent to the customer and adjusted for expected credit losses to provide for future unrecovered debts. The expected collectability of trade and other receivables is reviewed on an ongoing basis.

8.3 Trade and other payables	2023	2022
	$000	$000
Local trade creditors and accruals	246,059	280,208
Foreign currency trade creditors	72,668	113,722
Goods in transit creditors	23,941	32,684
Capital expenditure creditors	1,109	2,995
Goods and services tax	16,132	7,475
Reward schemes, lay-bys, Christmas Club deposits and gift vouchers	27,413	22,692
Payroll accruals	20,017	20,820
Trade and other payables	407,339	480,596

Trade payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are normally unsecured and local creditors typically settled within 60 days and foreign creditors up to 120 days of recognition. Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

Notes to the Financial Statements - Operating Assets and Liabilities
For the 52 week period ended 30 July 2023

8.4 Provisions	Current		Non current		Total	
	2023	2022	2023	2022	2023	2022
	$000	$000	$000	$000	$000	$000
Employee entitlements	43,298	43,305	16,016	14,323	59,314	57,628
Make good provision	1,683	1,660	6,389	6,842	8,072	8,502
Sales return provision	4,311	4,866	-	-	4,311	4,866
Provisions	49,292	49,831	22,405	21,165	71,697	70,996

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

Employee entitlements

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

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

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

Make good provision
The Group has an obligation to restore certain leasehold sites to their original condition when the lease expires. This provision represents the present value of the expected future make good commitment. Amounts charged to the provision represent both make good costs incurred and costs incurred which mitigate the final liability prior to the lease expiry.

Sales return provision
The Group provides various guarantees and warranties to replace, repair or refund customers for faulty or defective products sold. This provision represents the estimated sales return obligation at balance date based on historical sale return rates.

9.0 NON CURRENT ASSETS

9.1 Property, plant and equipment	Note	Land and Buildings		Plant and Equipment		Work in Progress		Total	
		2023	2022	2023	2022	2023	2022	2023	2022
		$000	$000	$000	$000	$000	$000	$000	$000
Cost		94,098	93,527	678,732	657,409	47,326	11,389	820,156	762,325
Accumulated depreciation		(16,109)	(15,293)	(579,692)	(552,413)	-	-	(595,801)	(567,706)
Opening carrying amount		77,989	78,234	99,040	104,996	47,326	11,389	224,355	194,619
Additions		-	571	93,620	32,668	(19,001)	35,937	74,619	69,176
Disposals		(28,918)	-	(2,904)	(1,236)	-	-	(31,822)	(1,236)
Depreciation	3.3	(793)	(816)	(44,070)	(37,388)	-	-	(44,863)	(38,204)
Closing carrying amount		48,278	77,989	145,686	99,040	28,325	47,326	222,289	224,355
Cost		60,590	94,098	734,908	678,732	28,325	47,326	823,823	820,156
Accumulated depreciation		(12,312)	(16,109)	(589,222)	(579,692)	-	-	(601,534)	(595,801)
Closing carrying amount		48,278	77,989	145,686	99,040	28,325	47,326	222,289	224,355

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. The cost of purchased property, plant and equipment is the value of the consideration given to acquire the assets inclusive of directly attributable costs incurred to bring the assets to the location and condition necessary for their intended use.

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

• Freehold land	indefinite	• Freehold buildings	50 - 100 years
• Plant and equipment	3 - 15 years	• Work in progress	not depreciated

The Group annually reviews the carrying amounts of property, plant and equipment for impairment. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. In assessing whether an asset is impaired, reference is made to individual store profitability and any other known events or circumstances that may indicate that the carrying amount of an asset may be impaired.

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

9.2 Intangible assets	Note	Goodwill 2023	Goodwill 2022	Brand Names 2023	Brand Names 2022	Computer Software 2023	Computer Software 2022	Total 2023	Total 2022
		$000	$000	$000	$000	$000	$000	$000	$000
Cost		94,380	94,380	23,523	23,523	113,354	75,371	231,257	193,274
Impairment and accumulated amortisation		(36,924)	(36,924)	(8,023)	(8,023)	(34,485)	(21,148)	(79,432)	(66,095)
Opening carrying amount		57,456	57,456	15,500	15,500	78,869	54,223	151,825	127,179
Additions		-	-	-	-	38,584	38,270	38,584	38,270
Disposals		-	-	-	-	(341)	(320)	(341)	(320)
Amortisation	3.3	-	-	-	-	(21,829)	(13,304)	(21,829)	(13,304)
Closing carrying amount		57,456	57,456	15,500	15,500	95,283	78,869	168,239	151,825
Cost		94,380	94,380	23,523	23,523	151,367	113,354	269,270	231,257
Impairment and accumulated amortisation		(36,924)	(36,924)	(8,023)	(8,023)	(56,084)	(34,485)	(101,031)	(79,432)
Closing carrying amount		57,456	57,456	15,500	15,500	95,283	78,869	168,239	151,825

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

Brand names
Brand names acquired in a business combination are recognised at fair value at the acquisition date. Brand names are considered to have indefinite useful lives as the Group have rights to use these names in perpetuity.

Impairment of goodwill and brand names
Assets that have an indefinite useful life are reviewed annually for impairment or whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Computer software (excluding cloud computing arrangements)
Internal and external costs directly incurred in the purchase or development of software controlled by the Group are recognised as intangible assets, including subsequent improvements, when it is probable that they will generate a future economic benefit. Computer software is amortised using the straight-line method over periods ranging from two to ten years.

Cloud computing arrangements
Cloud computing arrangements provide the Group with the right to access a supplier's cloud based software for a specified contract period. If the Group does not control the cloud based software, the related development costs (external and internal) are recognised as either:

(a) an expense when they are incurred for internal costs and the costs of an integrator not related to the software provider, or

(b) as a prepayment and then expensed over the term of the cloud computing arrangement for the costs of the software provider or its subcontractor.

Brand and goodwill impairment testing
The Group performs an annual impairment test of its brand and goodwill intangible assets which involves comparing the recoverable amount of the assets to the carrying values. The recoverable amounts are calculated using the 'fair value less costs to sell' method. The discounted cash flow valuation method is based on projections regarding future operating performance. The Group considers a wide range of factors including the Group's financial budgets, strategic plans, external benchmarks and historical performance to formulate the future cash flow projections. The Group also engages external advisors to determine appropriate discount rates and long term growth rates, integral to the valuations. The valuations are then scaled down to align with the average values assessed by a selection of the Group's external equity research analysts.

The Group's goodwill and brand assets are allocated to cash generating units and form the basis for impairment testing. Cash generating units represent the lowest level within the Group at which the assets are monitored for internal management purposes. Details of the carrying amounts of goodwill and brand assets and the allocation to cash generating units along with the key assumptions used in the impairment tests to extrapolate cash flows beyond the 5 year projection period, are set out in the table below.

Impairment testing	Noel Leeming 2023	Noel Leeming 2022	The Warehouse 2023	The Warehouse 2022
	$000	$000	$000	$000
Goodwill	31,776	31,776	25,680	25,680
Brand names	15,500	15,500	-	-
Closing carrying amount	47,276	47,276	25,680	25,680
Key assumptions				
Terminal operating margin (%)	4.5	5.3	5.2	5.7
Terminal growth rate (%)	2.1	2.0	2.1	2.0
Pre-tax discount rate (%)	16.5	14.2	14.8	13.1
Post-tax discount rate (%)	11.9	10.2	10.7	9.4

Operating margin represents earnings before interest, taxation, unusual items and the impact of NZ IFRS 16. The Warehouse segment also includes the Warehouse Stationery business, the operating margin assumptions for this business division are different from those of the primary business at 10.5% (2022: 11.9%). The annual impairment testing for both Noel Leeming and The Warehouse cash generating units indicated ample headroom and that the carrying amounts of the attributed goodwill and brand assets were not impaired.

Notes to the Financial Statements - Operating Assets and Liabilities
For the 52 week period ended 30 July 2023

10.0 LEASE LIABILITIES AND RIGHT OF USE ASSETS

10.1 Right of use assets	Note	Cost 2023	Cost 2022	Accumulated Depreciation 2023	Accumulated Depreciation 2022	Carrying Amount 2023	Carrying Amount 2022
For the 52 week period ended 30 July 2023		$000	$000	$000	$000	$000	$000
Opening balance		1,502,650	1,505,137	(829,372)	(768,613)	673,278	736,524
Foreign exchange movement		(142)	95	55	(22)	(87)	73
Additions		99,416	34,092	-	-	99,416	34,092
Depreciation		-	-	(96,004)	(94,614)	(96,004)	(94,614)
Reassessment of lease terms	10.2	(11,945)	(1,075)	-	-	(11,945)	(1,075)
Sale and lease back adjustment	5.0	(494)	-	-	-	(494)	-
Lease impairments	5.0	(226)	-	-	-	(226)	-
Lease surrenders and terminations		(65,722)	(35,599)	62,809	33,877	(2,913)	(1,722)
Closing balance		1,523,537	1,502,650	(862,512)	(829,372)	661,025	673,278

A 'lease liability' and a corresponding 'right of use' asset is recognised when the Group commences a lease with a term exceeding 12 months and has sufficient value to not be characterised as a low value lease. The initial lease liability and corresponding 'right of use' asset represents the present value of future lease payments discounted using the Group's incremental borrowing rate over the lease term including any contractual lease extension options considered reasonably certain to be exercised. The future lease payments adjust for contractual fixed rate lease payment adjustments but no adjustment is made for inflation-indexed lease payment increases.

Lease payments are allocated between the lease liability and the finance cost. The finance cost is charged to the income statement over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The Group leases various warehouses, retail stores, equipment and vehicles. Property leases represent around 99% of the carrying value of the Group's 'right of use assets'. The property leases are negotiated on an individual basis, typically for an initial period of 6 to 10 years and usually include extension options, but may also contain a wide variety of other terms and conditions. Extension options provide the Group with operational flexibility in terms of managing the Group's retail intensity within different catchment areas. The majority of extension and termination options may only be exercised by the Group and not by the landlord.

10.2 Lease liabilities	Note	2023	2022
For the 52 week period ended 30 July 2023		$000	$000
Opening balance		820,840	892,191
Foreign exchange movement		(91)	75
Additions		99,416	34,092
Interest for the period	3.6	36,199	36,683
Reassessment of lease terms	10.1	(11,945)	(1,075)
COVID-19 landlord rent relief	3.1	-	(1,775)
Lease repayments		(137,370)	(134,947)
Lease surrenders and terminations		(3,891)	(4,404)
Closing balance		803,158	820,840

COVID-19 landlord rent relief
The Group negotiated rent reductions with its landlords as a result of the temporary store closures caused by the COVID-19 pandemic last year. The Group applied the NZ IFRS 16 (Leases) practical expedient introduced in May 2020 to account for the landlord rent concessions which meant the rent reductions were accounted for as negative variable lease payments.

10.3 Lease liability maturity analysis	Gross Lease Payments 2023	Gross Lease Payments 2022	Interest 2023	Interest 2022	Carrying Amount 2023	Carrying Amount 2022
As at 30 July 2023	$000	$000	$000	$000	$000	$000
Within one year	134,934	129,927	(35,938)	(34,078)	98,996	95,849
One to two years	124,959	120,767	(31,746)	(30,241)	93,213	90,526
Two to five years	311,774	311,475	(71,811)	(70,202)	239,963	241,273
Beyond five years	423,847	456,230	(52,861)	(63,038)	370,986	393,192
Lease liability	995,514	1,018,399	(192,356)	(197,559)	803,158	820,840
Current lease liability					98,996	95,849
Non current lease liability					704,162	724,991
Lease liability					803,158	820,840

Significant judgements and estimates
To quantify lease liabilities and 'right of use' carrying values requires the Group to use judgement to assess the appropriate lease term and estimates to determine the incremental borrowing rate applied to calculate these amounts. These judgements and estimates can significantly impact the carrying value of both the right of use asset and lease liabilities recognised in the balance sheet and corresponding expenses recorded in the income statement.

The Group uses the judgement of experts within its property department to assess the lease term at the inception of a lease and to reassess a lease term when a significant event or significant change in circumstances within the control of Group affects the prospect that a right of renewal contained in a lease will be exercised.

The Group engages an independent valuation expert to establish the incremental borrowing rates applied to new and modified leases during the year. The average incremental borrowing rate used to calculate the value of lease liabilities at balance date was 4.88% (2022: 4.48%).

11.0 EQUITY

11.1 Capital management

Capital is defined by the Group to be the total equity as shown in the balance sheet. The Group's capital management objectives are to safeguard the Group's ability to continue as a going concern, to provide an appropriate rate of return to shareholders, optimise the Group's cost of capital and maintain a liquidity buffer (refer note 11.2).

The Group reviews its capital structure annually, unless there is a material change requiring an earlier response, and may make adjustments by means including changes to the Group's dividend pay-out ratio, issue of new shares, debt issuance, sale of assets or a combination of these.

Externally imposed capital requirements

The Group has a negative pledge arrangement with its funding providers that requires the parent and its guaranteeing Group companies to comply with certain quarterly debt ratios and restrictive covenants. The calculation of these ratios is adjusted to exclude the impact of the NZ IFRS 16 lease accounting standard. The two principal covenants are:

(a) The gearing ratio will not exceed 60% during the first quarter ending October or exceed 50% in each of the remaining quarters of the year;

(b) Interest cover will not be less than 2 times operating profit.

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

11.2 Bank and debt facilities	2023	2022
	$000	$000
Cash and cash equivalents	28,330	24,999
Borrowings	(76,400)	(66,150)
Net debt	(48,070)	(41,151)
Committed bank credit facilities	470,000	420,000
Liquidity buffer	421,930	378,849

The Group's liquidity policy is to have a minimum liquidity buffer of $300 million and an optimal range of between $350 million to $450 million.

Sustainability Linked Loans

The Group has structured $145 million of its committed bank credit facilities as Sustainability Linked Loans (SLLs) which met the requirements of the Loan Market Association's Sustainability Linked Loan Principles (2021) when they began in October 2021. The facility fee pricing for the SLLs is linked to the achievement of mutually agreed sustainability targets that span a 4 year period. There are four sustainability targets and the facility pricing can be reduced by a maximum of 8 basis points if all the sustainability targets are achieved and increased by the same if the targets are not met.

11.3 Contributed equity	Contributed Equity		Ordinary Shares	
	2023	2022	2023	2022
	$000	$000	000	000
Share capital	365,517	365,517	346,843	346,843
Treasury shares	(5,282)	(5,282)	(1,489)	(1,489)
Contributed equity	360,235	360,235	345,354	345,354

There were no changes to the Group's contributed equity during the current year and previous year.

Ordinary shares are classified as equity. Incremental costs, directly attributable to the issue of new shares, are shown in equity as a deduction from the proceeds of the share issue.

Where the Group purchases its own equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the shareholders until the shares are cancelled or reissued. Where such shares are reissued, any consideration received, net of any directly attributable incremental transaction costs, is included in equity attributable to shareholders.

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

11.4 Reserves	Note	2023	2022
		$000	$000
Cash flow hedge reserve		(767)	12,560
Foreign currency translation reserve		(27)	179
Share based payments reserve	13.0	804	-
Reserves		10	12,739

Cash flow hedge reserve

This reserve records the portion of the gain or loss on a hedging derivative in a cash flow hedge that is determined to be an effective hedge. The cumulative deferred gain or loss on the hedge is recognised in the income statement when the hedged transaction impacts the income statement, or depending on the nature of the hedge, is included in a non-financial hedged item when the hedged event occurs. (Refer to the consolidated statement of changes in equity and accounting policies detailed in note 12.2).

Foreign currency translation reserve

Exchange differences arising on translation of the Group's subsidiaries in India and China are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to the income statement when the net investment is sold.

