The Warehouse Group Limited
Interim Financial Statements

For the 26 weeks ended 28 January 2024

For and on behalf of the Board

Joan Withers
Chair

Dean Hamilton
Chair of the Audit and Risk Committee

19 March 2024

Consolidated Income Statement

	Note	Unaudited 26 Weeks Ended 28 January 2024	Unaudited 26 Weeks Ended 29 January 2023	Audited 52 Weeks Ended 30 July 2023
		$ 000	$ 000	$ 000
Continuing operations				
Retail sales	4	1,632,746	1,716,792	3,236,912
Cost of retail goods sold		(1,073,023)	(1,154,640)	(2,148,681)
Gross profit		559,723	562,152	1,088,231
Other income		2,499	3,023	8,328
Employee expense		(265,386)	(284,346)	(535,770)
Depreciation and amortisation expense	4	(80,054)	(73,531)	(151,891)
Other operating expense		(153,980)	(149,804)	(286,615)
Operating profit from continuing operations	4	62,802	57,494	122,283
Unusual items	5	-	(6,275)	(13,561)
Earnings before interest and tax from continuing operations		62,802	51,219	108,722
Net interest expense (including lease liability interest)		(17,813)	(17,767)	(37,192)
Profit before tax from continuing operations		44,989	33,452	71,530
Income tax expense		(12,933)	(9,834)	(21,468)
Net profit for the period from continuing operations		32,056	23,618	50,062
Discontinued operations				
Loss from discontinued operations (net of tax)	18	(55,506)	(6,291)	(20,125)
Net profit/(loss) for the period		(23,450)	17,327	29,937
Attributable to:				
Shareholders of the parent		(23,659)	17,363	29,810
Minority interests		209	(36)	127
		(23,450)	17,327	29,937
Profit/(loss) attributable to shareholders of the parent relates to:				
Profit from continuing operations		31,847	23,654	49,935
Loss from discontinued operations		(55,506)	(6,291)	(20,125)
		(23,659)	17,363	29,810
Earnings per share attributable to shareholders of the parent:				
Basic earnings per share		(6.9) cents	5.0 cents	8.6 cents
Basic earnings per share from continuing operations		9.2 cents	6.8 cents	14.5 cents
Basic earnings per share from discontinued operations		(16.1) cents	(1.8) cents	(5.9) cents
Diluted earnings per share		(6.8) cents	5.0 cents	8.6 cents
Diluted earnings per share from continuing operations		9.2 cents	6.8 cents	14.4 cents
Diluted earnings per share from discontinued operations		(16.0) cents	(1.8) cents	(5.8) cents

Consolidated Statement of Comprehensive Income

	Unaudited 26 Weeks Ended 28 January 2024	Unaudited 26 Weeks Ended 29 January 2023	Audited 52 Weeks Ended 30 July 2023
	$ 000	$ 000	$ 000
Net profit/(loss) for the period	(23,450)	17,327	29,937
Items that may be reclassified subsequently to the income statement			
Movement in foreign currency translation reserve	60	(257)	(206)
Movement in hedge reserves (net of tax)	396	(27,337)	(13,327)
Total comprehensive income/(loss) for the period	(22,994)	(10,267)	16,404
Attributable to:			
Shareholders of the parent	(23,203)	(10,231)	16,277
Minority interest	209	(36)	127
Total comprehensive income/(loss)	(22,994)	(10,267)	16,404
Attributable to:			
Total comprehensive income/(loss) from continuing operations	32,512	(3,976)	36,529
Total comprehensive loss from discontinued operations	(55,506)	(6,291)	(20,125)
Total comprehensive income/(loss)	(22,994)	(10,267)	16,404
Total comprehensive income/(loss) from continuing operations attributable to:			
Shareholders of the parent	32,303	(3,940)	36,402
Minority interest	209	(36)	127
Total comprehensive income/(loss) from continuing operations	32,512	(3,976)	36,529

Comparative amounts for the 2023 financial year were restated to classify discontinued operations as a single amount (refer note:18).

