

Financial Statements

For the 53 week period ended 2 August 2020

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

These financial statements have been approved for issue by the Board of Directors on 14 October 2020.



Joan Withers - Chair
14 October 2020



Keith Smith - Deputy Chair
14 October 2020

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

Consolidated Income Statement

For the 53 week period ended 2 August 2020

		(53 Weeks)	(52 Weeks)
	Note	2020	2019
		\$ 000	\$ 000
Continuing operations			
Retail sales	2.1	3,172,830	3,071,357
Cost of retail goods sold	8.1	(2,137,950)	(2,042,722)
Gross profit		1,034,880	1,028,635
Other income	3.1	83,919	8,325
Employee expense	3.2	(559,299)	(520,892)
Depreciation and amortisation expense	2.2	(154,652)	(60,613)
Other operating expenses	3.3	(247,087)	(343,077)
Operating profit from continuing operations	2.1	157,761	112,378
Unusual items	5.0	(53,079)	(9,435)
Earnings before interest and tax from continuing operations		104,682	102,943
Net interest expense	11.2	(46,710)	(8,879)
Profit before tax from continuing operations		57,972	94,064
Income tax expense	4.1	(14,305)	(26,621)
Net profit for the period from continuing operations		43,667	67,443
Discontinued operations			
Gain/(loss) from discontinued operations (net of tax)		31	(1,928)
Net profit for the period		43,698	65,515
Attributable to:			
Shareholders of the parent		44,472	65,382
Minority interests	12.4	(774)	133
		43,698	65,515
Profit attributable to shareholders of the parent relates to:			
Profit from continuing operations		44,441	67,310
Gain/(loss) from discontinued operations		31	(1,928)
		44,472	65,382
Earnings per share attributable to shareholders of the parent			
Basic earnings per share	6.0	12.9 cents	18.9 cents
Basic earnings per share - continuing operations	6.0	12.9 cents	19.5 cents

Consolidated Statement of Comprehensive Income

For the 53 week period ended 2 August 2020

		(53 Weeks)	(52 Weeks)
	Note	2020	2019
		\$ 000	\$ 000
Net profit for the period		43,698	65,515
Items that may be reclassified subsequently to the income statement			
Movement in foreign currency translation reserve		(184)	19
Movement in derivative cash flow hedges		(16,598)	(17,165)
Movement in de-designated derivative hedges		226	580
Tax relating to movement in hedge reserve		4,585	4,644
Other comprehensive income		(11,971)	(11,922)
Total comprehensive income		31,727	53,593
Attributable to:			
Shareholders of the parent		32,501	53,460
Minority interest	12.4	(774)	133
Total comprehensive income		31,727	53,593
Attributable to:			
Total comprehensive income from continuing operations		31,696	55,521
Total comprehensive gain/(loss) from discontinued operations		31	(1,928)
Total comprehensive income		31,727	53,593
Total comprehensive income from continuing operations attributable to:			
Shareholders of the parent		32,470	55,388
Minority interest	12.4	(774)	133
Total comprehensive income		31,696	55,521

Consolidated Balance Sheet

As at 2 August 2020

	Note	2020	2019
		\$ 000	\$ 000
ASSETS			
Current assets			
Cash and cash equivalents	11.1	168,068	49,297
Trade and other receivables	8.2	84,263	90,670
Inventories	8.1	393,610	517,758
Derivative financial instruments	13.2	243	7,948
Total current assets		646,184	665,673
Non current assets			
Property, plant and equipment	9.1	197,131	221,161
Intangible assets	9.2	135,566	125,512
Right of use assets	10.1	774,175	-
Deferred taxation	4.3	101,805	38,475
Total non current assets		1,208,677	385,148
Total assets	2.3	1,854,861	1,050,821
LIABILITIES			
Current liabilities			
Borrowings	11.1	-	125,465
Trade and other payables	8.3	420,805	352,575
Derivative financial instruments	13.2	27,091	939
Taxation payable	4.2	10,982	713
Lease liabilities	10.2	106,467	-
Provisions	8.4	60,991	60,771
Total current liabilities		626,336	540,463
Non current liabilities			
Derivative financial instruments	13.2	-	7,055
Lease liabilities	10.2	828,321	-
Provisions	8.4	23,865	21,270
Total non current liabilities		852,186	28,325
Total liabilities	2.3	1,478,522	568,788
Net assets		376,339	482,033
EQUITY			
Contributed equity	12.2	360,061	360,061
Reserves	12.3	(13,187)	(1,216)
Retained earnings		30,259	122,469
Total equity attributable to shareholders		377,133	481,314
Minority interest	12.4	(794)	719
Total equity		376,339	482,033