Share based payments reserve

Share rights are granted to employees in accordance with the Group's executive share rights plan. The fair value of share rights granted under the plan are measured at grant date and recognised as an employee expense over the vesting period with a corresponding increase in equity. The fair value at grant date of the share right's are independently determined using an appropriate valuation model that takes into account the terms and conditions upon which they were granted. (Note 13.0 provides further details regarding the plan and fair value calculations).

This reserve is used to record the accumulated value of the unvested shares rights, which have been recognised as an expense in the income statement. Upon the vesting of share rights, the balance of the reserve relating to the share rights is offset against the cost of treasury shares allotted to settle the obligation, with any difference in the cost of settling the commitment transferred to retained earnings. (Refer also to the consolidated statement of changes in equity).

11.5 Minority interest	2023	2022
	$000	$000
Opening balance	(815)	(2,694)
Net profit/(loss) attributable to minority interest	127	(2,223)
Minority put options exercised	1,688	4,227
Dividends paid to minority shareholders	(50)	(125)
Closing balance	950	(815)

Minority interest reserve

A minority interest is an ownership position in a Group subsidiary where the minority shareholder owns less than 50% of outstanding shares and has no control over decisions. Minority interests are measured based on the minority shareholder's proportionate share of the net asset value of the subsidiary.

At balance date minority shareholders held a 50% (2022: 50%) shareholding in ChocolateWorks and in the prior year a 3.0% shareholding in TheMarket.com. In August 2022 the Group acquired the remaining 3.0% minority shareholding in TheMarket.com for a consideration of $691,200 through exercising an existing put option.

12.0 FINANCIAL RISK MANAGEMENT

12.1 Financial risk factors

The Group's activities expose it to various financial risks including liquidity risk, credit risk and market risk. The Group's overall risk management programme focuses on the uncertainty of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Group enters into forward currency contracts to manage the currency fluctuation risks arising from the Group's overseas purchases.

Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as mitigating foreign exchange, interest rate and credit risks, use of derivative financial instruments and investing excess cash.

12.2 Derivative financial instruments	2023	2022
	$000	$000
Forward exchange contract assets	5,208	29,491
Forward exchange contract liabilities	(7,320)	(668)
Derivative financial instruments	(2,112)	28,823
Classified as:		
Cash flow hedges	(1,066)	17,444
Fair value hedges	(1,046)	11,379
Derivative financial instruments	(2,112)	28,823

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. For the purposes of hedge accounting, hedges are classified as:

- Cash flow hedges when they hedge an exposure to a highly probable forecast transaction; or
- Fair value hedges when they hedge the exposure to changes in fair value of a recognised asset or liability.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking the hedge transactions. An assessment, both at hedge inception and on an ongoing basis is also documented, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

Cash flow hedges

The Group applies cash flow hedge accounting to manage the currency risk associated with purchasing inventory in foreign currencies. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the cash flow hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory), the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Fair value hedges

The Group applies fair value hedge accounting for hedging to manage the currency risk associated with foreign currency trade creditors. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributed to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, or the hedge is not fully effective, then the hedge or portion of the hedge which is not effective is recognised immediately in the income statement as a foreign exchange gain or loss.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

Significant judgements and estimates

Valuation

The Group's derivatives are not traded in an active market, which means quoted prices are not available to determine the fair value. To determine the fair value, the Group uses valuation techniques which rely on observable market data. For accounting purposes (NZ IFRS 13) these valuations are deemed to be Level 2 fair value measurements as they are not derived from a quoted price in an active market but rather, a valuation technique that relies on other observable market data.

Hedge effectiveness

When calculating the hedge effectiveness of the Group's currency derivatives the Group is required to forecast the next 18 months overseas purchases to test if the hedged transactions are still highly probable to occur. The method of testing adopted is based on matching the critical terms of the hedged transaction to those of the derivative. The results of this testing demonstrated an expectation of high hedge effectiveness.

Notes to the Financial Statements - Financial Risk Management
For the 52 week period ended 30 July 2023

12.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through committed credit facilities to meet financial obligations when they are due and being able to close out market positions if necessary. The Group monitors rolling forecasts of the Group's liquidity position based on expected cash flows to ensure a liquidity buffer is maintained in accordance with policy limits approved by the Board. The Group maintains funding flexibility by maintaining availability using committed credit lines. The Group's liquidity policy and committed credit facilities at balance date are detailed in note 11.1.

The table below details the Group's derivatives and other financial liabilities (excluding lease liabilities - refer note 10.3).

Liabilities/(assets)		0 - 6 Months		7 - 12 Months		Total	
	Note	2023	2022	2023	2022	2023	2022
		$000	$000	$000	$000	$000	$000
Trade and other payables	8.3	407,339	480,596	-	-	407,339	480,596
Derivatives - gross settled (currency exchange contracts)							
- outflow	12.5	260,005	223,430	177,378	173,783	437,383	397,213
- inflow		(256,490)	(244,543)	(178,702)	(181,254)	(435,192)	(425,797)
Financial liabilities and derivatives		410,854	459,483	(1,324)	(7,471)	409,530	452,012

12.4 Credit risk

Credit risk arises from the financial assets of the Group which are exposed to potential counter-party default, with a maximum exposure equal to the carrying amount of these assets. In the normal course of business the Group incurs credit risk from trade and other receivables, derivatives and transactions with financial institutions.

The Group places its cash and short-term investments and derivatives with high credit quality financial institutions approved by the Board and in accordance with specified treasury policy limits. The Group's treasury policy requires bank counter-parties to have a minimum Standard & Poor's credit rating of at least A (2022: A).

The Group controls its credit risk from trade and other receivables by the application of credit approval, limits and monitoring procedures. Receivable balances are monitored on an ongoing basis to ensure the Group's bad debt exposure is not significant. Concentrations of credit risk exist when changes in economic, industry or geographical factors similarly affect the group of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. As the Group transacts with a diversity of counterparties it does not have any significant exposure to any individual customers, industry or economic sector.

12.5 Market risk

Foreign exchange risk

The Group purchases inventory directly from overseas suppliers, primarily priced in US dollars. In order to protect against exchange rate movements and manage the inventory costing process, the Group enters into forward exchange contracts to purchase foreign currencies. These contracts hedge highly probable forecast purchases and are timed to mature when the payments are scheduled to be settled. Management work to a Board approved Treasury Policy to manage this foreign exchange risk. The policy parameters for hedging forecast currency exposures are:

- to hedge 80% to 100% of US dollar commitments expected in the next 0 to 4 months
- to hedge 50% to 90% of US dollar commitments expected in the next 5 to 12 months
- where exposures to other currencies arise, the Group hedges these risks once a firm commitment is in place
- specific approval is required to hedge foreign currency commitments extending beyond a 12–month time horizon.

Currency position at balance date	Carrying Value		Notional Amount (NZD)		Average Exchange Rate		12 Month Hedge Level	
	2023	2022	2023	2022	2023	2022	2023	2022
	$000	$000	$000	$000	CENTS	CENTS	%	%
Currency forward contracts								
Buy US dollars/Sell New Zealand dollars	(2,112)	28,823	437,383	397,213	0.6125	0.6742	74.7	68.9

The spot rate used to determine the mark-to-market carrying value of the US dollar forward contracts at balance date was $0.6156 (2022: $0.6290).

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

			+ 10 percent		- 10 percent	
Foreign currency sensitivity table	Note	Amount	Profit	Equity	Profit	Equity
At 30 July 2023		$000	$000	$000	$000	$000
Foreign currency trade creditors	8.3	(72,668)	4,756	4,756	(5,814)	(5,814)
Derivative financial instruments						
Currency forward contracts - cash flow hedges	12.2	(1,066)	-	(23,071)	-	28,207
Currency forward contracts - fair value hedges	12.2	(1,046)	(4,720)	(4,720)	5,770	5,770
Total increase/(decrease)			36	(23,035)	(44)	28,163
At 31 July 2022						
Foreign currency trade creditors	8.3	(113,722)	7,443	7,443	(9,098)	(9,098)
Derivative financial instruments						
Currency forward contracts - cash flow hedges	12.2	17,444	-	(20,033)	-	24,488
Currency forward contracts - fair value hedges	12.2	11,379	(7,413)	(7,413)	9,061	9,061
Total increase/(decrease)			30	(20,003)	(37)	24,451

Based on forecast projections and historical performance currency contracts designated as cash flow hedges were assumed to be 100% hedge effective.

13.0 KEY MANAGEMENT

Key management includes the Directors of the Company and those employees deemed to have disclosure obligations under subpart 6 of the Financial Markets Conduct Act 2013, being the Group Chief Executive Officer and his 9 (2022: 9) direct reports.

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

Directors' fees	2023	2022
	$000	$000
J Withers (Chair)	183	177
A J Balfour	119	112
W K Easton (resigned May 2022)	-	75
D R Hamilton	114	111
J W M Journee	104	98
C M Rainsford (appointed August 2022)	84	-
J M Raue	124	116
R E Taulelei	114	104
R J Tindall	94	91
Total	936	884

In addition, J W M Journee and R J Tindall each received fees of $6,875 (2022: $13,750) and D R Hamilton a fee of $6,875 (2022: $7,563) in their capacities as directors of a Group subsidiary company (TheMarket.Com Limited).

Key management	Note	2023	2022
		$000	$000
Base salary		7,045	7,157
Retention (cash settled)		3,126	-
Three year performance based compensation (cash settled)		438	1,629
Share based compensation	11.4	804	-
Termination benefits		-	846
Total		11,413	9,632

Share based compensation

The Group granted share rights as a retention incentive to the CEO and five members of the Group's senior leadership in October 2022 and November 2022 respectively. For each share right the participant is eligible to be issued or transferred, for nil consideration 1 share on the vesting date (together with dividend equivalents), providing certain non-market performance conditions are met. The participants will be delivered the shares net of tax, with the number of pre-tax shares to be delivered reduced by the number of shares equal to the participant's PAYE obligation.

	Tranche 2	Tranche 1
Share rights granted	770,711	1,600,000
Lapsed	(167,546)	-
Share rights at balance date	603,165	1,600,000

Date granted	November 2022	October 2022
Vesting date	October 2025	October 2026
Weighted average cost of equity (%)	8.5	8.9
Average share price at grant date ($)	3.01	3.13
Estimated fair value at grant date ($)	2.93	2.96

14.0 COMMITMENTS

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

Capital commitments	2023	2022
	$000	$000
Within one year	8,387	17,628

15.0 CONTINGENT LIABILITIES

	2023	2022
	$000	$000
Standby letter of credit	17,500	17,500
Bank guarantees provided to landlords and the New Zealand Exchange Limited	315	456
Total contingent liabilities	17,815	17,956

16.0 RELATED PARTIES

During the period, the Group has not entered into any material contracts involving related parties or Directors' interests which are not disclosed. No amounts owed by related parties have been written off or forgiven during the period.

Independent Auditor's Report

To the shareholders of The Warehouse Group Limited

Our opinion

In our opinion, the accompanying financial statements of The Warehouse Group Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 30 July 2023, its financial performance and its cash flows for the 52 week period then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

What we have audited

The Group's financial statements comprise:

- the consolidated balance sheet as at 30 July 2023;
- the consolidated income statement for the 52 week period then ended;
- the consolidated statement of comprehensive income for the 52 week period then ended;
- the consolidated statement of changes in equity for the 52 week period then ended;
- the consolidated statement of cash flows for the 52 week period then ended; and
- the notes to the financial statements, which include significant accounting policies 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 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.

Our firm carries out other services for the Group in the areas of executive remuneration benchmarking, access to the 2022 Executive Reward report, agreed upon procedures at the Annual Shareholders' Meeting, agreed upon procedures relating to the calculations of the Negative Pledge Agreement and revenue and total assets confirmation and a tax audit for an overseas subsidiary. In addition, certain partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the Group. The provision of these other services and relationships have not impaired our independence as auditor of 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 financial statements of the current 52 week period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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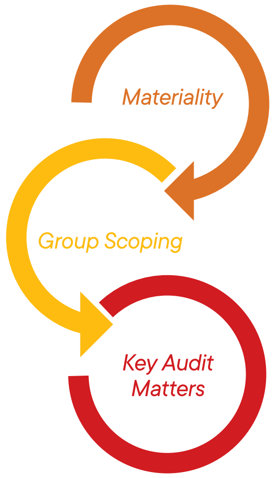
Description of the key audit matter	How our audit addressed the key audit matter
Inventory valuation and costing The carrying value of the Group's inventory as at 30 July 2023 was $493.3 million (2022: $562.3 million) with inventory provisions of $21.0 million (2022: $17.2 million). To calculate the cost of inventory, the Group uses a weighted average method and also includes expenditure incurred to purchase the inventory and transport it to its current location. To value inventory, the Group measures inventory at the lower of cost and net realisable value by deducting a provision from the cost of inventory that is determined based on various factors including historical data, current trends and product information from buyers. Determining the appropriate level of provisions involves judgement, including management's expectations of future sales levels and estimation of selling price adjustments. Due to the judgements involved in estimating the inventory provisions, and the significance of the inventory balance, this is an area of focus for the audit. Note 8.1 of the financial statements describes the accounting policy for inventory and the judgements and estimates applied by management to determine the inventory provision.	We have updated our understanding of the key processes and controls surrounding inventory costing and provisioning and assessed the design and implementation of relevant inventory controls, especially controls over the cyclical count process. Our procedures to audit the cost of inventory included the following, on a sample basis: • testing the accuracy of the weighted average cost calculation by reperforming the calculation; and • checking the cost of inventory to supplier and freight invoices and supplier rebate contracts. On inventory provisions, our procedures included: • observing management's stocktake procedures, throughout the period, at a sample of selected locations, to confirm existence of inventory and that aged and clearance items were identified and accounted for; • holding discussions with management to understand and corroborate the assumptions used to estimate inventory provisions; • assessing management's forecast accuracy by comparing management's retrospective review of inventory provisions in the prior period against actual inventory write offs in the current period; • on a sample basis, testing the net realisable value of finished goods by comparing the cost to the most recent retail price less the cost to sell, and that finished goods were valued at the lower of cost or net realisable value; • on a sample basis, inspecting the inventory aging schedules and checking whether provisions were recorded for aged stock in accordance with Group policy; • performing a reasonableness test of the shrinkage provisions by comparing the provision against the actual shrinkage for the period; • comparing all inventory provisions for each inventory category as a percentage of the gross carrying amount versus the prior 52 week period, and understanding the rationale for material or unexpected changes; and • considering the appropriateness of disclosures in the financial statements.

Independent Auditor's Report
To the shareholders of The Warehouse Group Limited

Description of the key audit matter	How our audit addressed the key audit matter
Impairment of Torpedo7 property, plant and equipment and right-of-use assets As disclosed in note 2.1 of the financial statements, the Torpedo7 operating segment incurred an operating loss of $22.2 million for the 52 week period ended 30 July 2023. The trading performance and sector outlook (particularly those relating to the bike market) were identified as indicators of impairment. The total carrying value of Torpedo7's property, plant and equipment and right-of-use (ROU) assets amounted to $10.8 million and $26.3 million, respectively. For the purposes of testing property, plant and equipment and ROU assets for impairment, each individual store is considered to be a separate cash generating unit (CGU). Management performed an impairment assessment using a fair value less cost of disposal (FVLCD) model. The Group engaged an external expert to determine the appropriate post tax discount rate of 11.1% and the long-term growth rate of 2.1%. Key assumptions, to which the model is sensitive, are the average revenue recovery assumption of 4% and the Recovery Plan gross margin of 43% in the terminal year. The Group concluded that there is no impairment of property, plant and equipment and ROU assets. Non-achievement in the Recovery Plan may result in impairment of these assets. This is an area of audit focus due to Torpedo7's underperformance over recent years and the inherent judgement in assumptions used in impairment testing. Further, we consider there is execution risk in the Recovery Plan due to the underperformance, current market conditions and the time horizon over which the recovery is expected to occur.	Our audit procedures included: • updating our understanding of the business process applied by management in preparing the impairment assessment, including the level at which a CGU is defined; • analysing store performance data to identify whether an impairment indicator existed at period end; • in respect of lease reassessments, inspecting a sample of lease agreements to understand the changes to key terms and conditions and tracing these through to the adjustments made by management in the underlying accounting records; • agreeing the cash flow projections in the FVLCD impairment assessment to the Recovery Plan; • obtaining an understanding of the strategic and operational initiatives as set out in the Recovery Plan and, with the assistance of our auditor's valuation expert, performing sensitivity analysis over the FVLCD model to consider which assumptions the model is most sensitive to, and benchmarking the projected margins with comparable companies' margins; • assessing the appropriateness of the terminal growth and discount rates used in the FVLCD model; • checking the mathematical accuracy of the impairment model by reperforming the calculation; and • considering the appropriateness of the disclosures in the financial statements.

