

The Warehouse Group Limited

Interim Financial Statements

For the 26 weeks ended 29 January 2023

For and on behalf of the Board



Joan Withers
Chair



Dean Hamilton
Chair of the Audit and Risk Committee

22 March 2023

Consolidated Income Statement

	Note	Unaudited 26 Weeks Ended 29 January 2023 \$ 000	Unaudited 26 Weeks Ended 30 January 2022 \$ 000	Audited 52 Weeks Ended 31 July 2022 \$ 000
Retail sales	4	1,813,187	1,729,984	3,294,332
Cost of retail goods sold		(1,220,832)	(1,130,424)	(2,129,950)
Gross profit		592,355	599,560	1,164,382
Other income		3,071	3,624	7,683
Employee expenses		(304,652)	(303,375)	(575,361)
Depreciation and amortisation expenses	4	(78,793)	(73,452)	(146,122)
Other operating expenses		(160,158)	(147,399)	(291,812)
Operating profit	4	51,823	78,958	158,770
Unusual items	5	(6,275)	-	-
Earnings before interest and tax		45,548	78,958	158,770
Net interest expense		(20,833)	(18,457)	(36,831)
Profit before tax		24,715	60,501	121,939
Income tax expense		(7,388)	(17,317)	(34,851)
Net profit for the period		17,327	43,184	87,088
Attributable to:				
Shareholders of the parent		17,363	44,438	89,311
Minority interests		(36)	(1,254)	(2,223)
		17,327	43,184	87,088
Earnings per share attributable to shareholders of the parent:				
Basic earnings per share		5.0 cents	12.9 cents	25.9 cents
Diluted earnings per share		5.0 cents	12.9 cents	25.9 cents

Consolidated Statement of Comprehensive Income

		Unaudited 26 Weeks Ended 29 January 2023 \$ 000	Unaudited 26 Weeks Ended 30 January 2022 \$ 000	Audited 52 Weeks Ended 31 July 2022 \$ 000
Net profit for the period		17,327	43,184	87,088
Items that may be reclassified subsequently to the Income Statement				
Movement in foreign currency translation reserve		(257)	383	294
Movement in hedge reserves (net of tax)		(27,337)	9,174	6,389
Total comprehensive income for the period		(10,267)	52,741	93,771
Attributable to:				
Shareholders of the parent		(10,231)	53,995	95,994
Minority interest		(36)	(1,254)	(2,223)
Total comprehensive income		(10,267)	52,741	93,771

Consolidated Balance Sheet

	Note	Unaudited As at 29 January 2023 \$ 000	Unaudited As at 30 January 2022 \$ 000	Audited As at 31 July 2022 \$ 000
ASSETS				
Current assets				
Cash and cash equivalents	15	32,774	149,966	24,999
Trade and other receivables	8	98,097	89,586	87,853
Inventories	7	617,756	530,615	562,313
Derivative financial instruments	16	3,962	31,536	29,491
Taxation receivable		3,624	1,053	1,505
Total current assets		756,213	802,756	706,161
Non-current assets				
Trade and other receivables	8	14,591	9,154	11,664
Property, plant and equipment	11	240,942	199,019	224,355
Intangible assets	12	166,108	136,666	151,825
Right of use assets	13	654,619	699,852	673,278
Investment in associate		3,520	4,176	3,839
Deferred taxation		107,821	92,077	89,227
Total non current assets		1,187,601	1,140,944	1,154,188
Total assets		1,943,814	1,943,700	1,860,349
LIABILITIES				
Current liabilities				
Borrowings	15	116,200	-	66,150
Trade and other payables	9	551,964	600,310	480,596
Derivative financial instruments	16	25,704	-	668
Lease liabilities	14	96,306	96,782	95,849
Provisions	10	53,044	55,457	49,831
Total current liabilities		843,218	752,549	693,094
Non current liabilities				
Derivative financial instruments	16	653	-	-
Lease liabilities	14	702,636	754,144	724,991
Provisions	10	21,408	21,010	21,165
Total non current liabilities		724,697	775,154	746,156
Total liabilities		1,567,915	1,527,703	1,439,250
Net assets		375,899	415,997	421,099
EQUITY				
Contributed equity		360,235	360,235	360,235
Reserves		(14,502)	15,613	12,739
Retained earnings		29,379	43,240	48,940
Total equity attributable to shareholders		375,112	419,088	421,914
Minority interest		787	(3,091)	(815)
Total equity		375,899	415,997	421,099