Consolidated Statement of Cash Flows

For the 53 week period ended 2 August 2020

		(53 weeks)	(52 weeks)
	Note	2020	2019
		\$ 000	\$ 000
Cash flows from operating activities			
Cash received from customers		3,250,429	3,083,748
Payments to suppliers and employees		(2,775,928)	(2,853,781)
Income tax paid	4.2	(19,879)	(26,540)
Interest paid		(46,616)	(8,657)
		408,006	194,770
Loans repaid by discontinued finance business customers		-	26,417
New loans to discontinued finance business customers		-	(23,194)
Net cash flows from operating activities		408,006	197,993
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment and computer software		12,008	1,860
Proceeds from business disposal		-	1,850
Purchase of property, plant and equipment and computer software		(64,513)	(61,326)
Business disposal warranty claim		-	(1,421)
Net cash flows from investing activities		(52,505)	(59,037)
Cash flows from financing activities			
Repayment of bank borrowings		-	(63,715)
Repayment of fixed rate senior bond		(125,000)	-
Lease principal repayments		(83,833)	-
Treasury stock dividends received		115	217
Dividends paid to parent shareholders		(27,883)	(52,302)
Dividends paid to minority shareholders		(129)	(179)
Other items		-	(135)
Net cash flows from financing activities		(236,730)	(116,114)
Net cash flow		118,771	22,842
Opening cash position		49,297	26,455
Closing cash position	11.1	168,068	49,297

Reconciliation of Operating Cash Flows

For the 53 week period ended 2 August 2020

		(53 weeks)	(52 weeks)
	Note	2020	2019
		\$ 000	\$ 000
Net profit		43,698	65,515
Non-cash items			
Depreciation and amortisation expense	2.2	154,652	60,613
Intangible asset impairment	9.2	8,028	5,478
Property, plant and equipment impairment	9.1	8,659	-
Share based payment expense	3.2	350	420
Interest capitalisation		384	446
COVID-19 landlord rent relief	10.2	(8,246)	-
Movement in deferred tax	4.3	(15,907)	4,857
Change in fair value of derivatives that are not hedge effective		6,427	-
Movement in de-designated derivative hedges		163	418
Total non-cash items		154,510	72,232
Items classified as investing or financing activities			
Loss/(gain) on disposal of property, plant and equipment		1,206	(10,392)
Loss on lease terminations		553	-
Gain on business disposal		-	(398)
Supplementary dividend tax credit	4.2	136	275
Total investing and financing adjustments		1,895	(10,515)
Changes in assets and liabilities			
Trade and other receivables		(4,643)	6,197
Inventories		124,148	6,082
Trade and other payables		75,314	70,785
Provisions		2,815	(6,628)
Income tax		10,269	(5,675)
Total changes in assets and liabilities		207,903	70,761
Net cash flows from operating activities		408,006	197,993

Consolidated Statement of Changes in Equity

For the 53 week period ended 2 August 2020

	Note	Share Capital	Treasury Shares	Hedge Reserves	Foreign Currency Translation Reserve	Employee Share Benefits Reserve	Retained Earnings	Minority Interest	Total Equity
		\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
For the 53 week period ended 2 August 2020									
Balance at the beginning of the period		365,517	(5,456)	(1,230)	14	-	122,469	719	482,033
Adjustment on adoption of NZ IFRS 16	10.4	-	-	-	-	-	(109,972)	(38)	(110,010)
Restated balance at the beginning of the period		365,517	(5,456)	(1,230)	14	-	12,497	681	372,023
Net profit for the period		-	-	-	-	-	44,472	(774)	43,698
Movement in foreign currency translation reserve		-	-	-	(184)	-	-	-	(184)
Movement in derivative cash flow hedges		-	-	(16,598)	-	-	-	-	(16,598)
Movement in de-designated derivative hedges		-	-	226	-	-	-	-	226
Tax relating to movement in hedge reserve	4.2, 4.3	-	-	4,585	-	-	-	-	4,585
Total comprehensive income		-	-	(11,787)	(184)	-	44,472	(774)	31,727
Contributions by and distributions to owners									
Share rights charged to the income statement		-	-	-	-	-	-	350	350
Share rights vested		-	-	-	-	-	922	(922)	-
Dividends paid	7.1, 12.4	-	-	-	-	-	(27,747)	(129)	(27,876)
Treasury stock dividends received		-	-	-	-	-	115	-	115
Balance at the end of the period		365,517	(5,456)	(13,017)	(170)	-	30,259	(794)	376,339
		(note: 12.2)	(note: 12.2)	(note: 12.3)	(note: 12.3)			(note: 12.4)	
For the 52 week period ended 28 July 2019									
Balance at the beginning of the period		365,517	(6,060)	10,711	(5)	766	108,476	879	480,284
Adjustment on adoption of NZ IFRS 15		-	-	-	-	-	(275)	-	(275)
Restated balance at the beginning of the period		365,517	(6,060)	10,711	(5)	766	108,201	879	480,009
Profit for the period		-	-	-	-	-	65,382	133	65,515
Movement in foreign currency translation reserve		-	-	-	19	-	-	-	19
Movement in derivative cash flow hedges		-	-	(17,165)	-	-	-	-	(17,165)
Movement in de-designated derivative hedges		-	-	580	-	-	-	-	580
Tax relating to movement in hedge reserve	4.2, 4.3	-	-	4,644	-	-	-	-	4,644
Total comprehensive income		-	-	(11,941)	19	-	65,382	133	53,593
Contributions by and distributions to owners									
Share rights charged to the income statement		-	-	-	-	63	-	357	420
Share rights vested		-	604	-	-	(829)	696	(471)	-
Dividends paid	7.1, 12.4	-	-	-	-	-	(52,027)	(179)	(52,206)
Treasury stock dividends received		-	-	-	-	-	217	-	217
Balance at the end of the period		365,517	(5,456)	(1,230)	14	-	122,469	719	482,033
		(note: 12.2)	(note: 12.2)	(note: 12.3)	(note: 12.3)			(note: 12.4)	

Notes to the Financial Statements - Basis of Preparation

For the 53 week period ended 2 August 2020

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 Stock 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 profit oriented entities. 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 historical 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 do 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.