Consolidated Balance Sheet

	Note	Unaudited As at 28 January 2024	Unaudited As at 29 January 2023	Audited As at 30 July 2023
		$ 000	$ 000	$ 000
ASSETS				
Current assets				
Cash and cash equivalents	14	38,557	32,774	28,330
Trade and other receivables	7	88,288	98,097	76,274
Inventories	6	492,680	617,756	493,308
Derivative financial instruments	15	4,401	3,962	5,208
Taxation receivable		9,243	3,624	5,038
		633,169	756,213	608,158
Assets held for sale	19	25,713	-	-
Total current assets		658,882	756,213	608,158
Non current assets				
Trade and other receivables	7	27,745	14,591	20,747
Property, plant and equipment	10	205,802	240,942	222,289
Intangible assets	11	165,921	166,108	168,239
Right of use assets	12	617,209	654,619	661,025
Investment in associate		-	3,520	-
Deferred taxation		99,400	107,821	88,476
Total non current assets		1,116,077	1,187,601	1,160,776
Total assets		1,774,959	1,943,814	1,768,934
LIABILITIES				
Current liabilities				
Borrowings	14	57,300	116,200	76,400
Trade and other payables	8	511,414	551,964	407,339
Derivative financial instruments	15	3,022	25,704	7,320
Lease liabilities	13	89,981	96,306	98,996
Provisions	9	42,706	53,044	49,292
		704,423	843,218	639,347
Liabilities connected to assets held for sale	19	29,765	-	-
Total current liabilities		734,188	843,218	639,347
Non current liabilities				
Derivative financial instruments	15	-	653	-
Lease liabilities	13	665,039	702,636	704,162
Provisions	9	22,974	21,408	22,405
Total non current liabilities		688,013	724,697	726,567
Total liabilities		1,422,201	1,567,915	1,365,914
Net assets		352,758	375,899	403,020
EQUITY				
Contributed equity		360,235	360,235	360,235
Reserves		1,017	(14,502)	10
Retained earnings		(9,470)	29,379	41,825
Total equity attributable to shareholders		351,782	375,112	402,070
Minority interest		976	787	950
Total equity		352,758	375,899	403,020

The assets and liabilities connected to the sale of Torpedo7 (refer note: 19) were reclassifed as two separate 'held for sale' amounts in the current financial period. Comparative amounts for the 2023 financial year remain unchanged.

Consolidated Statement of Cash Flows

	Note	Unaudited 26 Weeks Ended 28 January 2024	Unaudited 26 Weeks Ended 29 January 2023	Audited 52 Weeks Ended 30 July 2023
		$ 000	$ 000	$ 000
Cash flows from operating activities				
Cash received from customers		1,700,688	1,814,177	3,409,163
Payments to suppliers and employees		(1,530,396)	(1,667,651)	(3,139,848)
Income tax paid		(10,364)	(17,248)	(11,033)
Interest paid		(22,449)	(20,448)	(44,099)
Net cash flows from operating activities		137,479	108,830	214,183
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		150	-	30,667
Purchase of property, plant, equipment and computer software		(28,731)	(64,882)	(115,088)
Purchase of minority interest		-	(691)	(691)
Net cash flows from investing activities		(28,581)	(65,573)	(85,112)
Cash flows from financing activities				
Proceeds/(repayments) from borrowings		(19,100)	50,050	10,250
Lease principal repayments		(51,594)	(50,714)	(101,171)
Treasury stock dividends received		111	139	138
Dividends paid to parent shareholders		(27,905)	(34,907)	(34,907)
Dividends paid to minority shareholders		(183)	(50)	(50)
Net cash flows from financing activities		(98,671)	(35,482)	(125,740)
Net cash flow		10,227	7,775	3,331
Opening cash position		28,330	24,999	24,999
Closing cash position		38,557	32,774	28,330