Our audit approach
Overview



Overall Group materiality: $8,497,000, which represents approximately 0.25% of total revenues.

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. In recent periods we have used a three-period weighted average adjusted profit before tax measure as the benchmark. We have changed the benchmark in the current period due to the volatility of the Group's profit. Using revenue as the benchmark for this period results in a similar overall materiality level to previous periods, which we consider is appropriate.

Full scope audits were performed for two of the five trading entities within the Group based on their financial significance, which represents approximately 87% of the Group's retail sales for the period.

Specified audit procedures and analytical review procedures were performed on the remaining entities and on consolidation entries.

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

- Inventory valuation and costing
- Impairment of Torpedo7 property, plant and equipment and right-of-use assets

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the 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 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 financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the 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 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 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.

We identified subsidiaries that, due to their financially significant contribution to the Group's overall results, required a full scope audit. In addition, we also performed specific audit procedures on certain balances and transactions of other subsidiaries. Audits of each subsidiary are performed at a materiality level calculated with reference to a proportion of the Group materiality relative to the financial significance of the business concerned.

Independent Auditor's Report
To the shareholders of The Warehouse Group Limited

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 financial statements and our auditor's report thereon.

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

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

Responsibilities of the Directors for the financial statements

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

In preparing the 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 financial statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by those charged with governance and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention to our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for the audit opinion.

Independent Auditor’s Report

To the shareholders of The Warehouse Group Limited

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in the auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor’s report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 Lisa Crooke.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants

Auckland

27 September 2023

GOVERNANCE REPORT

At The Warehouse Group we are committed to the highest standards of corporate governance and ethical conduct.

We believe that these values help to create sustainable long-term value for our shareholders, build a strong team, improve the experience we offer our customers and contribute to our place within the wider community.

This corporate governance statement provides an overview of the policies and processes that are in place at The Warehouse Group Limited (the Company) which ensure that the highest standards of corporate governance are maintained. The Company notes and supports the updated NZX Corporate Governance Code dated 1 April 2023 (NZX Code). This statement follows the structure of the NZX Code and addresses its recommendations. As at the date of the publication of this Annual Report, the Company considers its governance practices are compliant with the NZX Code. The Company's constitution, the Board and committee charters, codes and policies referred to in this statement are available at www.thewarehousegroup.co.nz/aboutus/corporate-governance.

Left to right:
Jeremy O'Brien, Robert Tindall, Antony (Tony) Balfour, Julia Raue, Rachel Taulelei, Joan Withers, Dean Hamilton, John Journee and Caroline Rainsford.

OUR BOARD

Joan Withers MBA, CFinstD
Chair
Independent Non-Executive Director

Joan has been a professional director for more than 20 years and spent over 25 years working in the media industry, previously holding CEO positions at The Radio Network and Fairfax Media. In addition to her Chair role with The Warehouse Group, Joan is also a director of ANZ Bank NZ Limited, Origin Energy Limited and Sky Network Television Limited and Chair of the Appointments Panel for Fonterra farmer-elected directors. She has previously held Chair positions at Television New Zealand Limited and Auckland International Airport. Joan is a Trustee of the Sweet Louise Foundation and is Chair of a steering committee working to increase the percentage of South Auckland Māori and Pacific Island students taking up roles in the health sector. She is also co-founder and a director of On Being Bold Ltd, a group of senior businesswomen working to help New Zealand women fulfil their career potential in tandem with enjoying a fulfilling personal life.

COMMITTEES
- Corporate Governance and Nomination Committee (Chair)
- Audit and Risk Committee
- Disclosure Committee
- People and Remuneration Committee
- Health, Safety and Wellbeing Committee
- Environmental and Social Sustainability Committee

OTHER DIRECTORSHIPS
- Sky Network Television Limited
- ANZ Bank NZ Limited
- Sweet Louise Foundation (Trustee)
- Origin Energy Limited
- On Being Bold Limited

Antony (Tony) Balfour BCom
Independent Non-Executive Director

Tony has extensive global retail and eCommerce experience with a strong track record in a diverse range of industries. Most recently, he was General Manager (Markets) for Icebreaker Clothing, with responsibility for the company's global business units in New Zealand, Australia, USA, Canada, Europe and Asia as well as the development of the company's rapidly growing eCommerce and retail business units. His prior experience includes senior roles in Monster.com and Seek.com, both successful online recruitment sites, and nine years in global senior roles with Nike, including General Manager of Asia Pacific. Tony's governance career has included independent director roles at Silver Fern Farms, Methven Limited, Les Mills International and RealNZ.

COMMITTEES
- People and Remuneration Committee (Chair)
- Corporate Governance and Nominations Committee
- Health, Safety and Wellbeing Committee
- Environmental and Social Sustainability Committee

OTHER DIRECTORSHIPS
- Les Mills International Limited
- RealNZ Limited
- Pioneer Energy Limited
- Bluelab Limited
- Ravensdown Ventures Limited

Rachel Taulelei LLB
Ngāti Raukawa ki te Tonga, Ngāti Rārua
Independent Non-Executive Director

Rachel is a prominent business leader and a strong advocate for the Māori economy, values-based business models, and New Zealand's food and beverage industry. Her commitment to kaitiakitanga has been evident throughout her career, as founder of sustainable seafood company Yellow Brick Road in 2006, to her time as CEO of Māori-owned food and beverage company Kono, and now in her current role as co-founder of business design and brand strategy firm Oho. Rachel has held a number of governance roles, with particular expertise in primary industries. She presently chairs Moana NZ and the Wellington Regional Stadium Trust, serves as a director on the board of Sealord Group Limited and ANZCO Foods Limited, is a member of the APEC Business Advisory Council, acts as an advisor to venture capital firm Movac and chairs the Fonterra Sustainability Panel.

COMMITTEES
- Environmental and Social Sustainability Committee (Chair)
- People and Remuneration Committee
- Health, Safety and Wellbeing Committee

OTHER DIRECTORSHIPS
- Wellington Regional Stadium Trust (Chair)
- Moana NZ (Chair)
- Sealord Group Limited
- ANZCO Foods Limited
- Advisory Board Member - Movac
- Limited Partner, Movac Fund 5 LP
- New Zealand APEC Business Advisory Council (Member)
- Fonterra Sustainability Panel (Chair)

Julia Raue CMinstD, GAICD
Independent Non-Executive Director

Julia has extensive digital, customer, data, strategy and business transformation experience across a number of sectors including airline, telecommunications, local government and not-for-profit in New Zealand and Australia. She has a strong track record of delivering award-winning, innovative, customer-facing products and services. Julia has been a professional director for eight years, holding governance roles across a range of sectors including media, broadcasting, energy, retail, insurance, technology and healthcare. She has previously held director positions at Television New Zealand Limited and Z Energy Limited. Prior to governance, Julia was the Chief Information Officer of Air New Zealand, and in 2009 she was awarded the New Zealand CIO of the Year award.

COMMITTEES
- Health, Safety and Wellbeing Committee (Chair)
- Audit and Risk Committee
- Environmental and Social Sustainability Committee

OTHER DIRECTORSHIPS
- Jade Software Corporation Limited
- Southern Cross Medical Care Society
- Southern Cross Healthcare Limited
- MOVE Logistics Group Limited
- Southern Cross Health Trust (Trustee)
- Global Women NZ (Trustee)
- New Zealand Rugby Appointments and Remuneration Committee (Chair)

Robert (Robbie) Tindall
BA, BSc
Non-Executive Director

Robbie was elected as a director of the Group in November 2020, having previously been Sir Stephen Tindall's alternate director since 2017. He studied Arts and Science at the University of Auckland before spending eight years at The Warehouse in various merchandise and buying roles. Since 2011 Robbie has been an Investment Director at K One W One, a family investment company, where his involvement in some of New Zealand's most exciting technology and innovation companies sees him uniquely placed in understanding a broad range of technology trends as they come to market. Robbie is also a Trustee of The Tindall Foundation and the Finn Lowery Foundation.

COMMITTEES
- Disclosure Committee
- Corporate Governance and Nominations Committee
- People and Remuneration Committee
- Health, Safety and Wellbeing Committee

OTHER DIRECTORSHIPS
- K One W One Limited
- Foundation Services Limited
- The Tindall Foundation (Trustee)
- Finn Lowery Foundation (Trustee)

Dean Hamilton BCA
Independent Non-Executive Director

Dean has significant CEO and financial markets experience. Most recently he was CEO of Silver Fern Farms Limited, where he led the business successfully through a period of significant change and improvement in financial performance, staff and supplier engagement, sustainability, and consumer trust in brand. His prior experience includes 12 years at global investment bank Deutsche Bank, working in both Australia and New Zealand, where he advised a wide range of companies on mergers and acquisitions, capital management, corporate restructuring and capital raising.

COMMITTEES
- Audit and Risk Committee (Chair)
- Disclosure Committee (Chair)
- Health, Safety and Wellbeing Committee
- Corporate Governance and Nomination Committee

OTHER DIRECTORSHIPS
- Fulton Hogan Limited (Chair)
- Auckland International Airport Limited
- Tappenden Holdings Limited
- Ryman Healthcare Limited (Chair)

John Journee
BCom, CFinstD, MAICD
Independent Non-Executive Director

John has had an extensive retail career, including executive experience across sectors that span general merchandise, fashion apparel, FMCG, consumer electronics, telecommunications, hospitality and electricity retailing. Over his 30 year career he has spent 15 years with The Warehouse Group, starting as a joint-venture partner in 1990 and progressing through senior roles in operations, marketing, merchandise, international sourcing and business development. John has also held CEO roles with Noel Leeming and foodservice distributor Southern Hospitality.

COMMITTEES
- Audit and Risk Committee
- Health, Safety and Wellbeing Committee
- Environmental and Social Sustainability Committee

OTHER DIRECTORSHIPS
- Farmlands Society
- Colonial Motor Company Limited
- West Auckland Trust Services Limited
- Advisory Board Member – Data Insights Group Limited

Caroline Rainsford BCom
Independent Non-Executive Director

Caroline is the Country Director for Google NZ, where she is responsible for driving the overall revenue and business strategy for New Zealand. Partnering with government, policy teams and New Zealand business leaders, she is focused on helping New Zealand businesses grow and transform in the digital age. Prior to joining Google in 2017, Caroline was the Marketing and Product Director for the Latitude NZ (previously GE Capital) business as well as the Brand Director for the Australian and New Zealand regions. Her earlier career included roles with Philips Royal Electronics in the Middle East, Turkey and Africa. Caroline holds a Bachelor of Commerce (Hons) from the University of Auckland.

COMMITTEES
- Health, Safety and Wellbeing Committee
- People and Remuneration Committee

FUTURE DIRECTOR

Jeremy O'Brien BCom (Hons)
Future Director

Jeremy is a highly experienced senior executive who excels in strategy, sales and marketing, with significant business experience across a number of industries ranging from aviation, financial services, telecommunications, food and beverage and media.

He holds the position of General Manager, Short Haul Airline at Air New Zealand, where he is responsible for commercial and customer delivery across Air New Zealand's Tasman and Pacific Islands network. Prior to this Jeremy held the position of General Manager, Brand and Marketing where he led the group brand and marketing division for Air New Zealand comprising global brand strategy, marketing strategy, digital marketing, retail marketing, loyalty marketing, social media, tourism, regional affairs, cultural affairs, customer research and in-house media planning and strategy.

He completed an Accelerated Development Programme at the London Business School in 2011 and has a BCom (Hons) in Marketing from the University of Otago.

Jeremy joined The Warehouse Group as a Future Director in April 2023.

LEADERSHIP SQUAD

Our Leadership Squad sets business strategy and empowers our teams to deliver for our customers.

The Leadership Squad leverages a 'collective leadership' model, fostering an environment where cross-functional teams work collaboratively towards achieving a mission. This model focuses on working together to lead the business in an ever-changing environment, with most areas of our business having two Leadership Squad co-sponsors.

Nick Grayston

Group Chief Executive Officer

Nick was appointed Chief Executive of the Group in December 2015. His role focuses on building a profitable and sustainable business and leading a high performing team, putting our customers at the heart of everything that we do. Nick has led the business through a significant transformational programme to modernise the Company and implement the infrastructure necessary to build a customer-centric ecosystem and make the company future fit.

As the leader of the Group, Nick works with the Board and the Leadership Squad to set the business strategy and drive our core values of think customer, do good and own it, ensuring that sustainability is woven into our thinking and planning and The Warehouse Group is here for good.

Jonathan Oram

Group Chief Financial Officer

Jonathan was appointed Group Chief Financial Officer in March 2018. He leads the finance, legal, compliance and risk, and property functions and co-sponsors the Business Solutions tribe. Jonathan resigned from the role of Chief Financial Officer in July and will leave the business in October.

Tania Benyon

Chief Product Officer

Tania is responsible for sourcing, merchandise and supply chain, building the best assortment of products for customers across our brands and ensuring they are delivered in the most efficient and timely fashion. She co-sponsors the Source to Customer Integrated Supply Chain, Supply Chain Execution, Nourish and Wellbeing, Technology, Dress My Family and Sports and Adventure tribes.

Ian Carter

Chief Store Operations Officer

Ian is responsible for developing and implementing store strategies that deliver great in-store experiences for our customers and team while maximising store sales and profitability. He co-sponsors the Group Store Sales, Group Business Operations, and Nourish and Business Solutions tribes.

Edwin Gear

Chief Information Officer

Edwin is responsible for leading the information services team, ensuring systems security and business continuity while leading technology transformation. He co-sponsors the Platforms, Productivity and Development, Group Business Operations, Source to Customer Integrated Supply Chain and Supply Chain Execution tribes.

Sarah Kearney

Chief Digital Officer

Sarah was appointed as our Chief Digital Officer in October 2021. She is responsible for our customer platforms, e-commerce channels and loyalty. Sarah co-sponsors that Group Online Sales, Customer Engagement, Platforms, Productivity and Development and Better Living tribes.

Richard Parker

Chief Human Resources Officer

Richard is responsible for attracting and retaining world-class retail talent and for ensuring that the Group is the best place to work in New Zealand for all of our team members. He co-sponsors the Human Resources, Agile COE and Executive Support functions.

Anna Shipley

Chief Corporate Affairs Officer

Anna leads our Corporate Affairs function and strategic approach, shaping and sharing the stories that matter most to our business and team, as well as with Kiwis across the country. She sponsors the Corporate Affairs function and co-sponsors the Better Living tribe, Business Sales and Partnerships Chapter, and the Customer Care Chapter.

Jonathan Waecker

Chief Customer and Sales Officer

Jonathan is responsible for maximising customer experiences and sales within the Group's brands, and for attracting, engaging and retaining customers through marketing, data and insights, customer experience, store operations and eCommerce activities, leading brand strategy, engaging customers and driving sales across the Group's portfolio of brands. He also co-sponsors the Group Store Sales, Customer Engagement, and Technology tribes as well as the Sustainability and Corporate Affairs functions.