Consolidated Statement of Cash Flows

	Note	Unaudited 26 Weeks Ended 29 January 2023 \$ 000	Unaudited 26 Weeks Ended 30 January 2022 \$ 000	Audited 52 Weeks Ended 31 July 2022 \$ 000
Cash flows from operating activities				
Cash received from customers		1,814,177	1,727,132	3,304,417
Payments to suppliers and employees		(1,667,651)	(1,535,364)	(3,119,707)
Income tax paid		(17,248)	(28,598)	(42,514)
Interest paid		(20,448)	(18,519)	(36,773)
Net cash flows from operating activities		108,830	144,651	105,423
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		-	-	456
Purchase of property, plant, equipment and software		(64,882)	(40,808)	(107,469)
Purchase of associate		-	(4,500)	(4,500)
Purchase of minority interest	3	(691)	(333)	(1,716)
Net cash flows from investing activities		(65,573)	(45,641)	(113,229)
Cash flows from financing activities				
Proceeds from borrowings		50,050	-	66,150
Lease principal repayments		(50,714)	(48,655)	(98,264)
Treasury stock dividends received		139	243	381
Dividends paid to parent shareholders		(34,907)	(61,032)	(95,863)
Dividends paid to minority shareholders		(50)	(126)	(125)
Net cash flows from financing activities		(35,482)	(109,570)	(127,721)
Net cash flow		7,775	(10,560)	(135,527)
Opening cash position		24,999	160,526	160,526
Closing cash position		32,774	149,966	24,999
Reconciliation of Operating Cash Flows				
Profit after tax		17,327	43,184	87,088
Non-cash items				
Depreciation and amortisation expenses	4	78,793	73,452	146,122
Share based payment expense		353	-	-
Property, plant and equipment impairment		1,378	-	-
COVID-19 landlord rent relief	14	-	(812)	(1,775)
Movement in deferred tax		(7,965)	316	4,239
Total non-cash items		72,559	72,956	148,586
Items classified as investing or financing activities				
Net loss on disposal of property, plant and equipment		206	440	1,128
Loss from investment in associate		319	324	661
Gain on lease terminations	4	(335)	(2,327)	(2,681)
Supplementary dividend tax credit		223	334	481
Total investing and financing adjustments		413	(1,229)	(411)
Changes in assets and liabilities				
Trade and other receivables		(13,171)	(14,786)	(15,564)
Inventories		(55,443)	(73,464)	(105,162)
Trade and other payables		85,808	151,340	30,159
Provisions		3,456	(21,419)	(26,890)
Income tax		(2,119)	(11,931)	(12,383)
Total changes in assets and liabilities		18,531	29,740	(129,840)
Net cash flows from operating activities		108,830	144,651	105,423