Reconciliation of Operating Cash Flows

	Note	Unaudited 26 Weeks Ended 28 January 2024	Unaudited 26 Weeks Ended 29 January 2023	Audited 52 Weeks Ended 30 July 2023
Profit/(Loss) after tax		(23,450)	17,327	29,937
Non cash items				
Depreciation and amortisation expense - continuing operations	4	80,054	73,531	151,891
Depreciation and amortisation expense - discontinued operations	18	5,423	5,262	10,805
Right of use asset impairment	12	619	-	226
Share based payment expense		551	353	804
Torpedo7 asset impairment	19	59,497	-	-
Movement in deferred tax		(11,064)	(7,965)	5,934
Total non cash items		135,080	71,181	169,660
Items classified as investing or financing activities				
Net loss on disposal of property, plant and equipment		583	1,584	2,634
Loss from investment in associate		-	319	3,839
Gain on lease terminations	4	(33)	(335)	(977)
Supplementary dividend tax credit		158	223	223
Total investing and financing adjustments		708	1,791	5,719
Changes in assets and liabilities				
Trade and other receivables		(22,336)	(13,171)	2,496
Inventories		(46,048)	(55,443)	69,005
Trade and other payables		102,098	85,808	(59,802)
Provisions		(6,017)	3,456	701
Income tax		(4,205)	(2,119)	(3,533)
Assets held for sale		(3,886)	-	-
Liabilities connected to assets held for sale		5,535	-	-
Total changes in assets and liabilities		25,141	18,531	8,867
Net cash flows from operating activities		137,479	108,830	214,183

Cash flows represent the combined cash flows of both the Group's continuing and discontinued operations.

Consolidated Statement of Changes in Equity

(Unaudited)	Share Capital	Treasury Stock	Hedge Reserves	Foreign Currency Translation Reserve	Employee Share Benefits Reserve	Retained Earnings	Minority Interest	Total Equity
For the 26 weeks ended 28 January 2024	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000
Balance at the beginning of the period	365,517	(5,282)	(767)	(27)	804	41,825	950	403,020
Profit/(loss) for the half year	-	-	-	-	-	(23,659)	209	(23,450)
Movement in foreign currency translation reserve	-	-	-	60	-	-	-	60
Movement in derivative cash flow hedges	-	-	550	-	-	-	-	550
Tax related to movement in hedge reserve	-	-	(154)	-	-	-	-	(154)
Total comprehensive income	-	-	396	60	-	(23,659)	209	(22,994)
Share rights charged to the income statement	-	-	-	-	551	-	-	551
Dividends paid	-	-	-	-	-	(27,747)	(183)	(27,930)
Treasury stock dividends received	-	-	-	-	-	111	-	111
Balance at the end of the period	365,517	(5,282)	(371)	33	1,355	(9,470)	976	352,758

(Unaudited)	Share Capital	Treasury Stock	Hedge Reserves	Foreign Currency Translation Reserve	Employee Share Benefits Reserve	Retained Earnings	Minority Interest	Total Equity
For the 26 weeks ended 29 January 2023	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000
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 cash flow and monetised 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 options 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

(Audited)	Share Capital	Treasury Stock	Hedge Reserves	Foreign Currency Translation Reserve	Employee Share Benefits Reserve	Retained Earnings	Minority Interest	Total Equity
For the 52 weeks ended 30 July 2023	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000
Balance at the beginning of the period	365,517	(5,282)	12,560	179	-	48,940	(815)	421,099
Profit for the year	-	-	-	-	-	29,810	127	29,937
Movement in foreign currency translation reserve	-	-	-	(206)	-	-	-	(206)
Movement in derivative cash flow hedges	-	-	(18,510)	-	-	-	-	(18,510)
Tax related to movement in hedge reserve	-	-	5,183	-	-	-	-	5,183
Total comprehensive income	-	-	(13,327)	(206)	-	29,810	127	16,404
Share rights charged to the income statement	-	-	-	-	804	-	-	804
Minority put options exercised	-	-	-	-	-	(2,379)	1,688	(691)
Dividends paid	-	-	-	-	-	(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

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 MATERIAL 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 30 July 2023.

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 30 July 2023. The Group's accounting policies for discontinued operations (note 18) and held for sale assets (note 19) which detail the sale of the Group's Torpedo7 business are applicable this period and included as part of the note disclosures. Certain comparative amounts reported for the previous half year and full year have been restated to reclassify the Torpedo7 business from continuing to discontinued operations and conform with the current period presentation.

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 (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 are detailed in note 5.

Critical accounting judgements, estimates and assumptions

The preparation of the interim financial statements requires the Group to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at balance date and the reported amounts of revenues and expenses during the half year. The same material judgements, estimates and assumptions that are summarised in the audited financial statements for the 52 weeks ended 30 July 2023 were again applied in the preparation of these interim financial statements. Additional judgements were also required regarding the accounting treatment and impairment calculations connected with the disposal of the Torpedo7 business (refer note 19).