Simon West

Chief Commercial Officer

Simon focuses on driving revenue and profitability across the Group, working to optimise margin and revenue management performance and ensuring it is consistent and connected across our brands. He co-sponsors the Sports and Adventure, Dress My Family and Group Online Sales tribes.

Left to right:
Rear: Edwin Gear, Richard Parker, Nick Grayston, Ian Carter, Anna Shipley.
Front: Jonathan Waecker, Jonathan Oram, Sarah Kearney, Tania Benyon, Simon West.

This governance statement was approved by the Board on 27 September 2023 and is current as at that date.

Principle 1 – ETHICAL STANDARDS

"Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation."

The Company is committed to fostering the highest standards of ethical behaviour and good conduct. We believe this is at the heart of having a reputation as a trusted and respected company that promotes honesty, integrity and ethical conduct across the organisation in decision-making and day-to-day behaviour.

Code of Ethics

The Company's Code of Ethics sets out the standards of conduct expected of everyone working at The Warehouse Group, including Directors, team members, contractors and any other person engaged by the Company. Anchored in the Company's vision of "Helping Kiwis Live Better Every Day" and purpose "to make sustainable living easy and affordable for everyone", the Code of Ethics sets out the principles that guide decision-making and sets expectations of the conduct that is consistent with the Company's values and behaviours, business goals and legal obligations. An introduction to the Code of Ethics forms part of the induction and training process of new employees.

The Company has an external hotline and web address (managed by an independent third party), which any employee can contact confidentially if they wish to report any misconduct or other concerning behaviour at The Warehouse Group, including breaches of the Code of Ethics.

The Code of Ethics also outlines the potential consequences of, and internal reporting procedures for, any breaches. Sanctions for breaches may include serious disciplinary action, removal from office and dismissal, to the extent permitted by law and as appropriate given the specific circumstances.

The Code of Ethics is available in the Corporate Governance section of the Company's website.

Financial Products Trading Policy

The Company is committed to transparency and fairness in dealing with all its stakeholders and to ensuring adherence to all applicable laws and regulations. The Financial Products Trading Policy governs trading in the Company's securities by Directors, team members and other associated persons. The policy and timing of black-out periods is set out in the Financial Products Trading Policy, which is available in the Corporate Governance section of our website.

Principle 2 – BOARD COMPOSITION AND PERFORMANCE

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

Responsibilities of the Board

The central role of the Board is to set the strategic direction of the Company, to select and appoint the Company's Group Chief Executive Officer (CEO) and to oversee the Company's management and business activities, with the primary objective to create and continue to build sustainable value for shareholders. This requires consideration of and regular engagement with all stakeholders that are critical to our success, including shareholders, employees, customers, suppliers and communities, as determined by the Company and the Board.

The Board Charter, which is available in the Corporate Governance section of the Company's website, sets out how the Board will achieve its purpose. The Charter is reviewed at least every two years and it was last reviewed and approved in September 2022. The Board's responsibilities, as described in the Charter, are set out in the adjacent table.

Management and administration of the Company is undertaken by the Group CEO, who is assisted by the Leadership Squad, in accordance with the strategy, plans and delegations approved by the Board. The Board has implemented appropriate procedures to enable Management to undertake its delegated duties and for performance to be assessed. More information can be found in the Remuneration section on page 99.

The Board

The Board comprises eight Directors: Joan Withers (Chair), Tony Balfour, Dean Hamilton, John Journee, Caroline Rainsford, Julia Raue, Rachel Taulelei and Robbie Tindall. Director profiles are available on pages 92 and 93.

Chair

Joan Withers is the chair of The Warehouse Group Board. She was first appointed in 2016, and she is an independent, non-executive director whose responsibilities include:

- Providing leadership to the board and to the company;
- Ensuring the efficient organisation and conduct of the Board;
- Monitoring board performance annually;
- Facilitating board discussions to ensure core issues facing the company are addressed;
- Briefing all Directors in relation to issues arising at board meetings;
- Facilitating the effective contribution and ongoing development of all Directors;
- Promoting consultative and respectful relations between board members and between the board and Management; and
- Chairing Board and shareholder meetings.

The Warehouse Group Board Charter states that the Board Chair must not also be the Company's Chief Executive Officer.

Director Appointments

Procedures for the appointment and removal of Directors are governed by the Company's Constitution and the NZX Listing Rules. The Corporate Governance and Nominations Committee is delegated responsibility for identifying and nominating, for the approval of the Board, candidates to fill Board vacancies as and when they arise. In doing so the Committee will seek to identify the necessary and desirable competencies which will ensure that any candidate it puts forward will enable the Board to:

- Fulfil its responsibilities;
- Represent a variety of skills, expertise and experience (including commercial and/or industry experience and diversity of background and thought); and
- Competently address accounting, finance and legal matters.

The terms and conditions of appointment are set out in a letter of appointment that details the Director's duties, term of appointment (subject to shareholder approval), expectations of the role and remuneration. A copy of the standard letter is available in the Corporate Governance section of the Company's website.

The Company indemnifies and provides insurance to Directors in accordance with the Companies Act 1993, for certain claims that may be brought against them as directors.

Board responsibilities

Strategy and Planning	• Set strategic direction and appropriate operating frameworks; • Monitor Management's performance within those frameworks;
People Resources	• Ensure that the Board is and remains appropriately skilled to meet the changing needs of the Company; • Ensure there are adequate resources available to meet the Company's objectives; • Appoint and remove the Group CEO and oversee succession plans for the Leadership Squad; • Set criteria for, and evaluate the performance of, the Group CEO and approve their remuneration; • Annually review, approve and adopt the Diversity and Inclusion Policy and diversity objectives, and measure achievement against the objectives;
Financial Performance and Risk	• Approve and monitor financial reporting and capital management including the payment of dividends; • Monitor the financial solvency of the Company; • Subject to shareholder approval being granted, approve the appointment and retention of the external auditor; • Ensure that effective risk management procedures are in place and are being used;
Health and Safety	• Ensure, so far is reasonably practicable, a safe and healthy working environment is provided and maintained for all employees, customers, contractors and visitors; and
Ethical Behaviour and Corporate Governance	• Promote and authorise ethical and responsible decision-making by the Company; • Ensure the Company has appropriate corporate governance structures in place including standards of ethical behaviour; • Approve timely and balanced communication to shareholders.

Director Induction and Development

When appointed to the Board, all new directors undergo a detailed induction programme to familiarise them with the Company's businesses and strategy.

Ongoing training includes briefings by senior management and guest speakers on relevant industry and competitive issues, occasional overseas study tours and site visits.

Director Independence and Conflicts

The factors that the Board considers when determining the independence of a Director, including the requirements of the NZX Listing Rules, are set out in full in the Board Charter. The Board assesses the independence of each Director on their appointment and at least annually thereafter.

Of the Board's eight Directors, Joan Withers (Chair), Tony Balfour, Dean Hamilton, John Journee, Caroline Rainsford, Julia Raue and Rachel Taulelei are considered to be independent non-executive directors. The Board acknowledges the length of tenure as directors of Tony Balfour and John Journee, 11 years and 10 years, respectively. The Board considers that Tony and John each continue to bring an independent view to all discussions relating to the Company. In addition, new Directors were appointed in each of 2020, 2021 and 2022, and the Board considers that the retention of the institutional knowledge held by Tony and John remains valuable to the Board. Robbie Tindall is not considered to be independent, by virtue of his association with various shareholdings in the Company.

The Board is conscious of its obligation to ensure that Directors avoid conflicts of interest between their duty to the Company and their own interests. Where potential conflicts of interest arise then the Director must disclose their interest. Directors and team members are required to minimise any potential conflicts, in accordance with the Company's Code of Ethics.

Board Structure, Skills and Composition

The Board comprises Directors with a mix of qualifications, skills and experience appropriate to the Company's existing operations and strategic direction. A comprehensive matrix of director skills is set out below, and qualifications and experience of individual directors are detailed on pages 92 and 93.

Future Directors Programme

Continuing the Company's commitment to supporting the next generation of governance talent in New Zealand as part of the Future Directors initiative administered by the New Zealand Institute of Directors, the Board appointed Jeremy O'Brien as a Future Director in April 2023.

Takeover Protocols

The Company has takeover protocols in place that meet the requirements of the NZX Code.

Relevant Board Skills to execute Group Strategy	Joan Withers	John Journee	Robbie Tindall	Julia Raue	Tony Balfour	Dean Hamilton	Rachel Taulelei	Caroline Rainsford
Industry specific								
Operational experience in the retail industry		Primary	Primary		Primary	Secondary	Secondary	Secondary
Brand, marketing and customer experience	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary
Integrated retail experience		Primary	Secondary	Secondary	Secondary		Secondary	Secondary
Digital and technology experience	Secondary	Secondary	Secondary	Primary	Secondary			Primary
Direct sourcing experience		Primary	Primary					
Logistics experience		Secondary	Secondary			Secondary	Secondary	
Specific to Group strategy								
Development of a high-performance culture	Primary	Secondary		Primary	Primary	Primary	Primary	Primary
Senior leadership of change management at scale	Primary	Primary		Primary	Secondary	Primary	Primary	Primary
Transformation and business disruption experience	Primary	Primary	Secondary	Primary	Secondary	Primary	Primary	Primary
Innovation and entrepreneurism	Secondary	Secondary	Primary		Primary		Primary	Primary
Government relations	Primary					Secondary	Primary	Primary
Union relations	Secondary					Secondary	Secondary	
Environment and Corporate Social Responsibility experience	Secondary		Secondary	Secondary	Secondary	Primary	Primary	
Subject-matter expertise								
Development and execution of business strategy	Primary	Primary	Secondary	Primary	Primary	Primary	Primary	Primary
Governance experience	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Secondary
Large company leadership experience	Primary	Primary		Secondary	Primary	Primary	Primary	Primary
Finance Accounting expertise	Secondary	Secondary	Secondary		Secondary	Primary	Secondary	Secondary
Audit committee/risk management experience	Primary	Secondary		Secondary		Primary	Secondary	Secondary
Regulatory knowledge and experience	Primary					Secondary		Primary
Health and safety experience	Secondary	Secondary	Secondary	Primary	Secondary	Primary	Primary	Secondary
HR/Learning and development experience	Secondary	Secondary	Secondary	Secondary	Primary	Secondary	Secondary	Primary
Financial markets experience	Secondary		Secondary			Primary		
Community and iwi relationships	Primary		Secondary				Primary	
Shareholder and investor relations experience	Primary				Secondary	Primary		Secondary

Primary skills   Secondary skills

Board Evaluation

The Chair, with the assistance of appropriate external advisors, regularly assesses the performance of individual directors, while directors also assess the collective performance of the Board and the performance of the Chair. Formal, external facilitated evaluations are conducted regularly, with one undertaken in 2023.

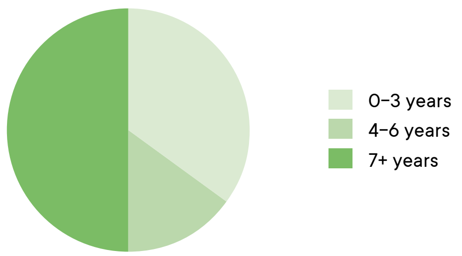
Board Tenure

The Constitution provides that the minimum size of the Board shall not at any time be fewer than five and the Board has fixed the maximum number of Directors to be 10. Each year, any director who is required by the NZX Listing Rules or the Company's Constitution to retire will retire from office and may offer themselves for re-election at the Annual Shareholders' Meeting.

The Board does not believe that any Director has served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company. New Directors were appointed to the Board in 2020, 2021 and 2022, and the Board considers that it has an appropriate balance of tenure.

Name of Director	Originally Appointed	Last Reappointed/Elected
Joan Withers	23 September 2016	25 November 2022
Julia Raue	23 September 2016	25 November 2022
Antony (Tony) Balfour	15 October 2012	26 November 2021
John Journee	17 October 2013	26 November 2021
Dean Hamilton	20 April 2020	27 November 2020
Robert (Robbie) Tindall	27 November 2020	27 November 2020
Rachel Taulelei	12 February 2021	26 November 2021
Caroline Rainsford	30 August 2022	25 November 2022

Director Tenure



Principle 3 - BOARD COMMITTEES

"The Board should use committees where this will enhance its effectiveness in key areas, while still retaining Board responsibility."

The Board has established committees that focus on particular areas of the Board's responsibilities and together ensure the efficient performance of the Board, and the achievement of corporate governance outcomes. The committees report to the Board on all material matters and issues requiring Board decisions. From time to time, the Board may create ad hoc committees to examine specific issues on its behalf. The current committee structure is set out in the table below.

COMMITTEE	ROLES AND RESPONSIBILITIES	MEMBERSHIP	MEETINGS
People and Remuneration Committee	Review and make recommendations in relation to the human resources strategy, the Company's remuneration policies and practices, and the remuneration and performance of the Group Chief Executive Officer.	Comprised a majority of non-executive, independent directors. Current members: • Tony Balfour (Chair) • Joan Withers • Robbie Tindall • Rachel Taulelei • Caroline Rainsford	At least twice a year
Corporate Governance and Nominations Committee	Ensure a high level of corporate governance through continuous monitoring of international corporate governance best practice as promulgated by the relevant authoritative bodies. Ensure that the Board is populated with an appropriate mix of skills and experience among it's members, who collectively provides the diversity of thought and judgement required.	Comprised a majority of independent directors. Current members: • Joan Withers (Chair) • Tony Balfour • Dean Hamilton • Robbie Tindall	At least once a year
Disclosure Committee	Support the Company in meeting its disclosure obligations as set out in the NZX Listing Rules, the Companies Act 1993 and any other applicable regulations.	Comprised the Board Chair, Chair of the Audit and Risk Committee, Group Chief Executive Officer, Chief Financial Officer, Disclosure Officer and any other director appointed by the Board as a member. Current members: • Dean Hamilton (Chair) • Joan Withers • Robbie Tindall • Group CEO, CFO and Company Secretary	Held as required
Audit and Risk Committee	Assist the Board to fulfil its risk and audit responsibilities.	Comprised at least three independent directors. The Chair will be independent and may not be the Chair of the Company. Current members: • Dean Hamilton (Chair) • Joan Withers • John Journee • Julia Raue	At least three times each year
Health, Safety and Wellbeing Committee	Assist the Board to govern health, safety and wellbeing.	Comprised all Directors. Chair: Julia Raue	At the discretion of the Committee Chair
Environmental and Social Sustainability Committee	Assist the Board to govern the Company's environmental, social and sustainability responsibilities.	Comprised a majority of independent directors and the Group Chief Executive Officer. Current members: • Rachel Taulelei (Chair) • Tony Balfour • Julia Raue • John Journee • Joan Withers • Group CEO	At least four times each year

BOARD MEETINGS AND ATTENDANCE

The table below outlines the number of meetings of the Board and Board committees during the year ended 30 July 2023 and director attendance at these meetings

	Board	Audit and Risk Committee	People and Remuneration Committee	Corporate Governance and Nomination Committee	Health, Safety and Wellbeing Committee	Disclosure Committee	Environmental and Social Sustainability Committee
Number of Meetings	13	6	4	3	4	4	4
Joan Withers	13	6	4	3	4	4	4
Tony Balfour	12		4	3	3	1[1]	3
John Journee	13	5			3	2[1]	4
Dean Hamilton	13	6		3	4	4	
Caroline Rainsford [2]	13		2		3[2]	1[1]	1[1]
Julia Raue	12	6			4		3
Rachel Taulelei	13		4		2	1[1]	4
Robbie Tindall	13		4	3	4	4	

[1] Non-committee member in attendance [2] Appointed to the Board on 30 August 2022 and the People and Remuneration Committee in November 2022.