Consolidated Statement of Changes in Equity

(Unaudited)	Share Capital \$ 000	Treasury Stock \$ 000	Hedge Reserves \$ 000	Foreign Currency Translation Reserve \$ 000	Employee Share Benefits Reserve \$ 000	Retained Earnings \$ 000	Minority Interest \$ 000	Total Equity \$ 000
For the 26 weeks ended 29 January 2023								
Balance at the beginning of the period	365,517	(5,282)	12,560	179	-	48,940	(815)	421,099
Profit for the half year	-	-	-	-	-	17,363	(36)	17,327
Movement in foreign currency translation reserve	-	-	-	(257)	-	-	-	(257)
Movement in derivative cash flow hedges	-	-	(37,968)	-	-	-	-	(37,968)
Tax related to movement in hedge reserve	-	-	10,631	-	-	-	-	10,631
Total comprehensive income	-	-	(27,337)	(257)	-	17,363	(36)	(10,267)
Share rights charged to the income statement	-	-	-	-	353	-	-	353
Minority put option exercised	-	-	-	-	-	(2,379)	1,688	(691)
Dividends paid	-	-	-	-	-	(34,684)	(50)	(34,734)
Treasury stock dividends received	-	-	-	-	-	139	-	139
Balance at the end of the period	365,517	(5,282)	(14,777)	(78)	353	29,379	787	375,899
For the 26 weeks ended 30 January 2022								
Balance at the beginning of the period	365,517	(5,282)	6,171	(115)	-	60,573	(2,694)	424,170
Profit for the half year	-	-	-	-	-	44,438	(1,254)	43,184
Movement in foreign currency translation reserve	-	-	-	383	-	-	-	383
Movement in cash flow and monetised hedges	-	-	12,741	-	-	-	-	12,741
Tax related to movement in hedge reserve	-	-	(3,567)	-	-	-	-	(3,567)
Total comprehensive income	-	-	9,174	383	-	44,438	(1,254)	52,741
Minority put options exercised	-	-	-	-	-	(1,316)	983	(333)
Dividends paid	-	-	-	-	-	(60,698)	(126)	(60,824)
Treasury stock dividends received	-	-	-	-	-	243	-	243
Balance at the end of the period	365,517	(5,282)	15,345	268	-	43,240	(3,091)	415,997
For the 52 weeks 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 for the year	-	-	-	-	-	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 related to movement in hedge reserve	-	-	(2,484)	-	-	-	-	(2,484)
Total comprehensive income	-	-	6,389	294	-	89,311	(2,223)	93,771
Minority put options exercised	-	-	-	-	-	(5,943)	4,227	(1,716)
Dividends paid	-	-	-	-	-	(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

Notes to the Interim Financial Statements

1. GENERAL INFORMATION

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 Stock Exchange (NZX).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The interim financial statements of the Group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (GAAP). They comply with New Zealand Equivalent to the International Accounting Standard 34 *Interim Financial Reporting* (NZIAS 34) and International Accounting Standard 34 *Interim Financial Reporting* (IAS 34) and consequently, do not include all the information required for full financial statements. These Group interim financial statements should be read in conjunction with the annual report for the 52 weeks ended 31 July 2022.

These interim financial statements have been prepared under the historical cost convention except for the revaluation of certain financial instruments (including derivative instruments). The reporting currency used in the preparation of the interim financial statements is New Zealand dollars, rounded to the nearest thousands unless otherwise stated.

Accounting standards

The accounting policies that materially affect the measurement of the interim financial statements have been applied on a consistent basis with those used in the audited financial statements for the 52 weeks ended 31 July 2022. Certain comparative amounts reported for the previous half year have been restated following adoption of the Cloud Computing Arrangement agenda decision issued by the International Financial Reporting Standards Interpretations Committee (IFRIC) in April 2021. Information relating to these adjustments were detailed in note 17 of the July 2022 annual financial statements.

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 New Zealand Equivalent to International Financial Reporting Standards (NZIFRS) and may not be comparable to similarly titled amounts reported by other companies. The Group's policy regarding unusual items and adjusted net profit are detailed in note 5.0.

Critical accounting judgements, estimates and assumptions

The preparation of the interim 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 half year. The same significant judgements, estimates and assumptions that are summarised in the audited financial statements for the 52 weeks ended 31 July 2022 were applied in the preparation of these interim financial statements.

Approval of Interim Financial Statements

These consolidated interim financial statements were approved for issue by the Board of Directors on 22 March 2023. Unless as otherwise stated, the interim financial statements have been reviewed by our Auditors, but are not audited.