Approval of interim financial statements

These consolidated interim financial statements were approved for issue by the Board of Directors on 19 March 2024. Unless as otherwise stated, the interim financial statements have been reviewed by our Auditors, but are not audited.

3. MATERIAL TRANSACTIONS AND SUBSEQUENT EVENTS

Sale of Torpedo7 (note 19)

The Group announced on 22 February 2024 that it had sold the Torpedo7 business to Tahua Partners Limited. The trading performance for this business segment is excluded from continuing operations and presented separately as a single, after tax amount for discontinued operations in the Income Statement (refer note 18). As a consequence of the business sale a non-cash, pre-tax asset impairment of $59.5 million was recognised (refer note 19).

Tax Building Depreciation (December 2023)

In December 2023, the Government announced it would make a number of changes to the tax legislation as part of its mini budget. These tax changes included the removal of the ability to depreciate buildings for tax purposes from April 2024. The Government has not yet substantially enacted this new tax legislation which meant the Group was not required to record the impact of the proposed tax change in the half year result.

If this new tax legislation is enacted as anticipated, the removal of the ability to depreciate buildings for tax purposes will reduce the tax base of the Group's buildings to nil, as future tax deductions will no longer be available. For the Group, the application of this taxation change, is expected to decrease the Group's deferred taxation asset by approximately $8.1 million, and will create a one-off, non-cash accounting adjustment to increase the taxation expense by the same amount in the second half of this financial year.

Climate change reporting

In December 2022, the External Reporting Board (XRB) of New Zealand released the Aotearoa New Zealand Climate Standards (NZCS) setting the requirements for the reporting of climate risks. In 2023 the Group participated in, and was instrumental in, setting the New Zealand retail sector scenarios for the purposes of NZCS. The Group will report under the new NZCS requirements for the first time for the year ending 28 July 2024.

Dividend

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. The Board declared a fully imputed interim dividend of 5.0 cents per ordinary share on 19 March 2024 to be paid on 23 April 2024 to all shareholders on the Group's share register at the close of business on 8 April 2024.

Notes to the Interim Financial Statements - continued

4. SEGMENT INFORMATION

Operating performance	Note	REVENUE (Unaudited) 26 Weeks Ended 28 January 2024 $ 000	(Unaudited) 26 Weeks Ended 29 January 2023 $ 000	(Audited) 52 Weeks Ended 30 July 2023 $ 000	OPERATING PROFIT (Unaudited) 26 Weeks Ended 28 January 2024 $ 000	(Unaudited) 26 Weeks Ended 29 January 2023 $ 000	(Audited) 52 Weeks Ended 30 July 2023 $ 000
The Warehouse		965,630	1,013,655	1,892,351	38,795	41,262	71,596
Warehouse Stationery		117,925	124,141	248,629	7,746	8,904	23,004
TheMarket.com		2,476	21,869	33,652	(5,288)	(16,028)	(22,001)
Warehouse		1,086,031	1,159,665	2,174,632	41,253	34,138	72,599
Noel Leeming		544,424	556,742	1,061,026	14,290	17,248	27,342
Other Group operations		6,030	4,083	8,395	(12,569)	(13,989)	(16,549)
Inter-segment eliminations		(3,739)	(3,698)	(7,141)			
Group		1,632,746	1,716,792	3,236,912	42,974	37,397	83,392
Adjustment for NZ IFRS 16 (Leases)					19,828	20,097	38,891
Operating profit from continuing operations					62,802	57,494	122,283
Unusual items	5				-	(6,275)	(13,561)
Earnings before interest and tax from continuing operations					62,802	51,219	108,722
Operating margin							
The Warehouse (%)					4.0	4.1	3.8
Warehouse Stationery (%)					6.6	7.2	9.3
Noel Leeming (%)					2.6	3.1	2.6
Total Retail Group (%)					2.6	2.2	2.6

Operating segments
The Group has four retail brands trading in the New Zealand retail sector, including an online marketplace. These brands 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. 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. 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.

Customers can purchase product from the three 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 41 stores trading within The Warehouse stores), and 67 Noel Leeming stores. The Warehouse predominantly sells general merchandise and apparel, Noel Leeming sells technology and appliance products and Warehouse Stationery sells stationery products.