Principle 4 – REPORTING AND DISCLOSURE

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

The Board is committed to providing full and timely financial and non-financial information that is accurate, balanced, meaningful and consistent. As a listed company, keeping the market informed is a key component to ensuring that its securities are valued fairly.

Market Disclosure Policy

The Board has a Market Disclosure Policy that describes the processes designed to ensure that the Company meets its reporting and disclosure objectives and all disclosure obligations under the NZX Listing Rules.

To assist the Company with its Market Disclosure Policy, the Board has appointed a Disclosure Committee. The Committee is responsible for making decisions on what should be disclosed publicly under the Market Disclosure Policy. The Company Secretary is the Disclosure Officer of the Company and has responsibility for ensuring compliance with the continuous disclosure requirements and overseeing and co-ordinating disclosure to the market.

Publication of Key Governance Documents

The Company publishes its Code of Ethics, Board and Committee Charters, Director Letter of Appointment and key Company policies in the Corporate Governance section of its website, thewarehousegroup.co.nz.

Financial Reporting

The Audit and Risk Committee oversees the quality and integrity of external financial reporting including the accuracy, completeness and timeliness of financial statements and is committed to providing balanced, clear and objective financial reporting.

It reviews half-yearly and annual financial statements and makes recommendations to the Board concerning accounting policies, areas of judgement, compliance with accounting standards, stock exchange and legal requirements, and the results of the external and internal audit.

Management accountability for the integrity of the Company's financial reporting is reinforced by certification from the Group CEO and the Group CFO. The Group CEO and CFO have provided the Board with written confirmation that the Company's financial report presents a true and fair view, in all material respects, of the Company's financial position for the year ended 30 July 2023, and that operational results are in accordance with relevant accounting standards.

Non-financial Reporting

Communities and the environment are at the heart of the Company's culture. The Company reports annually its financial and non-financial contribution to the community, as well as audited figures on its greenhouse gas emissions. The Company's philosophy, achievements, and material environmental, economic and social risks are outlined in its Integrated Report.

Use of Information by Directors

During the financial year, there were no notices from Directors of the Company, or its subsidiary companies, requesting to disclose or use Company information received in their capacities as Directors of the Company or its subsidiary companies which would not otherwise have been available to them.

Principle 5 – REMUNERATION

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

The Company's remuneration philosophy, policy and details regarding Director and executive remuneration (including remuneration components and performance criteria) are discussed on the following pages.

Group Remuneration Philosophy

The Group's Remuneration Policy supports its objective to attract, retain and motivate high-calibre diverse team members to achieve the Company's business objectives and create shareholder value.

The Group's Remuneration Policy is guided by the principles that remuneration practice should:

- Be clearly aligned with the Group's vision, values and corporate strategy;
- Support the attraction, retention and engagement of team members;
- Appropriately reflect market practice and conditions;
- Recognise individual performance and competency; and
- Recognise team and company performance and the creation of shareholder value.

Leadership Squad Remuneration

The Chief Executive Officer and direct reports to the Chief Executive Officer (Leadership Squad or LS) have their remuneration reviewed annually by the People and Remuneration Committee. From time to time third-party remuneration consultants are also used to benchmark total remuneration packages of the LS against a peer group of companies. The People and Remuneration Committee recommends to the Board for approval any proposed changes. The remuneration of the LS is made up of the following components:

- Fixed annual base salary;
- Short-term incentives based on the Group's financial targets and individual performance targets; and
- Long-term incentives based on Total Shareholder Return with cost of equity plus 1% being used as the performance measure over a three-year period.

The individual objectives of each LS member that impact their fixed base salary and short-term incentives are tied to a variety of matters, including impact on team members and customers. These metrics are assessed using measures such as eNPS and perfect shopping trip scores. LS members are also eligible to receive an employer KiwiSaver contribution of up to a maximum of 3% of gross taxable earnings if they belong to the KiwiSaver scheme.

Short-Term Incentives

The Group's short-term incentive scheme (STI) for the Leadership Squad is designed to link at-risk incentive payments to the achievement of the Group's desired financial outcomes and to recognise participants' individual contribution to the Group's success. The targets are reviewed and set each year. In FY23, Group Earnings before interest and taxes (EBIT) was set as the financial measure, to ensure that the company linked its planned top-line growth to incentive payments. The financial component was weighted at a total of 70% of the total on-target incentive. For the individual component, each participant was set a number of objectives and key results, and the individual performance was weighted at a total of 30% of the total on-target incentive. The STI on-target dollar value for each LS participant ranges from 40% to 50% of base salary. The maximum payment under the STI scheme is reviewed and set each year and this year was 120% of the on-target dollar value.

Long-Term Incentives

Members of the Leadership Squad are eligible to participate in the Group's long-term incentive (LTI) scheme. The objectives of the LTI scheme are to:

- Provide an award to eligible LS members who are considered to be key to the future success of the Group as an incentive in order to retain the services of those eligible LS members in the future;
- Provide an award to eligible LS members as a retention strategy;
- Ensure the long-term incentives of the eligible LS members are more closely aligned with Shareholder outcomes; and
- Recognise and reward the future performance of eligible LS members and their contribution to the future success of the Group by providing an award to those eligible LS members.

The current scheme is a cash-settled scheme and the performance target is absolute TSR against the Group's cost of equity plus 1% over a three-year performance period. The LTI on-target dollar value for each LS participant is 40% of base salary and the Chief Executive Officer's is 50% of base salary. Payment under the scheme is capped and that cap is reviewed each year. The current cap is 150% of the on-target dollar value. The Group's long-term incentive scheme has clawback provisions enabling the Group to clawback awards that have vested in the event of certain types of activity including fraud, dishonesty, and material financial misstatements.

DIRECTORS' REMUNERATION

The current Directors' fee pool limit is $990,000, which was approved by the shareholders at the 26 November 2021 Annual Shareholders' Meeting. Fees are paid for Board and committee roles as indicated below. Directors are reimbursed for reasonable travel and other costs associated with fulfilling their role. The Chair does not receive additional fees for membership of Board committees.

Director Remuneration

Board/Committee Name	Position	Fees (Per Annum)
Board of Directors	Chair	$182,600[1]
	Member	$87,000
Audit and Risk Committee	Chair	$27,500
	Member	$10,000
People and Remuneration Committee	Chair	$25,000
	Member	$6,600
Health, Safety and Wellbeing Committee	Chair	$20,000
	Member	-
Environmental and Social Sustainability Committee	Chair	$20,000
	Member	$6,600
Corporate Governance and Nomination Committee	Chair	-
	Member	-
Disclosure Committee	Chair	-
	Member	-

[1] Includes attendances at committee meetings

DIRECTOR REMUNERATION FY23

The fees paid to non-executive directors for services in their capacity as Directors during the year ended 30 July 2023, totalling $934,617, were paid as set out below.

Name of Director	Board Fees[1]	Audit and Risk Committee[1]	People and Remuneration Committee[1]	Corporate Governance and Nominations Committee	Disclosure Committee	Health, Safety and Wellbeing Committee[1]	Environmental and Social Sustainability Committee[5]	Shares and Other Payments or Benefits	Total Individual Remuneration
Joan Withers (Chair)	$182,600 (Chair)	- (member)	- (member)	- (Chair)	- (member)	- (member)	- (member)	-	$182,600
Tony Balfour	$87,000	-	$25,000 (Chair)	- (member)	-	- (member)	$6,600 (member)	-	$118,600
John Journee[1]	$87,000	$10,000 (member)		-	-	- (member)	$6,600 (member)	-	$103,600
Dean Hamilton[2]	$87,000	$27,500 (Chair)		- (member)	- (Chair)	- (member)	-	-	$114,500
Caroline Rainsford[3]	$80,117		$4,400 (member)	-	-	- (member)		-	$84,517
Julia Raue	$87,000	$10,000 (member)		-	-	$20,000 (Chair)[1]	$6,600 (member)	-	$123,600
Rachel Taulelei	$87,000		$6,600 (member)	-	-	- (member)	$20,000 (Chair)	-	$113,600
Robbie Tindall[4]	$87,000	-	$6,600 (member)	- (member)	- (member)	- (member)	-	-	$93,600

[1] John Journee received an additional fee of $6,785 as a director of subsidiary company TheMarket.com Limited from 1 August 2022 to 1 March 2023.
[2] Dean Hamilton received an additional fee of $6,785 as a director of subsidiary company TheMarket.com Limited from 1 August 2022 to 1 March 2023.
[3] Caroline Rainsford was appointed as a Director on 30 August 2022 and a member of the People and Remuneration Committee in November 2022.
[4] Robbie Tindall received an additional fee of $6,785 as a director of subsidiary company TheMarket.com Limited from 1 August 2022 to 1 March 2023.

REMUNERATION REPORT

1. CEO remuneration 2023 ($ 000s)

	Base Package			Pay for Performance			
	Salary	Taxable Benefits	Subtotal	STI	LTI	Subtotal	Total Remuneration
Nick Grayston	1,588	81	1,669	189	935	1,124	2,793

2. 5 year summary of CEO remuneration ($ 000s)

Year	Group CEO	Total Earnings Paid	Base	Taxable Benefits	STI	STI as % of Maximum	LTI
2023	Nick Grayston	2,793	1,588	81	189	20%	935
2022	Nick Grayston	3,568	1,513	103	877	97%	1,075
2021	Nick Grayston	2,378	1,461	69	-	-	848
2020	Nick Grayston	2,862	1,461	97	-	-	1,304
2019	Nick Grayston	1,972	1,435	66	471	48%	-

Explanation of the above items

1. The 2023 Long Term Incentive (LTI) value above relates to the FY20 – FY22 LTI scheme but was paid in FY23. The performance targets for the FY21–FY23 LTI and FY23 STI schemes were not achieved and accordingly no payments will be paid in FY24 under either scheme.
2. The STI payment is a discretionary STI payment and the first of two discretionary STI payments as the FY22 STI target was not achieved. The second deferred discretionary STI payment of $567,183 will be paid in FY24.
3. The actual remuneration paid includes holiday pay paid as per New Zealand legislation.
4. Taxable benefits are the value of employer KiwiSaver contributions.

3. Breakdown of CEO pay for performance (2023)

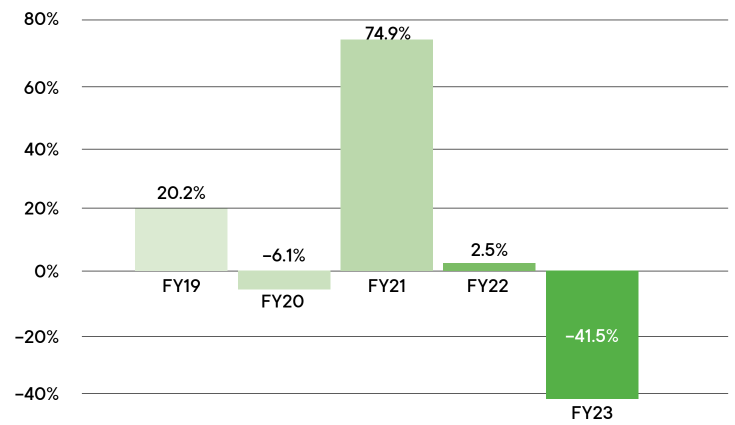
	Description	Performance Measures	Percentage Achieved
Short-Term Incentive (STI)	Set at 50% of base salary for on target performance. Combination of financial and non-financial performance measures.	**Financial measures: 70% weighting:** **The financial measures are based on achieving Group EBIT budget (excluding STI).**	0%
	For this to be payable, the Group must firstly achieve a gate opener of 90% of the Adjusted NPAT budget and a minimum level of individual performance must be achieved.	**Individual measures 30% weighting:** Individual goals relate to delivery of strategic priorities, delivering core business drivers and building capabilities.	0%
Long-Term Incentive (LTI) for the 3 years FY20–FY22.	Cash based scheme. Potential 50% of base salary for on target performance.	100% weighting based on the three-year Group Adjusted NPAT calculated as a percentage of the budgeted Group Adjusted NPAT. 50% of potential paid if 95% or greater of target achieved, increasing to a maximum of 150% for achievement of 125% and above.	128%

4. CEO retention incentive arrangement

In FY23 the Group awarded the CEO 1.6 million share rights in The Warehouse Group Limited as part of a long-term retention incentive arrangement. For each share right, the CEO is eligible to be issued or transferred, for nil cash consideration and before tax, one fully paid ordinary share on 1 October 2026 (together with dividend equivalents).

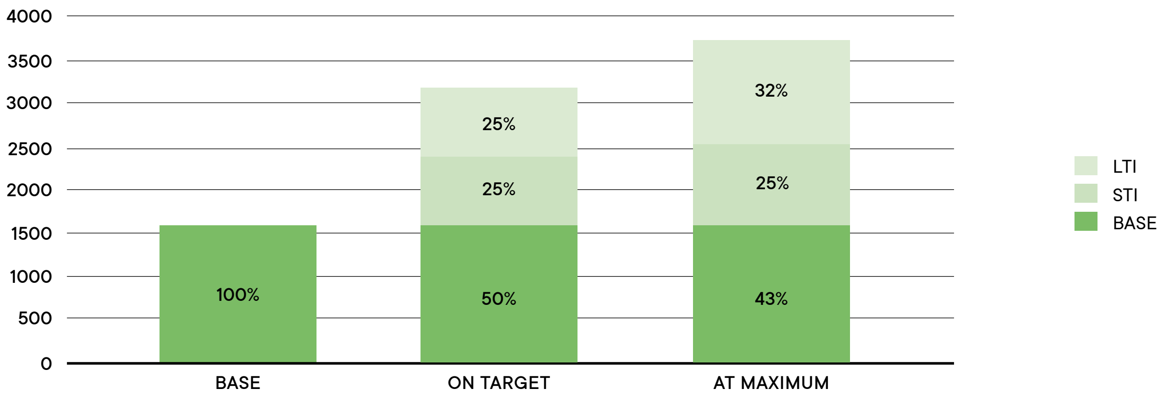
The issuing or transferring of the ordinary shares is subject to the CEO remaining employed by the Group through to 1 October 2026, unless otherwise agreed with the Board, meeting certain performance criteria determined by the Board, and subject to the CEO developing potential internal successors by August 2024 that are approved by the Chair.

5. Five year summary of Total Shareholder Return performance



REMUNERATION REPORT (CONTINUED)

6. Potential CEO remuneration (2024)



	Base Package 2024			Pay for Performance at Target 2024			
$ 000	Salary	Taxable Benefits	Subtotal	STI	LTI	Subtotal	Total Remuneration
Nick Grayston	1,588	48	1,636	794	794	1,588	3,224

Explanation: Base salary remains at $1.588 million for the financial year. STI is 50% of base salary for on-target performance and the maximum payment is 120% of the STI target dollar value. The gate for payment is 90% of 2024 Group Adjusted NPAT budget. The STI is split: 70% based on Group financial results and 30% individual performance against goals. LTI is 50% of base salary, settled in cash, and is payable at the end of the three-year performance period if The Warehouse Group's target of absolute TSR against the Company's cost of equity plus 1% is achieved for the three-year period.

7. Scheme investments awarded to CEO

Year Invited	% of Salary	Settlement	Performance Period	Measure
FY20	50%	Cash	August 2019 to July 2022	Three-year Group Adjusted NPAT achieved calculated as a percentage of the budgeted Group Adjusted NPAT.
FY21	50%	Cash	August 2020 to July 2023	Absolute TSR against the Company's cost of equity plus 1% over a three-year performance period
FY22	50%	Cash/Shares	August 2021 to July 2024	Absolute TSR against the Company's cost of equity plus 1% over a three-year performance period
FY23	50%	Cash	August 2022 to July 2025	Absolute TSR against the Company's cost of equity plus 1% over a three-year performance period
FY24	50%	Cash	August 2023 to July 2026	Absolute TSR against the Company's cost of equity plus 1% over a three-year performance period

TSR measure ensures Management's long-term incentives (LTIs) are more closely aligned to shareholder outcomes. The maximum payment under the FY22 to FY24 LTI schemes is 150% of the LTI target dollar amount.