Name of Entity	Principal Activity	Percentage Ownership	
		2020	2019
The Warehouse Limited	Retail	100	100
Noel Leeming Group Limited	Retail	100	100
Torpedo7 Limited	Retail	100	100
TheMarket.com Limited	Online marketplace	89	95
Diners Club (NZ) Limited	Financial Services	Classified as discontinued operations	100
Eldamos Investments Limited	Property	100	100
The Warehouse Nominees Limited	Investment	100	100

1.4 Reporting period

These financial statements are for the 53 week period 29 July 2019 to 2 August 2020. The comparative period is for the 52 week period 30 July 2018 to 28 July 2019. 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 five to six years as happened this year.

1.5 Significant transactions and events in the financial year

The following significant transactions and events affected the financial performance and financial position of the Group for the year ended 2 August 2020:

Adoption of NZ IFRS 16 Leases

During the year, the Group adopted NZ IFRS 16 'Leases' (NZ IFRS 16), which resulted in significant changes to the presentation of the Group's financial position. The Group recognised 'right-of-use' assets of \$834.5 million, and \$990.2 million of lease liabilities as at 28 July 2019, with a reduction in retained earnings of \$110.0 million. The standard was adopted using the modified retrospective approach, with no restatement of comparative information. As a result of adopting NZ IFRS 16, continuing net profit after taxation for the year also increased by \$1.5 million. Further details of the adoption of NZ IFRS 16 and the new accounting policies are disclosed in note 10.

Rise transformation

January 2020 marked the completion of the Group's 'Rise' transformation programme, which resulted in 275 initiatives being implemented across the Group. The programme was designed to improve financial performance and focused on simplification to reduce complexities and costs, reduce working capital, drive efficiencies and generate greater customer relevance. The Group partnered with a consultancy firm to assist with the implementation of the programme. The Group incurred costs of \$22.0 million (refer note 5.0) which largely represented the consultancy firm's success fees.

Group structure

Diners Club (NZ) – discontinued operation

The Group wound up the remaining Diners Club (NZ) business in April 2020, which was excluded from the sale of the Group's Financial Services operations in September 2017. The Company made a small after-tax profit (\$31,000) during the year as part of an arrangement with Diners Club International to assist with merchant transition.

TheMarket.com – minority interest

TheMarket.com employees increased their minority shareholders' interests from 5.3% to 10.7% of the Company when their share rights vested in March 2020 (refer note 12.4) as part of the Group's employee share right plan.

COVID-19

In March 2020, the Government announced a package of measures to support businesses through the impact of COVID-19. Two of the measures that were introduced which had a direct impact on the Group were the reintroduction of tax depreciation on commercial and industrial buildings and the wage subsidy scheme.

Wage subsidy scheme

The wage subsidy scheme was designed to support employers adversely affected by COVID-19 whose revenues had declined by more than 30%, so they could continue to pay their employees. During the seven lockdown period, which commenced at the end of March 2020, the Group's physical stores were not permitted to open to the public; this resulted in a year on year decline in revenue of 67% during that period. The Group applied for the Government's wage subsidy scheme and received \$67.8 million to support around 11,000 of its employees, which equated to 55% of the labour cost over the 12 week subsidy period (refer note 3.1).

Notes to the Financial Statements – Basis of Preparation

For the 53 week period ended 2 August 2020

Tax depreciation

The reintroduction of tax depreciation on buildings for tax purposes applies to the Group from 3 August 2020 with a depreciation rate set at 1.5% on a straight-line basis. For the year ended 2 August 2020, the tax base of the Group's buildings increased by \$7.2 million. This reduced the difference between the accounting carrying value and the tax base, resulting in an increase in deferred tax assets and a reduction in the tax expense of \$2.0 million (refer note 4.1).

Group's response to COVID-19 during the lockdown period

During the initial lockdown period when the duration of the lockdown and impact of COVID-19 was uncertain the Group embarked on several initiatives to reduce costs and improve the Group's liquidity. Among a raft of cash preservation initiatives the Group cancelled its interim dividend (\$34.7 million - note 7.1), negotiated rent reductions and payment deferrals with its landlords (\$10.0 million - note 10.2), cancelled the annual employee incentive scheme and reduced Directors' fees. The Group also secured \$150 million of additional banking facilities, extending the total debt facilities available to \$330 million (refer note 11.3).

Post lockdown

The Group benefitted from a surge in sales coming out of lockdown with sales up 18% in the fourth quarter compared to the same period last year, which was considered to be a consequence of government stimulus packages and pent up customer demand. The strength of trading post lockdown, combined with working capital improvements and the cost saving initiatives implemented during the lockdown period, bolstered the Group's liquidity position, this meant it could repay its fixed rate senior bond of \$125 million (refer note 11.1) when it matured in June 2020 from cash reserves.