3. SIGNIFICANT TRANSACTIONS AND EVENTS IN THE PERIOD

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.

Restructure (note 5)

In December 2022 the Group looked at ways to lower costs in response to a decline in profitability due to customers cutting back their spending caused by higher living costs and a deteriorating economy. A plan was made to reduce spending, postpone some key projects and pause recruitment. The plan included the integration of TheMarket.com into the Group's Agile structure and closing the 1-day operations. The plan has resulted in an impairment expense for redundant assets (note 11) connected with the 1-day operations and a provision for staff redundancy expenses connected with the restructure. The Group also impaired inventory in 1-day to recognise the clearance activity required to dispose of its inventory holdings. Additional restructuring costs are expected to be incurred during the second half of the year as the Group broadened the scope of the initial proposal after balance date with the prospect of further costs being incurred.

Auckland floods (January 2023) and Cyclone Gabrielle (February 2023)

The Auckland floods which occurred 2 days before balance date were followed by Cyclone Gabrielle within a fortnight. These two closely timed severe weather events caused unprecedented flooding and damage across parts of the North Island. Although many of the Group's team members in the Hawkes Bay, Coromandel and parts of Auckland were impacted by the severe weather events the Group was fortunate that its store network did not suffer any significant physical damage. Our team members worked quickly to reset our impacted stores to ensure they remained open. In some of the impacted regions, customer and supply access to stores has been difficult, despite these challenges there has not been a material impact on the store network profits.

Notes to the Interim Financial Statements - continued

4. SEGMENT INFORMATION

Operating performance	REVENUE			OPERATING PROFIT		
	(Unaudited) 26 Weeks Ended 29 January 2023 Note	(Unaudited) 26 Weeks Ended 30 January 2022	(Audited) 52 Weeks Ended 31 July 2022	(Unaudited) 26 Weeks Ended 29 January 2023	(Unaudited) 26 Weeks Ended 30 January 2022	(Audited) 52 Weeks Ended 31 July 2022
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
The Warehouse	1,013,655	895,413	1,726,936	41,262	37,285	75,742
Warehouse Stationery	124,141	122,047	249,749	8,904	9,680	23,058
Warehouse segment	1,137,796	1,017,460	1,976,685	50,166	46,965	98,800
Noel Leeming	556,742	582,746	1,096,744	17,248	29,427	53,907
Torpedo7	96,395	97,462	171,474	(6,531)	1,527	(2,240)
TheMarket.com	21,869	33,037	49,954	(16,028)	(11,985)	(24,734)
Other Group operations	4,083	3,586	6,866	(13,989)	(8,734)	(8,961)
Inter-segment eliminations	(3,698)	(4,307)	(7,391)			
Group	1,813,187	1,729,984	3,294,332	30,866	57,200	116,772
Adjustment for NZIFRS 16 (Leases)				20,957	21,758	41,998
Operating profit				51,823	78,958	158,770
Unusual items	5			(6,275)	-	-
Earnings before interest and tax				45,548	78,958	158,770
Operating margin						
The Warehouse (%)				4.1	4.2	4.4
Warehouse Stationery (%)				7.2	7.9	9.2
Noel Leeming (%)				3.1	5.0	4.9
Torpedo7 (%)				(6.8)	1.6	(1.3)
Total Retail Group (%)				1.7	3.3	3.5

Operating segments

The Group has four operating segments trading in the New Zealand retail sector and an online marketplace (includes 1-day). These segments form the basis of internal reporting used by senior management and the Board of Directors to monitor and assess performance and assist with strategy decisions. The Group has disclosed its segment operating profit performance that excludes the impacts of NZIFRS 16 Leases, which is consistent with internal reporting and the way the Group monitors financial performance. Assets are not allocated to operating segments and the balance sheet is managed and internally reported on a consolidated basis to the senior management and the Board of Directors.