8. Additional disclosures

Description	Performance Measures
1. TSR Methodology	Total Shareholder Return has been calculated as the movement in the share price during the period plus any dividends paid.
2. Board Discretion	The Board of Directors exercised discretion with regard to the CEO's FY22 STI as set out in the notes in section 2 above.
3. Omissions	No information has been omitted relating to CEO remuneration.
4. Any Other Items	There are no other items payable to the CEO that have not been disclosed.
5. Benefits	There are no benefits attributable to the CEO due to any loans made.
6. Withholdings	No part of the CEO remuneration has been withheld for any purpose.
7. Related Parties	No related parties are involved with the CEO remuneration.

The ratio of CEO total remuneration to the median The Warehouse Group employee total remuneration paid in FY23 is 57:1. This ratio reflects the fact that approximately 80% of The Warehouse Group's 11,000 team members are employed in its stores and distribution centres and are paid retail market rates for those roles.

The CEO's total remuneration decreased by 22% while the median employee remuneration increased 4% in FY23, resulting in a compensation ratio of −6:1, being the ratio of percentage decrease in CEO total compensation to the increase in median total compensation for all employees.

TEAM MEMBERS' REMUNERATION

Grouped below are the number of team members or former team members, not being Directors or former Directors, who received remuneration and other benefits valued at or exceeding $100,000 during the period 1 August 2022 to 30 July 2023.

Remuneration includes redundancy payments and termination payments made during the year to team members whose remuneration would not otherwise have been included in the table reported below.

Remuneration ($ 000)	Number of Team Members
100 - 110	132
110 - 120	103
120 - 130	100
130 - 140	81
140 - 150	81
150 - 160	50
160 - 170	24
170 - 180	47
180 - 190	41
190 - 200	16
200 - 210	13
210 - 220	19
220 - 230	13
230 - 240	6
240 - 250	8
250 - 260	5

Remuneration ($ 000)	Number of Team Members
260 - 270	4
270 - 280	6
280 - 290	6
290 - 300	1
300 - 310	4
310 - 320	4
320 - 330	1
330 - 340	7
340 - 350	1
350 - 360	1
360 - 370	2
370 - 380	2
390 - 400	3
400 - 410	1
410 - 420	3
420 - 430	1

Remuneration ($ 000)	Number of Team Members
430 - 440	1
440 - 450	1
590 - 600	1
620 - 630	1
670 - 680	1
680 - 690	1
730 - 740	1
770 - 780	1
890 - 900	1
1,030 - 1,040	1
1,070 - 1,080	1
1,100 - 1,110	1
1,120 - 1,130	1
2,790 - 2,800	1

Principle 6 – RISK MANAGEMENT

"Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks."

Risk Management Framework

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

Material Risks Identified

Information on material risks the Company faces and how they are managed is set out on page 30.

Risk Management Roles and Responsibilities

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

Risk Monitoring and Evaluation

While the Board is ultimately responsible for the risk management of the Company, the Audit and Risk Committee reviews the reports of Management and the external and internal auditors on the effectiveness of systems for internal control, financial reporting and risk management. To assist in discharging this responsibility, the Board has in place a number of strategies designed to safeguard the Company's assets and interests and ensure the integrity of reporting. These reports include quarterly reviews of store audit results and quarterly reports on internal audit findings.

Health and Safety

The Company's approach and process on health and safety matters are set out on pages 46 and 47.

Principle 7 – AUDITORS

"The Board should ensure the quality and independence of the external audit process."

Approach to Audit Governance

The independence of the external auditor is of particular importance to shareholders and the Board. The Audit and Risk Committee is responsible for overseeing the external audit of the Company. Accordingly, it monitors developments in the areas of audit to ensure its policies and practices are consistent with best practice in these areas.

The Board has adopted a policy on audit independence, the key elements of which are:

- The external auditor must remain independent of the Company at all times and must comply with all relevant ethical requirements and professional standards regarding independence;
- The external auditor must monitor its independence and annually report to the Board that it has remained independent;
- The audit firm is permitted to provide certain non-audit services, set out in the Audit and Risk Committee Charter, that are not considered to be in conflict with the preservation of the independence of the auditor; and
- The Audit and Risk Committee must approve all non-audit work assignments that are awarded to an external auditor, and the value of non-audit work must be reported at every Board meeting.

Engagement of the External Auditor

The Company's external auditor is PricewaterhouseCoopers (PwC). PwC was appointed by the Company's shareholders at the 2004 Annual Shareholders' Meeting in accordance with the provisions of the Companies Act 1993 (Act). PwC is automatically reappointed as auditor under section 207T of the Act.

Attendance at the Annual Shareholders' Meeting

PwC, as auditor of the 2023 Financial Statements, has been invited to attend this year's Annual Shareholders' Meeting and will be available to answer questions about the conduct of the audit, preparation and content of the auditor's report, accounting policies adopted by the Company and the independence of the auditor in relation to the conduct of the audit.

The Company's corporate legal advisors, Russell McVeagh, will also attend the Annual Shareholders' Meeting.

Internal Audit

The Company has an internal audit function that is independent of the Company's external auditors. The internal audit function of the Company is undertaken by Ernst & Young and the Company's own internal audit teams. The respective internal audit teams report to and are directed by the Audit and Risk Committee.

Each year, the internal audit programme is approved by the Audit and Risk Committee. The programme of audit work considers the most significant areas of business risk in the Company and is developed following discussions with Management, review of the business process model of the Company and consideration of strategic risks relevant to the Company. The programme also considers risks in relation to major projects that are planned or currently under way.

The role of internal audit is to:

- Assess the design and operating effectiveness of controls governing key operations, processes and business risks;
- Provide the Board with an assessment, independent of Management, as to the adequacy of the Company's internal operating and financial controls, business processes, systems and practices; and
- Assist the Board in meeting its corporate governance and regulatory responsibilities.

Principle 8 – SHAREHOLDER RIGHTS AND RELATIONS

"The Board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer."

The Company is committed to providing a high standard of communication to its investors. The Company believes effective communication achieved by equal access to timely, accurate and complete information that allows investors to make informed assessments of the Company's value and prospects. Investor communication is governed by the Company's Investor Communications Policy.

The Company has an investor relations programme which includes communication through:

- Periodic and continuous disclosure to the NZX;
- Annual reports;
- The Annual Shareholders' Meeting;
- The Company's website, which includes financial and operational information, and key corporate governance information; and
- Analyst and investor briefings and roadshows.

Engagement with Investors

The Company values its dialogue with strategic stakeholders, institutional and retail investors, and believes effective engagement benefits both the Company and investors. Annual Shareholders' Meetings, analyst and investor briefings and roadshows provide an important opportunity for this dialogue. Shareholders have the opportunity to also submit questions and comments through investors@thewarehouse.co.nz.

Website

The Company's website contains a comprehensive set of investor-related material and data, including NZX disclosures and media releases, interim and annual reports, share price and dividend information, shareholder meeting materials and the Company's governance charters and policies.

Annual Shareholders' Meeting (ASM)

The ASM provides an opportunity for Directors, the Group CEO, the Leadership Squad, and the Company's external auditor to meet shareholders and answer any questions they may have.

The ASM is held at a convenient time and location. The 2022 ASM was held as a hybrid meeting (being a combination of the physical meeting as well as a virtual online meeting) on 25 November 2022. The Notice of Meeting was published on 26 October 2022. The 2023 ASM will be held on 24 November 2023.

In accordance with the Companies Act 1993 and NZX Listing Rules, the Company refers any significant matters to shareholders for approval at the ASM, and shareholders are given the opportunity to vote by proxy ahead of the meeting or by polling if attending the meeting in person or online.

ELECTRONIC COMMUNICATION

The Company moved to electronic reporting in 2016, noting a key component of the Company's strategy is cost effectiveness and minimising the Company's impact on the environment. Shareholders can request a hard copy of the Annual Report to be mailed to them free of charge by contacting Computershare, the Company's share registrar. Shareholders are encouraged to provide their email addresses to Computershare to enable them to receive all other shareholder materials electronically.

Computershare Investor Services Limited

Telephone: +64 9 488 8777

Email: enquiry@computershare.co.nz

CELEBRATING DIVERSITY AND INCLUSION

Diversity of gender, skill, age, experience and beliefs are valued and the provision of equal opportunities for all employees and those looking to join the Company is fundamental to the way we operate as a business. For the year ended 30 July 2023 the Board is satisfied that the Company achieved its gender diversity objectives and other measurable objectives. Details regarding the Company's Diversity and Inclusion Policy, goals and performance criteria are detailed below.

The Group strives to create a workplace where our people can bring their whole selves to work. Not only is this the right thing to do for our team members, we also believe that a diverse team and an inclusive workplace leads to more innovation, better decision-making, more opportunities for all our people and the communities in which we operate, and better performance outcomes for the Company. That is why we're committed to continuously identifying ways we can improve diversity and inclusivity.

AREA OF FOCUS	GENDER										
Objective	Improve representation of women at senior levels of the business										
Target		2022					2023				
50% of senior leadership roles held by women	Female representation by role	Female	Male	Other/Not disclosed	Total	% of Female	Female	Male	Other/Not disclosed	Total	% of female
	Board	3	4	-	7	42.9%	4	4	-	8	50.0%
	Executives	2	8	-	10	20.0%	3	7	-	10	30.0%
	Direct report to executive team	25	23	-	48	52.1%	25	21	-	46	54.3%
	Total Leadership	27	31	-	58	46.6%	28	28	-	56	50.0%
	Other	6,360	4,782	198	11,340	56.1%	5,992	4,602	185	10,779	55.6%
	Total employees (excluding Board)	6,387	4,813	198	11,398	56.0%	6,020	4,630	185	10,835	55.6%
	Female representation by employee status						Female	Male	Other/Not disclosed	Total	% of female
	Permanent	Not disclosed in 2022					5,045	3,835	138	9,018	55.9%
	Fixed term						91	91	12	194	46.9%
	Casual						884	704	35	1,623	54.5%
	Female representation by full/part time employment						Female	Male	Other/Not disclosed	Total	% of female
	Full time	Not disclosed in 2022					2,971	2,698	70	5,739	51.8%
	Part time						2,165	1,228	80	3,473	62.3%
	Casual						884	704	35	1,623	54.5%
100% Gender pay equity (undisclosed gender data is not included)	**Category**			Number of employees in each category	Median pay ratio	Gender pay gap		Number of employees in each category		Median pay ratio	Gender pay gap
	Group - Total			11,200	100%	0%		10,650		101%	–1%
	Leadership			58	90%	10%		56		89%	11%
	SSO - Agile			1,003	99%	1%		937		99%	1%
	SSO - Other			515	79%	21%		277		77%	23%
	Stores			8,668	103%	–3%		8,554		100%	0%
	Distribution Centres			956	100%	0%		826		98%	2%

AREA OF FOCUS	AGE											
	2022						2023					
Age representation	Under 30 years old		30–50 years old		Over 50 years old		Under 30 years old		30–50 years old		Over 50 years old	
	#	%	#	%	#	%	#	%	#	%	#	%
Board	-	-	3	38%	5	63%	-	-	3	38%	5	63%
Executives	-	-	4	40%	6	60%	-	-	4	40%	6	60%
Direct report to executive team	-	-	31	65%	17	35%	-	-	30	65%	16	35%
Other	5,468	48%	3,750	33%	2,018	18%	5,094	47%	3,581	33%	1,998	18%
Total (106 were non-disclosed)	**5,468**	**48%**	**3,787**	**33%**	**2,046**	**18%**	**5,094**	**47%**	**3,618**	**33%**	**2,025**	**19%**

Diversity, Inclusion and Wellbeing initiatives

Objective: Develop and celebrate our diversity

We continue to build our diversity, equity and inclusion across the business through the implementation of our Diversity and Inclusion (D&I) strategy. This is supported by regular D&I surveying of our teams including a D&I specific questionnaire sent to all team members in October 2022. Moving forward, this will be embedded as part of our quarterly engagement survey cycle.

Key achievements in FY23 include:

- Launched four team member-led community groups: Te Ao Māori, Pride, Wāhine (women) Advocates and Neurodiversity. These groups meet regularly and are supported by executive co-sponsors to discuss actions and initiatives that bring to life each of these pillars;
- Held celebrations for our team members including Matariki, Māori Language Week, International Women's Day and Pride Month (including attendance at Big Gay Out in Auckland);
- Rainbow Tick accreditation: Rainbow Tick Accredited since 2019;
- Supporting women: 70 team members graduated from the Lean In programme, which aims to offer women peer-to-peer mentoring and support networks;
- Māori competence: 28 senior leaders graduated from the Te Kaa programme, which aims to develop foundational knowledge about Māori culture and customs when leading teams and the business;
- Neurodiversity: Partnered with Brain Badge to offer a series of workshops on types of neurodiversity and different ways of thinking.

Objective: Support team member wellbeing

Continued to support team members through physical, mental and financial ways of working and wellbeing intiatives including offering confidential coaching, counselling and wellbeing support through Benestar. Initiatives included Auckland Round the Bays, Wellbeing Week, White Ribbon Day, Gumboot Friday and Pink Shirt Day.

Objective: Continue to support our people through inclusive policies and benefits

Our specific people policies include:

- Gender Transition Policy: 10 days paid leave;
- Family Violence Policy: 15 days paid leave and three free nights' accommodation;
- Parental Leave Policy: 26 weeks full pay (government payment topped up), Ease Back to Work and Be There for Partners leave; and
- Lifestyle Leave and Career Break options are available to team members looking to spend more time with family, progress personal goals or travel.

STATUTORY DISCLOSURES

DISCLOSURES OF INTERESTS BY DIRECTORS

General disclosures

The following are particulars of general disclosures of interest given by the Directors of The Warehouse Group Limited pursuant to section 140(2) of the Companies Act 1993 during FY23 and as at 30 July 2023.