Derivatives – Interest rate swaps

The Group's net borrowings reduced by around \$200 million compared to last year and at balance date the Group had cash on hand of \$168 million. Without core borrowings, the Group's interest rate swaps were not fully effective as cash flow hedges, which meant the Group recognised a mark to market loss of \$6.4 million on a portion of the derivatives that were considered ineffective as cash flow hedges (refer note 13.2).

Agile restructure

COVID-19 accelerated the Group's plans to transition to an Agile way of working. The Group partnered with the same consultancy firm used for the Rise transformation, on a similar fee basis. As part of the transition, the Group commenced a consultation process with its employees in June 2020, which resulted in a reduction in roles across both stores and the Group's head office of around 1,100 positions. The transition process also involved the closure of eight underperforming stores. The Group incurred costs of \$22.2 million, which are detailed in note 5.0.

Other consequences

Management has also assessed the impact of COVID-19 on other aspects of the balance sheet. The Group increased inventory provisions by \$13.0 million (refer note 8.1) following a detailed review of inventory to reflect management's best estimate of net realisable value based on the expected future economic conditions. A review of property, plant, equipment and intangible assets identified asset impairments associated with store closures and redundant assets from changes to ways of working. The Group recorded impairment expenses of \$11.4 million (refer note 2.2).

NZX waiver

The Company received an NZX waiver that provided the Group with an additional 30 days to prepare and release this year's results. The extra time allowed the Group to complete its inventory cycle counts, post balance date, for stores which were unable to perform stocktakes during the seven week lockdown period. The results of these stocktakes are recognised in the year end results. The extra time also meant the Group was able to reduce the number of estimates used to determine redundancy accruals by accessing the most up to date information regarding the consultation process which continued after balance date (refer note 8.3).

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) Inventory (note 8.1)
- (b) Trade and other payables (note 8.3)
- (c) Property, plant equipment and software (notes 9.1 and 9.2)
- (d) Lease liabilities and right of use assets (notes 10.1 and 10.2)
- (e) Derivative financial instruments (note 13.2).

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 are detailed in note 5.0.

1.8 Subsequent events

On 12 August 2020, following the detection of community transmission of COVID-19 in Auckland, the Government imposed alert level 3 restrictions on the Auckland region and moved the rest of New Zealand to level 2. During the two and a half week period of level 3 restrictions, sales in the Auckland region declined 90% compared with the previous year and Group store sales were down 18%. These restrictions also caused additional delays to the completion of the Group's inventory cycle counts and disrupted the Group's Agile restructuring process. The inventory cycle counts were completed in mid-September 2020 and the Agile consultation process was substantially completed in early October 2020. Changes to COVID-19 alert levels impact the Group's operating activities however, these latest restrictions did not impact the Group's financial statements for the year ended 2 August 2020.

Notes to the Financial Statements - Financial Performance

For the 53 week period ended 2 August 2020

2.0 SEGMENT INFORMATION

2.1 Operating performance	Note	Revenue		Operating Profit		Retail Operating Margin	
		2020	2019	2020	2019	2020	2019
		\$ 000	\$ 000	\$ 000	\$ 000		
The Warehouse		1,706,036	1,705,687	96,280	85,075	5.6%	5.0%
Warehouse Stationery		268,845	268,592	22,764	16,669	8.5%	6.2%
Warehouse Segment		1,974,881	1,974,279	119,044	101,744	6.0%	5.2%
Noel Leeming		1,009,975	924,648	46,041	38,103	4.6%	4.1%
Torpedo7		190,971	172,474	(14,746)	(7,027)	-7.7%	-4.1%
TheMarket		1,450	-	(14,657)	(5,996)		
Other Group operations		6,673	8,508	(18,880)	(14,446)		
Inter-segment eliminations		(11,120)	(8,552)	-	-		
Group		3,172,830	3,071,357	116,802	112,378	3.7%	3.7%
Adjustments for NZ IFRS 16	10.3			40,959	-		
Operating profit from continuing operations				157,761	112,378		
Unusual items	5.0			(53,079)	(9,435)		
Earnings before interest and tax from continuing operations				104,682	102,943		

Retail Sales

Retail sales are recognised when the customer receives the goods which typically occurs at the point of sale for instore 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 four operating segments trading in the New Zealand retail sector and a start-up online marketplace venture. These segments form the basis of internal reporting used by senior management and the Board of Directors to monitor and assess performance and assist with strategy decisions. The Group has disclosed its segment operating profit performance on a basis that excludes the impact of adopting NZ IFRS 16 (refer note 10), which is consistent with the Group's internal reporting.

Each of the four main retail segments represents a distinct retail brand that operates throughout New Zealand. Customers can purchase product from the retail chains either online or through the Group's physical retail store network. The Group's store network currently has 92 (2019: 93) The Warehouse stores, 71 (2019: 70) Warehouse Stationery stores, 74 (2019: 77) Noel Leeming stores and 20 (2019: 18) Torpedo7 stores. The Warehouse predominantly sells general merchandise and apparel, Warehouse Stationery sells stationery products, Noel Leeming sells technology and appliance products and Torpedo7 sells sporting equipment.