The Torpedo7 business was previously included as a separate retail brand, but has been reclassified as a discontinued operation this period. The Torpedo7 results, cash flows and details of its sale are found in notes 18 and 19. Other Group operations include a property company, a chocolate factory and the residual cost of unallocated support office functions.

Adjustment for NZ IFRS 16 (Leases)	Note	(Unaudited) As at 28 January 2024 $ 000	(Unaudited) As at 29 January 2023 $ 000	(Audited) As at 30 July 2023 $ 000
Pre NZ IFRS 16 Rent		64,770	63,577	125,742
Right of use asset amortisation		(44,975)	(43,815)	(87,828)
Gain on lease terminations		33	335	977
Impact on operating profit from continuing operations		19,828	20,097	38,891
Lease liability interest	13	(18,249)	(16,851)	(34,374)
Impact on operating profit from continuing operations (excluding unusual items)	5	1,579	3,246	4,517
Lease impairments classified as unusual items		-	-	(226)
Impact on profit before tax from continuing operations		1,579	3,246	4,291
Depreciation and amortisation expense				
Property, plant and equipment		22,091	19,533	42,259
Computer software		12,988	10,183	21,804
Property, plant, equipment and computer software	10	35,079	29,716	64,063
Right of use assets	12	44,975	43,815	87,828
Total depreciation and amortisation expense from continuing operations		80,054	73,531	151,891

The current period software amortisation includes an impairment ($1.8 million) for the TheMarket.com online platform.

5. ADJUSTED NET PROFIT

Adjusted net profit reconciliation	Note	(Unaudited) 26 Weeks Ended 28 January 2024	(Unaudited) 26 Weeks Ended 29 January 2023	(Audited) 52 Weeks Ended 30 July 2023
		$ 000	$ 000	$ 000
Net profit from continuing operations attributable to shareholders of the parent		31,847	23,654	49,935
Add back: Unusual items				
Gain on sale of property		-	-	(413)
Restructuring costs		-	6,275	10,502
Associate impairment		-	-	3,472
Unusual items before taxation from continuing operations		-	6,275	13,561
Adjustment for NZ IFRS 16 (Leases)	4	(1,579)	(3,246)	(4,517)
Income tax relating to above items		442	(848)	(1,560)
Adjusted net profit from continuing operations attributable to shareholders of the parent		30,710	25,835	57,419

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.

6. INVENTORIES

Inventories	(Unaudited) As at 28 January 2024	(Unaudited) As at 29 January 2023	(Audited) As at 30 July 2023
	$ 000	$ 000	$ 000
Finished goods	439,540	529,803	448,895
Inventory provisions	(13,359)	(21,442)	(20,973)
Retail stock	426,181	508,361	427,922
Goods in transit from overseas	66,499	109,395	65,386
Inventory	492,680	617,756	493,308

7. TRADE AND OTHER RECEIVABLES

Trade and other receivables	(Unaudited) As at 28 January 2024	(Unaudited) As at 29 January 2023	(Audited) As at 30 July 2023
	$ 000	$ 000	$ 000
Trade receivables	39,774	36,562	31,257
Prepayments	49,823	43,322	35,755
Rebate accruals and other debtors	26,436	32,804	30,009
	116,033	112,688	97,021
Less non current prepayments	(27,745)	(14,591)	(20,747)
Total trade and other receivables	88,288	98,097	76,274

8. TRADE AND OTHER PAYABLES

Trade and other payables	Note	(Unaudited) As at 28 January 2024	(Unaudited) As at 29 January 2023	(Audited) As at 30 July 2023
		$ 000	$ 000	$ 000
Local trade creditors and accruals		318,134	306,233	247,168
Foreign currency trade creditors		101,932	122,529	72,668
Goods in transit creditors		26,975	33,311	23,941
Goods and services tax		18,715	42,721	16,132
Reward schemes, lay-bys, Christmas club deposits and gift vouchers		23,305	24,575	27,413
Payroll accruals		22,353	22,595	20,017
Total trade and other payables		511,414	551,964	407,339
Liabilities connected to assets held for sale	19	5,535	-	-
Total trade and other payables		516,949	551,964	407,339