Each of the four main retail segments represent a distinct retail brand that operate throughout New Zealand. Customers can purchase product from the 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, 67 Warehouse Stationery stores (including 39 stores trading within The Warehouse stores), 68 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.

Adjustment for NZIFRS 16 (Leases)		(Unaudited) As at 29 January 2023 Note	(Unaudited) As at 30 January 2022	(Audited) As at 31 July 2022
		\$ 000	\$ 000	\$ 000
Pre NZIFRS 16 Rent		68,432	66,632	133,931
Right of use asset amortisation		(47,810)	(47,201)	(94,614)
Gain on lease terminations		335	2,327	2,681
Impact on operating profit		20,957	21,758	41,998
Lease liability interest	14	(17,751)	(18,413)	(36,683)
Impact on net profit before tax	5	3,206	3,345	5,315
Depreciation and amortisation expenses				
Property, plant, equipment and software	11	30,983	26,251	51,508
Right of use assets	13	47,810	47,201	94,614
Total depreciation and amortisation expenses		78,793	73,452	146,122

Notes to the Interim Financial Statements - continued

5. ADJUSTED NET PROFIT

Adjusted net profit reconciliation	Note	(Unaudited)	(Unaudited)	(Audited)
		26 Weeks Ended 29 January 2023	26 Weeks Ended 30 January 2022	52 Weeks Ended 31 July 2022
		\$ 000	\$ 000	\$ 000
Adjusted net profit		19,573	42,030	85,484
Less:				
Restructuring costs	3	(6,275)	-	-
Adjustment for NZIFRS 16 (Leases)	4	3,206	3,345	5,315
Income tax relating to above items		859	(937)	(1,488)
Net profit attributable to shareholders of the parent		17,363	44,438	89,311

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 NZIFRS 16 the non-cash impact relating to the lease accounting standard are also excluded from adjusted net profit.

6. DIVIDENDS

Dividends paid	CENTS PER SHARE			DIVIDENDS PAID		
	(Unaudited) 26 Weeks Ended 29 January 2023	(Unaudited) 26 Weeks Ended 30 January 2022	(Audited) 52 Weeks Ended 31 July 2022	(Unaudited) 26 Weeks Ended 29 January 2023	(Unaudited) 26 Weeks Ended 30 January 2022	(Audited) 52 Weeks Ended 31 July 2022
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
Prior year final dividend	10.0	17.5	17.5	34,684	60,698	60,698
Interim dividend	-	-	10.0	-	-	34,684
Total dividends paid	10.0	17.5	27.5	34,684	60,698	95,382

7. INVENTORIES

Inventories	(Unaudited)	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)	(Audited)
	As at 29 January 2023	As at 30 January 2022	As at 31 July 2022	As at 29 January 2023	As at 30 January 2022	As at 31 July 2022
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
Finished goods	529,803	449,569	485,486			
Inventory provisions	(21,442)	(19,185)	(17,244)			
Retail stock	508,361	430,384	468,242			
Goods in transit from overseas	109,395	100,231	94,071			
Inventory	617,756	530,615	566,555			

8. TRADE AND OTHER RECEIVABLES

Trade and other receivables	(Unaudited)	(Unaudited)	(Audited)
	As at 29 January 2023	As at 30 January 2022	As at 31 July 2022
	\$ 000	\$ 000	\$ 000
Trade receivables	36,562	39,313	35,526
Prepayments	43,322	24,607	34,256
Rebate accruals and other debtors	32,804	34,820	29,735
	112,688	98,740	99,517
Less non current prepayments	(14,591)	(9,154)	(11,664)
Total trade and other receivables	98,097	89,586	87,853