Group support office functions, such as Information Systems, Finance, Brand Executives and People Support, were operated using a shared services model which allocated the costs of these functions to individual brands calculated on an arm's length basis. The remaining support office functions which relate to corporate and governance functions, a property company and the Group's interest in a chocolate factory, are not allocated and form the main components of the 'Other Group operations' segment.

2.2 Capital expenditure, depreciation and amortisation	Note	Impairment		Depreciation and Amortisation		Capital Expenditure	
		2020	2019	2020	2019	2020	2019
		\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
The Warehouse segment		11,347	-	44,340	46,310	47,829	47,753
Noel Leeming		257	-	8,624	9,912	8,349	6,290
Torpedo7		5,083	5,478	1,846	1,453	3,138	3,986
TheMarket		-	-	1,924	1,200	3,362	3,641
Other Group operations		-	-	1,502	1,738	444	433
Property, plant, equipment and intangible assets		16,687	5,478	58,236	60,613	63,122	62,103
Right of use assets	10.1	1,576	-	96,416	-		
Reclassified as an unusual item		(6,912)	(5,478)	-	-		
Impairment, depreciation and amortisation expense		11,351	-	154,652	60,613		
Comprising							
Property, plant and equipment	9.1	8,659	-	45,366	50,371	32,162	34,676
Intangible assets	9.2	8,028	5,478	12,870	10,242	30,960	27,427
Property, plant, equipment and intangible assets		16,687	5,478	58,236	60,613	63,122	62,103

Asset impairment expenses reclassified as unusual items relate to the impairment of the Torpedo7 brand name of \$2.545 million (2019: \$5.478 million) and asset impairments (\$4.367 million) related to store closures included as part of the Agile restructure costs (refer note 5.0).

Notes to the Financial Statements - Financial Performance

For the 53 week period ended 2 August 2020

2.3 Balance sheet information	Note	Total Assets		Total Liabilities	
		2020	2019	2020	2019
		\$ 000	\$ 000	\$ 000	\$ 000
The Warehouse segment		425,015	536,464	319,992	302,333
Noel Leeming		169,297	175,053	161,367	107,754
Torpedo7		49,701	63,694	19,627	20,247
TheMarket		8,687	6,906	3,733	1,940
Other Group operations		84,914	97,483	942	2,342
Operating assets/liabilities		737,614	879,600	505,661	434,616
Unallocated assets/liabilities					
Cash and borrowings	11.1	168,068	49,297	-	125,465
Derivative financial instruments	13.2	243	7,948	27,091	7,994
Right of use assets/Lease liabilities		774,175	-	934,788	-
Intangible goodwill and brands	9.2	72,956	75,501	-	-
Taxation assets/liabilities	4.2, 4.3	101,805	38,475	10,982	713
Total Group		1,854,861	1,050,821	1,478,522	568,788

3.0 INCOME AND EXPENSES

3.1 Other income	Note	2020	2019
		\$ 000	\$ 000
COVID-19 wage subsidy		67,768	-
COVID-19 landlord rent relief	10.2	8,246	-
Tenancy rents received		2,734	3,348
Other		5,171	4,977
Other income		83,919	8,325

COVID-19 Wage Subsidy

In March 2020, the Government announced a package of measures to support businesses through the impact of COVID-19 including the wage subsidy scheme. The scheme provided financial support to employers adversely affected by COVID-19 that experienced a minimum 30% decline in revenue, so they could continue to pay their employees over a 12 week period, and support workers to ensure they continued to receive an income and stay connected to their employer. The sales of the four main trading brands declined by 67% during the seven week lockdown period which commenced in March 2020 when the COVID-19 alert levels were set at levels 3 and 4 and the Group was unable to open its physical store network. The Group applied for the Government's wage subsidy scheme on behalf of around 11,000 employees and received \$67.768 million in total support for its employees which equated to 55% of the labour cost over the 12 week period of the subsidy.

3.2 Employee expense	2020	2019
	\$ 000	\$ 000
Wages and salaries	549,522	493,514
Directors' fees	703	709
Performance based compensation	8,724	26,249
Equity settled share based payments expense	350	420
Employee expense	559,299	520,892

3.3 Other operating expenses	Note	2020	2019
		\$ 000	\$ 000
Other operating expenses include:			
Provision for bad and doubtful debts expense		3,221	2,142
Loss on disposal of plant and equipment		1,294	1,369
Asset impairments	2.2	11,351	-
Donations		134	89
Net foreign currency exchange (gain)/loss		(16)	64

3.4 Auditors' fees	2020	2019
	\$ 000	\$ 000
Auditing the Group financial statements	620	520
Reviewing the half year financial statements	93	90
Other services	46	67
Total fees paid to PricewaterhouseCoopers	759	677

Audit Fees - Corporate Governance

Fees paid to PricewaterhouseCoopers for other services relate to treasury market analysis, agreed upon procedures at the Annual Shareholders' Meeting and a tax audit for an overseas subsidiary. In accordance with the Group's policies regarding audit governance and independence, this work was 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.