9. PROVISIONS

Provisions	(Unaudited) As at 28 January 2024	(Unaudited) As at 29 January 2023	(Audited) As at 30 July 2023
	$ 000	$ 000	$ 000
Current liabilities	42,706	53,044	49,292
Non current liabilities	22,974	21,408	22,405
Total provisions	65,680	74,452	71,697
Provisions consist of:			
Employee entitlements	53,108	61,373	59,314
Make good provision	8,032	8,124	8,072
Sales returns provision	4,540	4,955	4,311
Total provisions	65,680	74,452	71,697

10. PROPERTY, PLANT, EQUIPMENT AND COMPUTER SOFTWARE

Property, plant, equipment and computer software	Note	(Unaudited) As at 28 January 2024	(Unaudited) As at 29 January 2023	(Audited) As at 30 July 2023
		$ 000	$ 000	$ 000
Property, plant and equipment		205,802	240,942	222,289
Computer software	11	92,965	93,152	95,283
Carrying amount		298,767	334,094	317,572
Movement in property, plant, equipment and computer software				
Carrying amount at the beginning of the period		317,572	303,224	303,224
Capital expenditure		27,813	63,467	113,203
Depreciation and amortisation - continuing operations	4	(35,079)	(29,716)	(64,063)
Depreciation and amortisation - discontinued operations		(1,311)	(1,267)	(2,629)
Classified as held for sale	19	(9,497)	-	-
Disposals		(731)	(1,614)	(32,163)
Carrying amount at the end of the period		298,767	334,094	317,572

11. INTANGIBLE ASSETS

Intangible assets	Note	(Unaudited) As at 28 January 2024	(Unaudited) As at 29 January 2023	(Audited) As at 30 July 2023
		$ 000	$ 000	$ 000
Computer software	10	92,965	93,152	95,283
Brands		15,500	15,500	15,500
Goodwill		57,456	57,456	57,456
Net book value		165,921	166,108	168,239

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.

12. RIGHT OF USE ASSETS

Right of use assets	Note	(Unaudited) As at 28 January 2024 $ 000	(Unaudited) As at 29 January 2023 $ 000	(Audited) As at 30 July 2023 $ 000
Movement in right of use assets				
Carrying amount at the beginning of the period		661,025	673,278	673,278
Foreign exchange movement		21	(86)	(87)
Additions	13	27,045	29,937	99,416
Depreciation - continuing operations	4	(44,975)	(43,815)	(87,828)
Depreciation - discontinued operations		(4,112)	(3,995)	(8,176)
Reassessment of lease terms	13	2,267	-	(11,945)
Sale and lease back adjustment		-	-	(494)
Lease impairments	18	(619)	-	(226)
Lease surrenders and terminations		(1,616)	(700)	(2,913)
Carrying amount at the end of the period		639,036	654,619	661,025
Less classified as held for sale	19	(21,827)	-	-
Right of use assets		617,209	654,619	661,025

13. LEASE LIABILITIES

Lease liabilities	Note	(Unaudited) As at 28 January 2024 $ 000	(Unaudited) As at 29 January 2023 $ 000	(Audited) As at 30 July 2023 $ 000
Movement in lease liabilities				
Carrying amount at the beginning of the period		803,158	820,840	820,840
Foreign exchange movement		23	(86)	(91)
Additions	12	27,045	29,937	99,416
Interest for the period - continuing operations	4	18,249	16,851	34,374
Interest for the period - discontinued operations		726	900	1,825
Reassessment of lease terms	12	2,267	-	(11,945)
Lease repayments		(70,569)	(68,465)	(137,370)
Lease surrenders and terminations		(1,649)	(1,035)	(3,891)
Balance at the end of the period		779,250	798,942	803,158
Less liabilities connected to assets held for sale	19	(24,230)	-	-
Lease liabilities		755,020	798,942	803,158
Lease liability maturity analysis				
Within one year		89,981	96,306	98,996
One to two years		86,466	91,722	93,213
Two to five years		234,929	231,751	239,963
Beyond five years		343,644	379,163	370,986
Total lease liabilities		755,020	798,942	803,158
Current liabilities		89,981	96,306	98,996
Non current liabilities		665,039	702,636	704,162
Total lease liabilities		755,020	798,942	803,158

14. BORROWINGS

Net cash	(Unaudited) As at 28 January 2024 $ 000	(Unaudited) As at 29 January 2023 $ 000	(Audited) As at 30 July 2023 $ 000
Cash and cash equivalents	38,557	32,774	28,330
Borrowings	(57,300)	(116,200)	(76,400)
Net debt	(18,743)	(83,426)	(48,070)
Committed bank credit facilities at balance date are:			
Committed bank debt facilities	490,000	465,000	470,000
Liquidity buffer	471,257	381,574	421,930

The Group complied with the debt ratios and 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 2023 Annual Report.