Notes to the Interim Financial Statements - continued

9. TRADE AND OTHER PAYABLES

Trade and other payables	(Unaudited)	(Unaudited)	(Audited)
	As at 29 January 2023	As at 30 January 2022	As at 31 July 2022
	\$ 000	\$ 000	\$ 000
Local trade creditors and accruals	304,654	353,832	280,208
Foreign currency trade creditors	122,529	113,332	113,722
Goods in transit creditors	33,311	76,195	32,684
Capital expenditure creditors	1,579	2,728	2,995
Goods and services tax	42,721	7,884	7,475
Reward schemes, lay-bys, Christmas club deposits and gift vouchers	24,575	23,353	22,692
Payroll accruals	22,595	22,986	20,820
Total trade and other payables	551,964	600,310	480,596

10. PROVISIONS

Provisions	(Unaudited)	(Unaudited)	(Audited)
	As at 29 January 2023	As at 30 January 2022	As at 31 July 2022
	\$ 000	\$ 000	\$ 000
Current liabilities	53,044	55,457	49,831
Non current liabilities	21,408	21,010	21,165
Total provisions	74,452	76,467	70,996
Provisions consist of:			
Employee entitlements	61,373	62,305	57,628
Make good provision	8,124	8,704	8,502
Sales returns provision	4,955	5,458	4,866
Total provisions	74,452	76,467	70,996

11. PROPERTY, PLANT, EQUIPMENT AND COMPUTER SOFTWARE

Property, plant, equipment and computer software	Note	(Unaudited)	(Unaudited)	(Audited)
		As at 29 January 2023	As at 30 January 2022	As at 31 July 2022
		\$ 000	\$ 000	\$ 000
Property, plant and equipment		240,942	199,019	224,355
Computer software	12	93,152	63,710	78,869
Carrying amount		334,094	262,729	303,224
Movement in property, plant, equipment and software				
Carrying amount at the beginning of the period		303,224	248,842	248,842
Capital expenditure		63,467	40,518	107,446
Depreciation and amortisation	4	(30,983)	(26,251)	(51,508)
Impairment	3	(1,378)	-	-
Disposals		(236)	(380)	(1,556)
Carrying amount at the end of the period		334,094	262,729	303,224

12. INTANGIBLE ASSETS

Intangible assets	Note	(Unaudited)	(Unaudited)	(Audited)
		As at 29 January 2023	As at 30 January 2022	As at 31 July 2022
		\$ 000	\$ 000	\$ 000
Computer software	11	93,152	63,710	78,869
Brands		15,500	15,500	15,500
Goodwill		57,456	57,456	57,456
Net book value		166,108	136,666	151,825

The Group performs a detailed impairment assessment of intangible assets prior to the end of each financial year and at each interim reporting date considers if there are any indicators of impairment which could have a bearing on the impairment assessments. The Group's review did not identify any significant indicators of impairment in respect of the cash generating units connected with the Group's material intangible assets.

Notes to the Interim Financial Statements - continued

13. RIGHT OF USE ASSETS

Right of use assets	(Unaudited) As at 29 January 2023 \$ 000	(Unaudited) As at 30 January 2022 \$ 000	(Audited) As at 31 July 2022 \$ 000
Note			
Movement in right of use assets			
Carrying amount at the beginning of the period	673,278	736,524	736,524
Foreign exchange movement	(86)	-	73
Additions	14 29,937	11,621	34,092
Depreciation	4 (47,810)	(47,201)	(94,614)
Reassessment of lease terms	14 -	(1,075)	(1,075)
Lease surrenders and terminations	(700)	(17)	(1,722)
Carrying amount at the end of the period	654,619	699,852	673,278