Notes to the Financial Statements - Financial Performance

For the 53 week period ended 2 August 2020

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	2020	2019
		\$ 000	\$ 000
Profit before tax from continuing operations		57,972	94,064
Gain/(Loss) before tax from discontinued operations		43	(2,714)
Profit before tax		58,015	91,350
Taxation calculated at 28%		16,244	25,578
Adjusted for the tax effect of:			
Non deductible expenditure		693	804
Income tax relating to building depreciation	5.0	(2,025)	-
Income tax over provided in prior year		(595)	(547)
Income tax expense		14,317	25,835
Adjust for income tax expense attributable to losses from discontinued operations		(12)	786
Income tax expense attributable to continuing operations		14,305	26,621
Income tax expense comprises:			
Current year income tax payable	4.2	30,224	20,978
Deferred taxation	4.3	(15,907)	4,857
Income tax expense		14,317	25,835

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 Balance sheet - Current taxation liability	Note	2020	2019
		\$ 000	\$ 000
Opening balance		(713)	(6,388)
Foreign exchange movement		3	-
Current year income tax payable	4.1	(30,224)	(20,978)
Net taxation paid		19,879	26,540
Transfer from cash flow hedge reserve		(63)	(162)
Supplementary dividend tax credit		136	275
Closing balance		(10,982)	(713)

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 Balance sheet - Deferred taxation	Note	Brand Names	Leases	Property, Plant Equipment and Software	Employee Provisions	Derivatives	Other	Total
		\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
For the 53 week period ended 2 August 2020								
Opening balance		11,843	-	6,128	13,425	415	6,664	38,475
Adjustment on adoption of NZ IFRS 16	10.4	-	42,782	-	-	-	-	42,782
Charged/(credited) to the income statement	4.1	3,870	(571)	3,098	5,923	1,681	1,906	15,907
Net charged to other comprehensive income		-	-	-	-	4,648	(7)	4,641
Closing balance		15,713	42,211	9,226	19,348	6,744	8,563	101,805
For the 52 week period ended 28 July 2019								
Opening balance		15,387	-	6,229	13,933	(4,391)	7,260	38,418
Adjustment on adoption of NZ IFRS 15		-	-	-	-	-	108	108
Charged/(credited) to the income statement	4.1	(3,544)	-	(101)	(508)	-	(704)	(4,857)
Net charged to other comprehensive income		-	-	-	-	4,806	-	4,806
Closing balance		11,843	-	6,128	13,425	415	6,664	38,475

Notes to the Financial Statements - Financial Performance

For the 53 week period ended 2 August 2020

5.0 ADJUSTED NET PROFIT

Adjusted net profit reconciliation	Note	2020	2019
		\$ 000	\$ 000
Adjusted net profit		80,744	74,103
Add back: Unusual items			
Gain on property disposals		88	11,761
Restructuring costs - Rise		(22,006)	(15,718)
Restructuring costs - Agile		(22,189)	-
Change in fair value of derivatives that are not hedge effective	13.2	(6,427)	-
Brand impairment (Torpedo7)	9.2	(2,545)	(5,478)
Unusual items before taxation and NZ IFRS 16 adjustments		(53,079)	(9,435)
Adjustments for NZ IFRS 16		(154)	-
Income tax on the unusual items above		14,905	2,642
Income tax relating to building depreciation	4.1	2,025	-
Unusual items after taxation		(36,303)	(6,793)
Net profit from continuing operations attributable to shareholders of the parent		44,441	67,310

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 (refer note 10.0) the non-cash impact relating to the new lease accounting standard are also excluded from adjusted net profit.

Unusual items

Restructuring costs - Rise

(a) The three year transformation programme known internally as 'Rise' concluded in January 2020. The programme changed the Group's operating model and included shifting The Warehouse away from a 'Hi-Lo' pricing model to an 'Every Day Low Price' model. The changes drove an improvement in financial performance and focused on simplification to reduce complexities and costs, reduce working capital, drive efficiencies and generate greater customer relevance.

The Group partnered with a management consultancy firm to assist with the transformation process and implementation. Fees paid to the consultants were a combination of fixed and success fees. The success fees were only payable when it could be demonstrated that the transformation initiatives had achieved the expected outcomes.

Restructuring costs - Agile

(b) In February 2020 the Group commenced a plan to move the Group to an Agile way of working, shifting from a traditional hierarchical organisation structure to a flatter structure. The plan also involves rationalising the Group's store network by combining The Warehouse and Warehouse Stationery stores within one location and closing underperforming stores. As a result of the shift to Agile, the Group will reduce its number of employees across both stores and the Group's head office and incur redundancy costs (\$13.652 million), and has also incurred asset impairment costs connected with the store closures (\$4.367 million). The Group has partnered with the same consultancy firm which helped with the 'Rise' transformation programme to assist with the Agile transition, based on a similar fee arrangement.

6.0 EARNINGS PER SHARE

Earnings per share calculation	Note	2020	2019
Net profit attributable to shareholders of the parent (\$ 000s)		44,472	65,382
Net profit from continuing operations attributable to shareholders of the parent (\$ 000s)		44,441	67,310
Adjusted net profit (\$ 000s)	5.0	80,744	74,103
Basic			
Weighted average number of ordinary shares (net of treasury shares) on issue (000s)		345,286	345,229
Basic earnings per share (cents)		12.9	18.9
Basic earnings per share from continuing operations (cents)		12.9	19.5
Adjusted basic earnings per share (cents)		23.4	21.5

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. Continuing and adjusted basic EPS are similarly calculated using continuing and adjusted net profit as the numerator.