Notes to the Interim Financial Statements - continued

15. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments	(Unaudited) As at 28 January 2024 $ 000	(Unaudited) As at 29 January 2023 $ 000	(Audited) As at 30 July 2023 $ 000
Foreign exchange contracts			
Current assets	4,401	3,962	5,208
Current liabilities	(3,022)	(25,704)	(7,320)
Non current liabilities	-	(653)	-
Total derivative financial instruments	1,379	(22,395)	(2,112)
Classified as:			
Cash flow hedges	(516)	(20,524)	(1,066)
Fair value hedges	1,895	(1,871)	(1,046)
Total derivative financial instruments	1,379	(22,395)	(2,112)

The Group continues to manage its foreign exchange risks in accordance with the policies and parameters detailed in the 2023 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	383,829	491,172	437,383
Notional amount (NZ$000) 12 to 18 months	-	26,931	-
Average contract rate ($)	0.6113	0.6200	0.6125
Spot rate used to determine fair value ($)	0.6095	0.6491	0.6156
Forecast next twelve month USD hedge level (percentage)	67.7	76.5	74.7

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 (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.

16. COMMITMENTS

Commitments	(Unaudited) As at 28 January 2024 $ 000	(Unaudited) As at 29 January 2023 $ 000	(Audited) As at 30 July 2023 $ 000
Capital commitments			
Capital expenditure contracted for at balance date but not recognised as liabilities is set out below:			
Within one year	4,141	29,859	8,387

17. 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. Last financial 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. At balance date the CEO and four members of the Group's senior leadership hold share rights.

Executive share rights	(Unaudited) As at 28 January 2024	(Unaudited) As at 29 January 2023	(Audited) As at 30 July 2023
Opening share rights	2,203,165	-	-
Share rights granted during the period	-	2,370,711	2,370,711
Lapsed	-	-	(167,546)
Share rights at balance date	2,203,165	2,370,711	2,203,165
Share rights comprise:			
Tranche 1	1,600,000	1,600,000	1,600,000
Tranche 2	603,165	770,711	603,165
Share rights at balance date	2,203,165	2,370,711	2,203,165

	Tranche 1	**Tranche 2**
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

18. DISCONTINUED OPERATIONS

A discontinued operation is a component of the Group that represents a separate major line of business that is part of a disposal plan. The results of discontinued operations are presented separately as a single amount in the Income Statement.

At the date of the approval of the 2023 financial statements, management and the Board were committed to a turnaround plan for Torpedo7. By November 2023 the performance of the business had not improved. Consequently, management and the Board then reviewed a number of alternatives, including indicative exit options and a revised plan to continue trading the business. While these options were being considered, the Group received an unsolicited indicative proposal from Tahua Partners Limited to purchase the Torpedo 7 business assets.

The Group weighed this option against other alternatives, before commencing a period of negotiations. These negotiations concluded on 22 February 2024 when the Group signed an agreement to sell the Torpedo7 business assets. The Torpedo7 business, previously reported as a separate retail brand (as part of note 4) were accordingly reclassified as a discontinued operation. The Torpedo7 results and cash flows are as follows.

Torpedo7 results and cash flows	(Unaudited) As at 28 January 2024 $ 000	(Unaudited) As at 29 January 2023 $ 000	(Audited) As at 30 July 2023 $ 000
Retail sales	73,041	96,395	162,200
Cost of retail goods sold	(48,396)	(66,192)	(113,707)
Gross profit	24,645	30,203	48,493
Other income	298	48	257
Employee expense	(18,110)	(20,306)	(38,582)
Depreciation and amortisation expense	(5,423)	(5,262)	(10,805)
Other operating expense	(10,025)	(10,354)	(19,596)
Operating profit	(8,615)	(5,671)	(20,233)
Unusual items - Impairment of assets and 2023 restructuring costs	(60,116)	-	(374)
Loss before interest and tax	(68,731)	(5,671)	(20,607)
Interest expense	(4,456)	(3,066)	(7,329)
Loss before tax	(73,187)	(8,737)	(27,936)
Income tax expense	17,681	2,446	7,811
Loss from discontinued operations	(55,506)	(6,291)	(20,125)
Cash flows from discontinued operations			
Net cash flows from operating activities	6,265	(11,509)	(20,795)
Net cash flows from investing activities	(161)	(2,494)	(4,252)
Net cash flows from financing activities	(5,118)	13,852	24,981