14. LEASE LIABILITIES

Lease liabilities	(Unaudited) As at 29 January 2023 \$ 000	(Unaudited) As at 30 January 2022 \$ 000	(Audited) As at 31 July 2022 \$ 000
Note			
Movement in lease liabilities			
Carrying amount at the beginning of the period	820,840	892,191	892,191
Foreign exchange movement	(86)	-	75
Additions	13 29,937	11,621	34,092
Interest for the period	4 17,751	18,413	36,683
Reassessment of lease terms	13 -	(1,075)	(1,075)
COVID-19 landlord rent relief	-	(812)	(1,775)
Lease repayments	(68,465)	(67,068)	(134,947)
Lease surrenders and terminations	(1,035)	(2,344)	(4,404)
Balance at the end of the period	798,942	850,926	820,840
Lease liability maturity analysis			
Within one year	96,306	96,782	95,849
One to two years	91,722	90,343	90,526
Two to five years	231,751	238,966	241,273
Beyond five years	379,163	424,835	393,192
Total lease liabilities	798,942	850,926	820,840
Current liabilities	96,306	96,782	95,849
Non current liabilities	702,636	754,144	724,991
Total lease liabilities	798,942	850,926	820,840

15. BORROWINGS

Net cash	(Unaudited) As at 29 January 2023 \$ 000	(Unaudited) As at 30 January 2022 \$ 000	(Audited) As at 31 July 2022 \$ 000
Cash and cash equivalents	32,774	149,966	24,999
Borrowings	(116,200)	-	(66,150)
Net debt	(83,426)	149,966	(41,151)
Committed bank credit facilities at balance date are:			
Committed bank debt facilities	465,000	330,000	420,000
Liquidity buffer	381,574	479,966	378,849

The Group complied with the debt ratios and restrictive covenants stipulated in the Group's negative pledge arrangement with its banks throughout the half year. Details regarding these covenants and the Group's liquidity policy, can be found in the 2022 Annual Report.

Notes to the Interim Financial Statements - continued

16. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments	(Unaudited)	(Unaudited)	(Audited)
	As at 29 January 2023	As at 30 January 2022	As at 31 July 2022
	\$ 000	\$ 000	\$ 000
Foreign exchange contracts			
Current assets	3,962	31,536	29,491
Current liabilities	(25,704)	-	(668)
Non current liabilities	(653)	-	-
Total derivative financial instruments	(22,395)	31,536	28,823
Classified as:			
Cash flow hedges	(20,524)	21,313	17,444
Fair value hedges	(1,871)	10,223	11,379
	(22,395)	31,536	28,823

The Group continues to manage its foreign exchange risks in accordance with the policies and parameters detailed in the 2022 Annual Report. The following table lists the key inputs used to determine the fair value of the Group's foreign exchange contracts and hedge levels at balance date.

US Dollar forward contracts

Notional amount (NZ\$000) 0 to 12 months	491,172	375,193	397,213
Notional amount (NZ\$000) 12 to 18 months	26,931	-	-
Average contract rate (\$)	0.6200	0.7063	0.6742
Spot rate used to determine fair value (\$)	0.6491	0.6538	0.6290
Forecast next twelve month USD hedge level (percentage)	76.5	69.8	68.9

Fair value

The Group's derivatives are not traded in an active market which means quoted prices are not available to determine the fair value. To determine the fair value the Group uses valuation techniques which rely on observable market data. The fair value of forward exchange contracts are determined using the forward exchange market rates at the balance date. For accounting purposes (NZIFRS 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.

17. COMMITMENTS

Commitments	(Unaudited)	(Unaudited)	(Audited)
	As at 29 January 2023	As at 30 January 2022	As at 31 July 2022
	\$ 000	\$ 000	\$ 000
Capital commitments			
Capital expenditure contracted for at balance date but not recognised as liabilities is set out below:			
Within one year	29,859	18,103	17,628

18. RELATED PARTIES

Except for directors' fees, key executive remuneration and dividends paid by the Group to its directors, there have been no other related party transactions during the period. During the half year 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 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.

Share rights granted	1,600,000	770,711
Date granted	October 2022	November 2022
Vesting date	October 2026	October 2025
Weighted average cost of equity (%)	8.9	8.5
Average share price at grant date (\$)	3.13	3.01
Estimated fair value at grant date (\$)	2.96	2.93

19. CONTINGENT LIABILITIES

The Group has no material contingent liabilities other than those arising in the normal course of business, being primarily letters of credit issued to secure future purchasing requirements and store lease commitments.