Notes to the Financial Statements - Financial Performance

For the 53 week period ended 2 August 2020

7.0 DIVIDENDS

7.1 Dividends paid	2020	2019	2020	2019
	\$ 000	\$ 000	CENTS PER SHARE	CENTS PER SHARE
Prior year final dividend	27,747	20,811	8.0	6.0
Interim dividend	-	31,216	-	9.0
Total dividends paid	27,747	52,027	8.0	15.0

Dividend policy

The Board typically declares two dividends annually in respect of the half year (interim dividend) and full year results (final dividend) based on the Group's dividend policy of distributing between 75% and 85% of the Group's adjusted net profit.

In March 2020 as a result of the uncertainty around the impact of COVID-19 at that time, the Board decided it was in the best interest of the Group to cancel its previously declared interim dividend (\$34.684 million – 10.0 cents per share). The Group has since suspended the dividend policy for the current year and hopes to return to paying dividends in line with its dividend policy for the next financial year.

All dividends paid were fully imputed.

7.2 Dividend policy reconciliation	Note	2020	2019	2020	2019
		\$ 000	\$ 000	CENTS PER SHARE	CENTS PER SHARE
Interim dividend		-	31,216	-	9.0
Final dividend (declared after balance date)		-	27,747	-	8.0
Total dividends declared in respect of the current financial year		-	58,963	-	17.0
Group adjusted net profit	5.0	80,744	74,103		
Pay-out ratio (%)		0.0%	79.6%		

No dividends were declared for the current financial year.

7.3 Imputation credit account	2020	2019
	\$ 000	\$ 000
Imputation credits at balance date available for future distribution	133,689	113,294

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 remaining current year's provisional income taxation.

Notes to the Financial Statements - Operating Assets and Liabilities

For the 53 week period ended 2 August 2020

8.0 WORKING CAPITAL

8.1 Inventory	2020	2019
	\$ 000	\$ 000
Finished goods	382,380	478,234
Inventory provisions	(36,943)	(23,968)
Retail stock	345,437	454,266
Goods in transit from overseas	48,173	63,492
Inventory	393,610	517,758

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 is recognised as an expense and included in the 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, paperwork 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	2020	2019
	\$ 000	\$ 000
Trade receivables	40,035	42,335
Prepayments	14,764	13,479
Property disposal proceeds	-	11,050
Rebate accruals and other debtors	29,464	23,806
Trade and other receivables	84,263	90,670

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	2020	2019
	\$ 000	\$ 000
Local trade creditors and accruals	285,226	211,868
Foreign currency trade creditors	55,810	76,869
Goods in transit creditors	19,669	20,508
Capital expenditure creditors	1,250	2,641
Goods and services tax	14,329	14,345
Reward schemes, Lay-bys, Christmas club deposits and gift vouchers	20,503	17,393
Payroll accruals	24,018	8,951
Trade and other payables	420,805	352,575

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 are usually settled within 60 to 120 days of recognition. Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

Significant judgements and estimates

Payroll accruals include an accrual (\$4.141 million) and the employee entitlement provision includes a provision (\$9.124 million – refer note 8.4) for redundancy payments that arise from the Group's shift to an Agile operating model (refer note 5.0). The employee consultation process regarding the Agile restructure commenced in June 2020 and the outcome of this process was largely confirmed prior to the completion of the financial statements. In a few instances the potential outcome of the employee consultation process was unknown and the Group has used its judgement to estimate the residual liability (\$1.369 million) which forms part of the employee entitlement provision.

Notes to the Financial Statements - Operating Assets and Liabilities

For the 53 week period ended 2 August 2020

8.4 Provisions	Current		Non-current		Total	
	2020	2019	2020	2019	2020	2019
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
Employee entitlements	53,568	54,204	16,048	14,490	69,616	68,694
Make good provision	834	942	7,817	6,780	8,651	7,722
Sales return provision	6,589	5,625	-	-	6,589	5,625
Total provisions	60,991	60,771	23,865	21,270	84,856	82,041

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

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 sales return rates.

9.0 NON CURRENT ASSETS

9.1 Property, plant and equipment	Note	Land and Buildings		Plant and Equipment		Work in Progress		Total	
		2020	2019	2020	2019	2020	2019	2020	2019
		\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
Cost		93,498	91,018	651,544	638,828	9,702	16,638	754,744	746,484
Impairment & accumulated depreciation		(13,086)	(11,840)	(520,497)	(496,040)	-	-	(533,583)	(507,880)
Opening carrying amount		80,412	79,178	131,047	142,788	9,702	16,638	221,161	238,604
Additions	2.2	229	3,594	30,850	38,018	1,083	(6,936)	32,162	34,676
Disposals		(200)	(1,112)	(1,967)	(636)	-	-	(2,167)	(1,748)
Impairment	2.2	-	-	(8,659)	-	-	-	(8,659)	-
Depreciation	2.2	(1,107)	(1,248)	(44,259)	(49,123)	-	-	(45,366)	(50,371)
Closing carrying amount		79,334	80,412	107,012	131,047	10,785	9,702	197,131	221,161
Cost		93,527	93,498	638,450	651,544	10,785	9,702	742,762	754,744
Impairment & accumulated depreciation		(14,193)	(13,086)	(531,438)	(520,497)	-	-	(545,631)	(533,583)
Closing carrying amount		79,334	80,412	107,012	131,047	10,785	9,702	197,131	221,161

