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	Note	Retail Sales		Operating Profit		Retail Operating Margin	
		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.

Notes to the Financial Statements - Financial Performance

For the 52 week period ended 30 July 2023

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

Notes to the Financial Statements - Financial Performance

For the 52 week period ended 30 July 2023

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).

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.

Notes to the Financial Statements - Operating Assets and Liabilities

For the 52 week period ended 30 July 2023

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.

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		Land and Buildings		Plant and Equipment		Work in Progress		Total	
	Note	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
- Plant and equipment — 3 - 15 years
- Freehold buildings — 50 - 100 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

		Goodwill		Brand Names		Computer Software		Total	
	Note	2023	2022	2023	2022	2023	2022	2023	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		The Warehouse	
	2023	2022	2023	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.

10.0 LEASE LIABILITIES AND RIGHT OF USE ASSETS

10.1 Right of use assets		Cost		Accumulated Depreciation		Carrying Amount	
	Note	2023	2022	2023	2022	2023	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		Interest		Carrying Amount	
	2023	2022	2023	2022	2023	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%).

Notes to the Financial Statements - Financing and Capital Structure

For the 52 week period ended 30 July 2023

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.

Notes to the Financial Statements - Financing and Capital Structure

For the 52 week period ended 30 July 2023

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.

Notes to the Financial Statements - Other Disclosures

For the 52 week period ended 30 July 2023

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.