The 2024 asset impairment relates to assets held for sale (refer note 19) and the impairment of a right of use asset for a store lease ($0.6 million) excluded from the sale agreement.

19. HELD FOR SALE

Non current assets or a group of assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for tax assets and financial assets which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increase in fair value less cost to sell of an asset, but not more than any cumulative impairment loss previously recognised. Non current assets are not depreciated or amortised while they are classified as held for sale.

The Group completed the first part of its plan to dispose of the Torpedo7 business when it executed a business asset sale agreement, four weeks after balance date. As part of the agreement, Tahua Partners purchases certain Torpedo7 business assets for $1 at the end of March 2024, which includes plant and equipment, inventory, inventory prepayments, the Torpedo7 brand and they will also assume the obligations for most store leases, honouring gift cards, customer orders not yet delivered and customer returns. The assets sold and the lease and other liabilities assumed by the purchaser are detailed below and classified as held for sale at balance date:

Torpedo7 assets classified as held for sale	Note	(Unaudited) As at 28 January 2024 $ 000
Trade and other receivables		3,324
Inventories		50,562
Working capital		53,886
Property, plant, equipment and computer software	10	9,497
Right of use assets	12	21,827
Book value of assets held for sale before impairment		85,210
Impairment	18	(59,497)
Assets held for sale		25,713
Liabilities		
Gift cards and online fulfilment obligations	8	5,535
Lease liabilities	12	24,230
Liabilities connected to assets held for sale		29,765

19. HELD FOR SALE - continued

Material judgements and estimates
The estimates and judgements applied with respect to the recognition of the impairment of the Torpedo7 assets involves a high level of complexity and carries a significant risk of adjustment in subsequent periods. The trading performance during the two-month period preceding the sale to Tahua Partners and any adjustments made to the disposal plan may result in the recoverable value of the assets sold being different from those estimated. Any changes to carrying amounts in subsequent periods due to a revision to estimates or as a result of the final realisation of the Torpedo7 assets upon the disposal of the business will be recognised in the Income Statement as part of discontinued operations. The key estimates and judgements are set out below.

Asset impairment
The held for sale asset impairment, is based on an assessment of the recoverable amount expected to be realised through the asset sale. The consideration for the sale is subject to adjustment, if the working capital amount is different from a target position specified in the sale agreement at the end of the March 2024 completion date. If the book value of working capital at completion exceeds the target, the purchaser is required to compensate the Group for the difference and conversely the Group would compensate the purchaser if the working capital amount is less than the target.

Residual costs, assets and liabilities
The second part of the disposal plan involves the collection of trade receivables excluded from the asset sale and settlement of trade creditors, employee entitlements, tax and other obligations incurred prior to the transfer of ownership. The Group has also agreed that it will provide certain transitional services to the purchaser for a period of up to six months following completion.

The majority of the permanent Torpedo7 team were offered new employment contracts by Tahua Partners, however there are some team members who did not retain a job. The Group did not recognise a liability for the employee redundancy costs until the obligation was confirmed, which did not happen until four weeks after balance date when the employees were informed of the sale and the impact it may have on their employment. Similarly the Group was unable to recognise a gain from assigning its lease obligations to Tahua Partners, which can-not be recognised until the lease assignments are completed. It is expected that the gains that arise from assigning the lease obligations will exceed the redundancy and other transition costs that will be incurred during the second half of this financial year.

20. 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 contingent liabilities associated with the sale of the Torpedo7 business assets (refer notes 18 and 19). The asset sale exposes the Group to a number of contingent liabilities connected with warranties contained in the sale and purchase agreement. The Group was required to make warranties, which are typical for a transaction of this nature. These warranty claims are capped at $1.0 million and expire 18 months after completion.