Director	Entity	Interest
Joan Withers	ANZ Bank New Zealand Limited	Director
	On Being Bold Limited	Director
	Sky Network Television Limited	Director
	Appointments Panel Fonterra farmer-elected directors	Member, appointed Chair
	Sweet Louise Foundation	Trustee
	Origin Energy Limited	Director
Antony Balfour	Les Mills International Limited	Director
	RealNZ Limited	Director
	BLIS Technologies Limited	Ceased to be a director
	Pioneer Energy Limited	Director
	Bluelab Limited	Appointed as a director
	Ravensdown Ventures Limited	Appointed as a director
John Journee	Farmlands Society	Director
	Colonial Motor Company Limited	Director
	CMC Workplace Savings Scheme Trustee Limited	Director
	Vanishing Point Limited	Director
	Quantiful Limited	Ceased to be advisory board member
	West Auckland Trust Services Limited	Director, appointed Deputy Chair
	Data Insights Group Limited	Appointed as an advisory board member
Dean Hamilton	Fulton Hogan Limited	Chair
	Auckland International Airport Limited	Director
	Tappenden Holdings Limited	Director
	Ryman Healthcare Limited	Appointed director and Chair
Caroline Rainsford	Google New Zealand	Country Director New Zealand
Julia Raue	Jade Software Corporation Limited	Director
	Southern Cross Healthcare Limited	Director
	Southern Cross Health Trust	Trustee
	Southern Cross Medical Care Society	Director
	Southern Cross Pet Insurance Limited	Ceased to be a director
	Southern Cross Benefits Limited	Director
	Rowdy Consulting Limited	Director
	NZ Rugby Appointments and Remuneration Committee	Chair
	Global Women	Trustee
	Auckland Rugby Appointments Committee	Ceased to be a member
	MOVe Logistics Group Limited	Appointed as a director
	MOVe Investments Limited	Appointed as a director
Rachel Taulelei	APEC Business Advisory Council	Member
	Wellington Regional Stadium Trust	Chair
	Movac	Advisory Board Member
	Movac Fund 5 LP	Limited Partner
	RLaw Limited	Director
	Oho 2021 Limited	Director
	ANZCO Foods Limited	Director
	Aotearoa Fisheries Limited t/a Moana New Zealand	Director and Chair
	Pupuri Taonga Limited	Director
	Kura Limited	Director
	Sealord Group Limited	Director
	Katihiku Trust	Trustee
	AFL Investments Limited	Director
	CWBG Limited	Director
	Fonterra Sustainability Panel	Appointed as Chair
Robert Tindall	The Tindall Foundation	Trustee
	Finn Lowery Foundation	Trustee
	Foundation Services Limited	Director
	K One W One Limited	Director
	K One W One (No.2) Limited	Director
	K One W One (No.3) Limited	Director
	K One W One (No.4) Limited	Director
	K One W One (No.5) Limited	Director
	K One W One (No.6) Limited	Appointed as a director

DIRECTORS' SHAREHOLDINGS AS AT 30 JULY 2023

At 30 July 2023 the following Directors, or entities related to them, held interests in Company shares:

	Beneficial Interest	Beneficial Interest	Non-beneficial Interest	Non-beneficial Interest	Related Party	Related Party
	2023	2022	2023	2022	2023	2022
D Hamilton	3,500		1,493,057	1,493,057		
J Journee	172,000	172,000				
J Raue	15,000	15,000				
R J Tindall	4,800	4,800			93,721,184	93,721,184
J Withers	105,419	80,419	1,493,057	1,493,057		
A Balfour	13,012		1,015,875	1,015,875		

SHARE DEALINGS BY DIRECTORS

During the financial year, the Directors disclosed in respect of section 148(2) of the Companies Act 1993 that they acquired or disposed of a relevant interest in shares as follows:

Share Transaction	Date of Transaction	Number of Ordinary Shares Acquired/ (Disposed)	Consideration
J Withers	3 October 2022	10,000	On market purchase of shares at an average price of $3.07 per share
J Withers	29 March 2023	15,000	On market purchase of shares at an average price of $1.90 per share
A Balfour	4 October 2022	13,012	On market purchase of shares at an average price of $3.07 per share
D Hamilton	7 October 2022	3,500	On market purchase of shares at an average price of $3.24 per share

TWENTY LARGEST REGISTERED SHAREHOLDERS AS AT 30 JULY 2023

	Number of Ordinary Shares	Percentage of Ordinary Shares
Sir Stephen Robert Tindall	93,687,096	27.01
The Tindall Foundation Inc	73,920,496	21.31
James Pascoe Limited	69,333,940	19.99
New Zealand Depository Nominee Limited	6,891,171	1.99
HSBC Nominees A/C NZ Superannuation Fund Nominees Limited - NZCSD	6,646,443	1.92
BNP Paribas Nominees (NZ) Limited - NZCSD	4,671,554	1.35
Stephen Robert Tindall & John Richard Avery & Brian Mayo-Smith (SR Tindall Family Account)	3,778,149	1.09
Robert George Tindall & Stephen Robert Tindall & Pupuke Trustee Limited	3,455,103	1.00
HSBC Nominees (New Zealand) Limited A/C State Street - NZCSD	2,944,385	0.85
Custodial Services Limited	2,731,022	0.79
Citibank Nominees (New Zealand) Limited - NZCSD	2,461,237	0.71
Forsyth Barr Custodians Limited	2,194,432	0.63
HSBC Nominees (New Zealand) Limited - NZCSD	1,843,591	0.53
Accident Compensation Corporation - NZCSD	1,477,302	0.43
FNZ Custodians Limited	1,298,965	0.37
TEA Custodians Limited Client Property Trust Account - NZCSD	1,228,223	0.35
Simplicity Nominees Limited - NZCSD	1,171,384	0.34
The Warehouse Management Trustee Company Limited	1,015,875	0.29
Hobson Wealth Custodian Limited	988,422	0.28
Stephen Robert Tindall & John Richard Avery & Brian Mayo-Smith (Merani Account)	752,798	0.22
	282, 491,588	81.45

Note: New Zealand Central Securities Depository Limited (NZCSD) is a depository system which allows electronic trading of members. As at 30 July 2023 total holdings in NZCSD were 23,857,927 or 6.88% of shares on issue.

DISTRIBUTION OF SHAREHOLDERS AND HOLDINGS AS AT 30 JULY 2023

Size of Shareholding	Number of Shareholders	Percentage	Number of Shares	Percentage
1 - 1,000	4,277	41.17%	2,255,314	0.65%
1,001 - 5,000	3,774	36.33%	9,908,272	2.86%
5,001 - 10,000	1,137	10.94%	8,731,241	2.52%
10,001 - 100,000	1,105	10.64%	27,584,957	7.95%
100,000 and over	96	0.92%	298,363,336	86.02%
	10,389	100%	346,843,120	100%
Geographic Distribution				
Auckland and Northland	4,007	38.57%	287,589,468	82.92%
Waikato and Central North Island	2,107	20.28%	13,381,849	3.86%
Lower North Island and Wellington	1,459	14.04%	22,360,080	6.45%
Canterbury, Marlborough and Westland	1,295	12.47%	8,189,236	2.36%
Otago and Southland	608	5.85%	6,238,485	1.79%
Australia	770	7.41%	8,435,356	2.43%
Other Overseas	143	1.38%	648,646	0.19%
	10,389	100%	346,843,120	100%

SUBSTANTIAL PRODUCT HOLDERS

According to notices given to the Company under the Financial Markets Conduct Act 2013, as at 30 July 2023, the substantial product holders in the Company and their relevant interests are noted below:

	Relevant Interest (Ordinary Shares)	Date of Notice
James Pascoe Limited	69,333,940	10 May 2018
Sir Stephen Tindall	93,687,096	19 March 2004
The Tindall Foundation	73,920,496	19 March 2004

SUBSIDIARY COMPANY DIRECTORS

The following people held office as directors of subsidiary companies at 30 July 2023. Those who retired during the year are indicated with an (R).

Company	Directors
1-Day Liquor Limited	J Oram
Bond and Bond Limited	B Moors, J Oram
Boye Developments Limited	J Oram
Chocolateworks NZ Limited	N Craig (R), A Razey, H Vetsch (R), K McKenzie, J Andersen, C Cole, J Hempstead
Eldamos Investments Limited	B Moors, J Oram
Eldamos Nominees Limited	J Oram
Farran (Nine) Limited	K Gardiner, G Helsby, G Lane, J Oram
Lincoln West Limited	K Gardiner, G Helsby, G Lane, J Oram
Noel Leeming Finance Limited	B Moors
Noel Leeming Financial Services Limited	B Moors, J Oram
Noel Leeming Furniture Limited	B Moors, J Oram
Noel Leeming Limited	B Moors, J Oram
The Book Depot Limited	J Oram
TheMarket.com Limited	N Grayston, J Oram, J Journee (R), R Tindall (R), D Hamilton (R)
The Warehouse Card Limited	J Oram
The Warehouse Group Support Services Limited	J Oram
The Warehouse Investments Limited	J Oram
The Warehouse Limited	N Grayston, J Oram
The Warehouse Management Trustee Company Limited	J Withers, A Balfour, D Hamilton
The Warehouse Management Trustee Company No.2 Limited	J Withers, A Balfour, D Hamilton
The Warehouse Nominees Limited	B Moors, J Oram
The Warehouse Planit Trustees Limited	J Withers
The Warehouse (Shanghai) Trading Company Limited	T Benyon, M Anderton, K Kramer
TWGI Operations Limited	J Oram
Torpedo7 Limited	S West, J Oram
TWGA Pty Ltd	I McGill, B Moors, J Oram

SUBSIDIARY COMPANY DIRECTORS contd

Company	Directors
TW House Sourcing Private Limited (India)	K Kramer, T Benyon, M Anderton, C Srinivasan
TWL Australia Pty Limited	I McGill, B Moors, J Oram
TWP No.1 Limited	J Oram
TWP No.4 Limited	B Moors, J Oram
TWP No.5 Limited	B Moors, J Oram
Warehouse Stationery Limited	B Moors

STOCK EXCHANGE LISTING

The ordinary shares of The Warehouse Group Limited are listed on the New Zealand Exchange (NZX).

ORDINARY SHARES

The total number of voting securities of the Company on issue on 30 July 2023 was 346,843,120 fully paid ordinary shares.

Holders of each class of equity security as at 30 July 2023

Class of equity security	Number of Holders	Number of Shares or Rights
Ordinary shares	10,389	346,843,120

RIGHTS ATTACHING TO SHARES

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

ON-MARKET SHARE BUY-BACKS

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

ESCROW

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

DONATIONS

In accordance with section 211(1)(h) of the Companies Act 1993, the Company records that it donated $168,000 (2022: $106,000) to various charities during the year. In line with board policy, no political contributions were made during the year.

DIVIDENDS ON ORDINARY SHARES

The Warehouse Group Limited has paid dividends on its ordinary shares almost every year since listing on the NZX in 1994, with the exception of 2020 due to the COVID-19 disruption to business. The Group's current Dividend Policy was approved by the Board in March 2021. The Group's Dividend Policy is to distribute at least 70% of the Group's full-year adjusted net profit, at the discretion of the Board and subject to trading performance, market conditions and liquidity requirements.

On 27 September 2023 the Board declared a fully imputed final dividend of 8.0 cents per share, bringing the total dividend for the year to 8.0 cents per share. The dividends will be fully imputed and will be paid on 1 December 2023 to all shareholders on the share register at the close of business on 16 November 2023.

Dividends	2023	2022	2021	2020	2019
Interim	-	10.0	13.0	0.0	9.0
Special	-	-	5.0	-	-
Final	8.0	10.0	17.5	0.0	8.0
Total	8.0	20.0	35.5	0.0	17.0

AUDITOR

PricewaterhouseCoopers has continued to act as auditor of the Company and has undertaken the audit of the financial statements for the year ended 30 July 2023.

DISCIPLINARY ACTION

NZX has not taken any disciplinary action against the Company during the period under review.

NZX WAIVERS

Details of all waivers granted and published by NZX within or relied by the Company in the 12 months immediately preceding The Warehouse Group Limited's balance date are available on the Company's website *www.thewarehousegroup.co.nz.*

INITIATIVES AND ASSOCIATIONS

Listed below are the external economic, environmental or social initiatives to which The Warehouse Group subscribes, and the main associations and national or international advocacy organisations of which The Warehouse Group is a member.

	Initiatives	Associations
Environmental	Climate Leaders Coalition 2022 Statement Toitū CarbonReduce Low Emissions Transport Working Group Carbon Disclosure Project (CDP) Soft Plastics Recycling Scheme	Climate Leaders Coalition (CLC) Science Based Targets Initiative (SBTi) Sustainable Business Council (SBC) Energy Efficiency and Conservation Authority (EECA) WasteMinz The Packaging Forum Chapter Zero New Zealand
Human Resource and People	P-TECH Reimaging Industry to Support Equality (RISE)	Tupu Toa HRNZ ServiceIQ Brain Badge Rainbow Tick
Product Sourcing and Development	Better Cotton Initiative https://bettercotton.org/ Forest Stewardship Council https://fsc.org/en	New Zealand Business Round Table in China (NZBRiC)
Other	Vocational Education with Services Workforce Development Council (WDC) Vocational Education training through Te Pukenga MBIE - Future of Work	Retail NZ Tertiary Education Commission / WDC Te Pukenga New Zealand Business and Parliamentary Trust Business NZ NZ Marketing Association Digital Boost Alliance Aotearoa

GRI CONTENT INDEX

GENERAL DISCLOSURES

Standard	Disclosure	Section in this Annual Report	Page in this Annual Report
GRI 2: GENERAL DISCLOSURES 2021			
2-1	Organisation details	Directory Financial Statements, Note 1.1 Store Map	117 68 14
2-2	Entities included in the organisation's sustainability reporting	Financial Statements, Note 1.1	68
2-3	Reporting period, frequency and contact point	GRI Report Financial Statements, Note 1.1 Directory	60 68 117
2-4	Restatements of information	The Warehouse Group has restated its Scope 2 emissions in FY20 (base year), FY21 and FY22, to account for the August 2022 MfE revised emission factors for electricity, which was a change in methodology. E&Y have not provided assurance over the restated emissions for prior years.	
2-5	External assurance	GRI Report E&Y Limited Assurance Report	60 114–115
		Toitū Envirocare have verified our GHG inventory and provided reasonable assurance in accordance with ISO 14064-3:2019.	
2-6	Activities, value chain and other business relationships	GRI Report Our Brands Our Networks Our Customers Our Relationships	60 16–25 32–35 36–38 40–42
2-7	Employees	Diversity and Inclusion Report	105
2-8	Workers who are not employees	An insignificant portion of the Group's activities is performed by workers who are not employees or who are seasonal workers. Employees through our supply chain are addressed through this GRI2: Disclosures 2-6.	
2-9	Governance structure and composition	Our Board Governance Report	92–93 96–100
2-10	Nomination and selection of the highest governance body	Governance Report – Board Composition and Performance	96–97
2-11	Chair of the highest governance body	Governance Report – Board Composition and Performance	96–97
2-12	Role of the highest governance body in overseeing the management of impacts	Governance Report ESS Committee Charter	Page 92–93, 96–98 www.thewarehousegroup.co.nz/about-us/corporate-governance
2-13	Delegation of responsibility for managing impacts	Leadership Squad Governance Report – Board Committees	94–95 98
2-14	Role of the highest governance body in sustainability reporting	Governance Report – Board Committees ESS Committee Charter	98 www.thewarehousegroup.co.nz/about-us/corporate-governance
2-15	Conflicts of interest	Governance Report – Director Independence and conflicts Statutory Disclosures	97 106–108
2-16	Communication of critical concerns	Risk & Materiality Our People Governance Report – Ethical Standards, Risk Management	30–31 47 96,103
2-17	Collective knowledge of the highest governance body	Governance Report – Board Skills Matrix	97
		The The Warehouse Group's Sustainability team provides regular updates on how sustainable development impact the Group's development and risks. During the year, KPMG presented on the XRB climate risk scenarios to the Environmental and Social Sustainability Committee.	
2-18	Evaluation of the performance of the highest governance body	Governance Report	96–98
2-19	Remuneration policies	Remuneration Report	99–103
2-20	Process to determine remuneration	Remuneration Report	99–103

GENERAL DISCLOSURES contd

Standard	Disclosure	Section in this Annual Report	Page in this Annual Report
GRI 2: GENERAL DISCLOSURES 2021			
2-21	Annual compensation ratio	Remuneration Report	102
2-22	Statement of sustainable development strategy	Our Environment	52–59
2-23	Policy commitments	www.thewarehousegroup.co.nz/about-us/corporate-governance	
2-24	Embedding policy commitments	Governance Report – Ethical Standards, Reporting and Disclosure, Risk Management. Diversity and Inclusion Report	96, 99, 103, 105
2-25	Processes to remediate negative impacts	Risk and Materiality Governance Report – Risk Management	30–31 103
2-26	Mechanisms for seeking advice and raising concerns	Governance Report – Ethical Standards	96
2-27	Compliance with laws and regulations	Group subsidiary TheMarket.com Limited, trading as 1-day, pleaded guilty to eight representative charges under section 10 of the Fair Trading Act 1986, relating to website representations about the amount of time available to purchase items on the website and the quantity of stock available to purchase. It was fined $840,000 in September 2022.	
2-28	Membership associations	Initiatives and Associations	109
2-29	Approach to stakeholder engagements	Our Relationships	40–42
2-30	Collective bargaining agreements	Our People	46

MATERIAL TOPICS

Standard	Disclosure	Section in this Annual Report	Page in this Annual Report
GRI 3: MATERIAL TOPICS 2021			
3-1	Process to determine material topics	GRI Report	60
3-2	List of material topics	GRI Report	60
3-3	Management of material topics	GRI Report	61

TOPIC DISCLOSURES

Economic

Standard	Disclosure	Section in this Annual Report	Page in this Annual Report
GRI 205: ANTI-CORRUPTION 2016			
3-3	Management of material topics	GRI Report Risk and Materiality Our People Governance Report – Ethical Standards	61 30–31 44–47 96
205-2	Communication and training about anti-corruption policies and procedures	Our People Our Relationships	45 40–42
		Communication and training provided to employees is not available by employee level but is provided between SSO and store team members.	
205-3	Confirmed incidents of corruption and actions taken	Seven supplier bribery attempts were bought to our attention in FY23 with consequential escalation and penalties issued. We are not aware of any other bribery incidents.	
GRI 206: ANTI-COMPETITIVE BEHAVIOUR 2016			
3-3	Management of material topics	GRI Report Risk and Materiality Governance Report – Ethical Standards Governance Report – Risk Management	61 30–31 96 103
206-1	Legal actions for anti-competitive behaviour, anti-trust and monopoly practices	We are not aware of any legal cases against the organisation regarding anti-competitive behaviour and violations of anti-trust and monopoly legislation during the reporting period.	

GRI CONTENT INDEX

TOPIC DISCLOSURES
Environmental

Standard	Disclosure	Section in this Annual Report	Page in this Annual Report
GRI 302: ENERGY 2016			
3–3	Management of material topics	GRI Report Integrated Report Governance Report – ESS Committee	61 28–29 98
302–1	Energy consumption within the organisation	Our Environment	57
302–3	Energy intensity	Our Environment	57
302–4	Reduction of energy consumption	Our Environment	57
For further information, please refer to https://www.thewarehousegroup.co.nz/sustainability/emissions-inventory-report			
GRI 305: EMISSIONS 2016			
3–3	Management of material topics	GRI Report Integrated Report Financial Capital - Sustainability Linked Loan Governance Report – ESS Committee	61 28–29 51 98
305–1	Direct (scope 1) GHG emissions	Our Environment	54, 56, 58
305–2	Energy indirect (Scope 2) GHG emissions	Our Environment	54, 56, 58
305–3	Other indirect (Scope 3) GHG emissions	Our Environment	54, 56, 58
305–4	GHG emissions intensity	Our Environment	56
305–5	Reduction of GHG emissions	Our Environment	56
For further information, please refer to https://www.thewarehousegroup.co.nz/sustainability/emissions-inventory-report			
GRI 306: WASTE 2020			
3–3	Management of material topics	GRI Report Integrated Report Governance Report – ESS Committee	61 28–29 98
306–1	Waste generation and significant waste-related impacts	Our Environment	58
306–2	Management of significant waste-related impacts	Our Environment	58
306–3	Waste generated	Our Environment	58
306–4	Waste diverted from disposal	Our Environment Offsite waste is not reported because all operational waste is generated onsite.	58
306–5	Waste directed to disposal	Our Environment Offsite waste is not reported because all operational waste is generated onsite. A breakdown of waste directed to disposal by incineration with and without energy recovery is not reported because we do not receive this information from our waste management suppliers.	58
GRI 307: ENVIRONMENTAL COMPLIANCE 2016			
3–3	Management of material topics	GRI Report Integrated Report Governance Report – ESS Committee	61 28–29 98
307–1	Non-compliance with environmental laws and regulations	We are not aware of any incidents related to non-compliance with environmental laws and regulations during the reporting period.	
308–1	New suppliers that were screened using environmental criteria	Our Relationships Our Environment	40–42 54
308–2	Negative environmental impacts in the supply chain and actions taken	Our Relationships Our Environment	40–42 54
For further infromation, please refer to The Warehouse Group Ethical Sourcing Report: https://www.thewarehousegroup.co.nz/sustainability/responsible-sourcing			

TOPIC DISCLOSURES contd
Social

Standard	Disclosure	Section in this Annual Report	Page in this Annual Report
GRI 403: OCCUPATIONAL HEALTH AND SAFETY (2018)			
3–3	Management of material topics	GRI Report Governance Report – Board Committees: Health, Safety and Wellbeing Committee	61 98
403–6	Promotion of worker health	Our People, Looking after our teams in 2023 Our People, Wellbeing	45–46 47
403–9	Work-related injuries	Our People, Health, Safety, and Wellbeing Chair's Report	46–47 7
GRI 404: TRAINING AND EDUCATION (2016)			
3–3	Management of material topics	GRI Report Our People	61 44–47
404–1	Average hours of training per year per employee	Our People	45
404–2	Programs for upgrading employee skills and transition assistance programmes	Our People	44–45
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY (2016)			
3–3	Management of material topics	GRI Report Our People Governance Report – Board Committees: People and Remuneration Committee Environmental and Social Sustainability Committee	61 44–47 98 98
405–1	Diversity of governance bodies and employees	Diversity and Inclusion Report	105
405–2	Ratio of basic salary and remuneration of women to men	Diversity and Inclusion Report	105
GRI 407: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING (2016)			
3–3	Management of material topics	GRI Report Our Relationships Governance Report – Ethical Standards Ethical Sourcing Policy: www.thewarehouse.co.nz/suppliers-ethical-sourcing	61 40–42 96
407–1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Our People Our Relationships	46 40–42
GRI 408: CHILD LABOUR (2016)			
3–3	Management of material topics	GRI Report Governance Report – Ethical Standards Ethical Sourcing Policy: www.thewarehouse.co.nz/suppliers-ethical-sourcing	61 96
408–1	Operations and suppliers at significant risk for incidents of child labour	Our Relationships One child labour case was raised through these audits, occurring during the school holidays with a child accompanying the parent. The factory requested the children be returned home with supervision and the relationship with this factory was terminated.	40–42
GRI 409: FORCED OR COMPULSORY LABOUR (2016)			
3–3	Management of material topics	GRI Report Governance Report – Ethical Standards Ethical Sourcing Policy: www.thewarehouse.co.nz/suppliers-ethical-sourcing	61 96
409–1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Our Relationships	40–42
GRI 414: SUPPLIER SOCIAL ASSESSMENT (2016)			
3–3	Management of material topics	GRI Report Governance Report – Ethical Standards Ethical Sourcing Policy: www.thewarehouse.co.nz/suppliers-ethical-sourcing	61 96
414–1	New suppliers that were screened using social criteria	Our Relationships	41–42
414–2	Negative social impacts in the supply chain and actions taken	Our Relationships	41–42

For further infromation on GRI 408, 409 and 414, please refer to The Warehouse Group Ethical Sourcing Report: https://www.thewarehousegroup.co.nz/sustainability/responsible-sourcing

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INDEPENDENT LIMITED ASSURANCE STATEMENT TO THE MANAGEMENT AND DIRECTORS OF THE WAREHOUSE GROUP LIMITED

ASSURANCE CONCLUSION

Based on our limited assurance procedures described below, nothing has come to our attention, that causes us to believe that selected non-financial disclosures prepared by The Warehouse Group ("TWG") in its '2023 Integrated Report', is not reported and presented, in all material respects, in accordance with the criteria defined below.

SCOPE

Ernst & Young Limited ('EY') has been engaged by TWG to perform a 'limited assurance engagement,' as defined by International Standards on Assurance

Engagements, here after referred to as the engagement, over TWG's selected non-financial disclosures ('the Subject Matter') prepared by TWG in its 2023 Integrated Report ('the Report') for the year ended 31 July 2023.

The relevant metrics are as follows:

- GRI 305-1: Direct (Scope 1) GHG emissions
- GRI 305-2: Energy Indirect (Scope 2) GHG emissions
- GRI 305-5: Reduction of GHG emissions
- GRI 306-3: Waste Generated
- GRI 306-4: Waste diverted from disposal
- GRI 306-5: Waste directed to disposal

CRITERIA APPLIED BY TWG

In preparing the Subject Matter, TWG applied the Global Reporting Initiative's Sustainability Reporting Standards ('GRI') ('the Criteria').

These standards are:

- GRI 305: Emissions 2016
- GRI 306: Waste 2020
- The Greenhouse Gas Protocol ('GHG Protocol')
- Emissions factors: New Zealand Ministry for the Environment, Measuring Emissions: A Guide for Organisations (2023)

TWG is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects.

This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

EY'S RESPONSIBILITIES

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

Our engagement was conducted in accordance with the *International Standard for Assurance Engagements: Assurance Engagements Other than Audits or Reviews of Historical Financial Information* ('ISAE (NZ) 3000') and *International Standard for Assurance Engagements: Assurance Engagements on Greenhouse Gas Statements* ('ISAE (NZ) 3410') and the terms of reference for this engagement as agreed with TWG on 20 July 2023. Those standards require that we plan and perform our engagement to obtain limited assurance about whether, in all material respects, the Subject Matter is presented in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

LEVEL OF ASSURANCE

A limited assurance engagement consists of making enquiries and applying analytical, and other evidence gathering procedures sufficient for us to obtain a meaningful level of assurance as the basis for providing a negative form of conclusion. The procedures performed depend on the assurance practitioner's judgement including the risk of material misstatement of the specific activity data, whether due to fraud or error. While we considered the effectiveness of Management's internal controls when determining the nature and extent of our procedures, these procedures were not designed to provide assurance on internal controls. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirements of the Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Professional and Ethical Standard 3, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

DESCRIPTION OF PROCEDURES PERFORMED

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

The procedures we performed were based on our professional judgement and included, but were not limited to, the following:

- Conducting interviews with key personnel to understand the process for collecting, collating and reporting the selected non-financial disclosures during the reporting period
- Gaining an understanding of the basis for calculating and reporting GHG emissions
- Checking that calculations had been applied in accordance with the methodologies outlined in the Criteria
- Undertaking analytical review procedures to support the reasonableness of the data
- Identifying and testing assumptions that support calculations
- Checking emissions factors and considered their consistency with the Criteria
- Reviewing the presentation of the information in the Report.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

LIMITATIONS ON SCOPE

There are inherent limitations in performing assurance – for example, assurance engagements are based on selective testing of the information being examined – and it is possible that fraud, error, or non-compliance may occur and not be detected. There are additional inherent risks associated with assurance over nonfinancial information including reporting against standards which require information to be assured against source data compiled using definitions and estimation methods that are developed by the reporting entity. Finally, adherence to ISAE 3000 (NZ) is subjective and will be interpreted differently by different stakeholder groups. Our assurance was limited to the Subject Matter and did not include statutory financial statements.

RESTRICTED USE

This report is intended solely for the information and use of The Warehouse Group Limited and in accordance with the terms of reference for this engagement as agreed on 20 July 2023. It is not intended to be and should not be used by anyone other than those specified parties.

Ernst + Young

Ernst & Young Limited
27 September 2023

DIRECTORY

Board of Directors
Joan Withers (Chair)
Tony Balfour
Dean Hamilton
John Journee
Caroline Rainsford
Julia Raue
Rachel Taulelei
Robbie Tindall

Group Chief Executive Officer
Nick Grayston

Group Chief Financial Officer
Jonathan Oram

Company Secretary
Erin Vercoe

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Website: www.computershare.co.nz/investorcentre

Shareholder Enquiries
Shareholders with enquiries regarding share transactions, changes of address or dividend payments should contact the Share Registrar.

Shareholdings can be managed electronically by using Computershare's secure website, www.computershare.co.nz/investorcentre. Functions include viewing your share balance, address changes, payment and tax information and updating payment instructions and your communications preference.


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Markit KITCHEN
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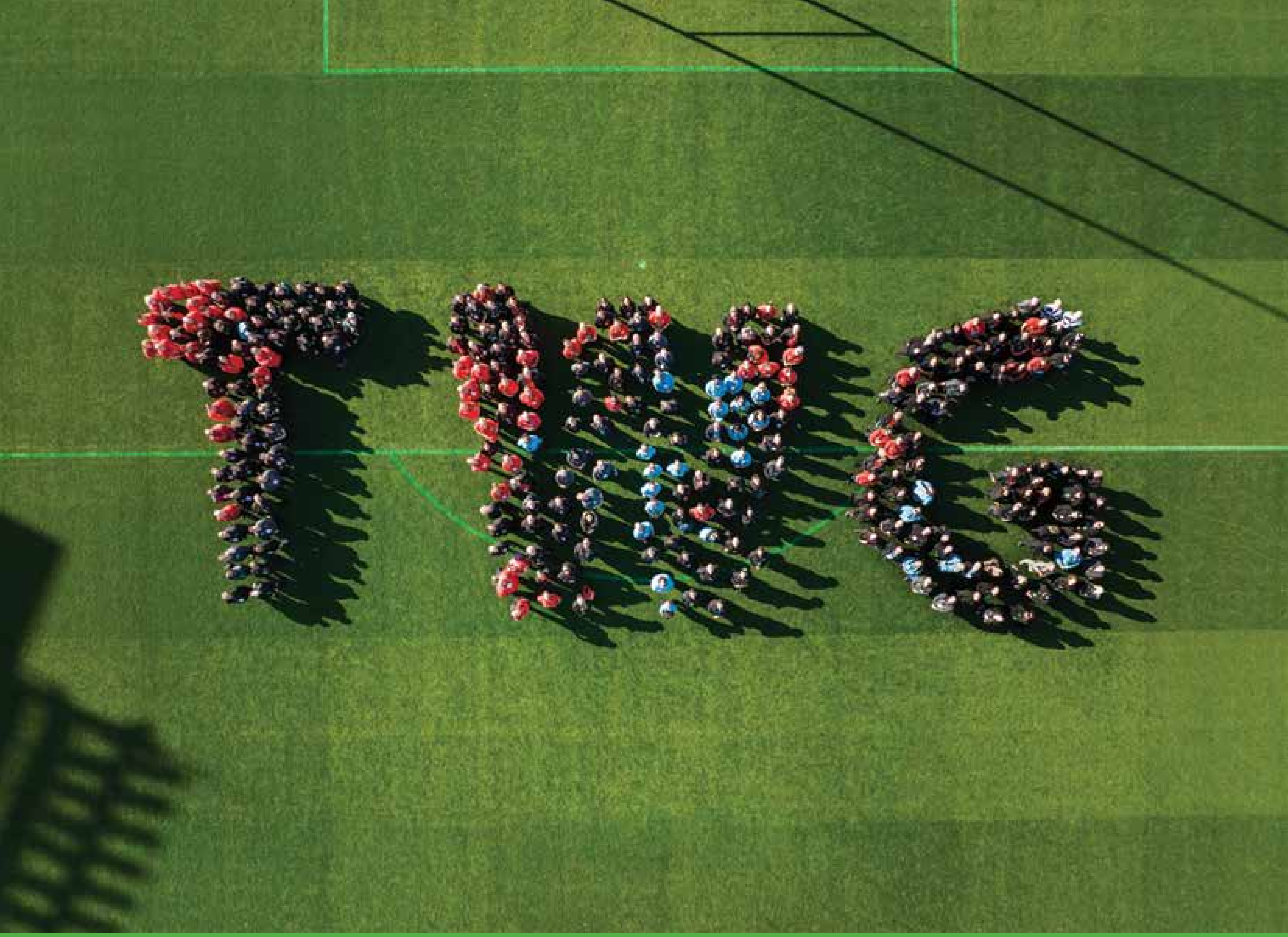
SPECIAL
FREE



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