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 and the value of other directly attributable costs, which have been incurred in bringing 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 life of property, plant and equipment are as follows:

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

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

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

Significant judgements and estimates

The Group considered the wider impacts of the outbreak of COVID-19 on the economy and the Agile restructure (refer note 5.0) as part of the annual impairment review of the carrying amounts of property, plant, equipment and software (refer note 9.2). This review involved making judgements and estimates to determine individual and collective asset recoverable amounts and the identification of obsolete and redundant assets which arise from changes to the Group's ways of working.

Notes to the Financial Statements - Operating Assets and Liabilities

For the 53 week period ended 2 August 2020

9.2 Intangible assets		Goodwill		Brand Names		Computer Software		Total	
	Note	2020	2019	2020	2019	2020	2019	2020	2019
		\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
Cost		94,380	94,380	23,523	23,523	149,035	126,689	266,938	244,592
Impairment & accumulated amortisation		(36,924)	(36,924)	(5,478)	-	(99,024)	(92,300)	(141,426)	(129,224)
Opening carrying amount		57,456	57,456	18,045	23,523	50,011	34,389	125,512	115,368
Additions	2.2	-	-	-	-	30,960	27,427	30,960	27,427
Disposals		-	-	-	-	(8)	(1,563)	(8)	(1,563)
Impairment	2.2	-	-	(2,545)	(5,478)	(5,483)	-	(8,028)	(5,478)
Amortisation	2.2	-	-	-	-	(12,870)	(10,242)	(12,870)	(10,242)
Closing carrying amount		57,456	57,456	15,500	18,045	62,610	50,011	135,566	125,512
Cost		94,380	94,380	23,523	23,523	151,597	149,035	269,500	266,938
Impairment & accumulated amortisation		(36,924)	(36,924)	(8,023)	(5,478)	(88,987)	(99,024)	(133,934)	(141,426)
Closing carrying amount		57,456	57,456	15,500	18,045	62,610	50,011	135,566	125,512

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 has 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

All costs directly incurred in the purchase or development of computer software or subsequent upgrades and enhancements, which can be reliably measured and are not integral to a related asset, are capitalised as intangible assets. Computer software is amortised on a straight line basis over a period of between two to fifteen years. Costs incurred on computer software maintenance are expensed to the income statement as they are incurred.

Torpedo7 brand impairment

The Group has taken the decision to fully write off the brand name held by Torpedo7 of \$2.545 million (2019: \$5.478 million). Several years of underperformance relative to plan, a subdued economic outlook and a pathway to profit improvement which is not without execution risk has led to this decision.

Goodwill and brand impairment testing

The Group performs an annual impairment test of its goodwill and brand 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 back 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 (CGUs) and form the basis for impairment testing. CGUs 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 CGUs, along with the key assumptions used in the impairment tests to extrapolate cash flows beyond the five year projection period, are set out in the table below.

Impairment testing	Noel Leeming		The Warehouse	
	2020	2019	2020	2019
	\$ 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 year EBIT margin (%)	4.0	5.1	6.0	7.1
Terminal year growth rate (%)	1.3	1.5	1.3	1.5
Post-tax discount rate (%)	9.7	9.3	8.5	8.5

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 7.0% (2019: 8.6%). The annual impairment testing for both Noel Leeming and The Warehouse CGUs indicated ample headroom and that the carrying amounts of the attributed goodwill and brand assets were not impaired.

Notes to the Financial Statements - Operating Assets and Liabilities

For the 53 week period ended 2 August 2020

10.0 LEASE LIABILITIES AND RIGHT OF USE ASSETS

New accounting policy

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 not to 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 adopted NZ IFRS 16 'Leases' from the commencement of the current year, which replaced the previous guidance in NZ IAS 17 for lease accounting. On adoption of NZ IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under NZ IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of transition (28 July 2019). The Group's weighted average incremental borrowing rate applied to the lease liabilities on transition was 4.23%.

The Group used the 'modified retrospective approach' for its transition, which does not permit the Group to restate comparative amounts for the periods prior to adoption. This transition approach allowed the Group to use hindsight to determine the commencement date of leases by removing the requirement to retrospectively assess the likelihood that options to extend or terminate leases would be exercised and to use the Group's incremental borrowing rate set at the date of transition. There was also an optional exemption to exclude short term leases and leases of low value assets which the Group elected to apply.

The table below details the movements in the 'right-of-use' assets for the period following the adoption of NZ IFRS 16 through to balance date.

10.1 Right of use assets	Note	Cost	Accumulated Depreciation	Carrying Amount
For the 53 week period ended 2 August 2020		\$ 000	\$ 000	\$ 000
Carrying amount at transition	10.4	1,510,584	(676,093)	834,491
Additions		66,202	-	66,202
Depreciation		-	(96,416)	(96,416)
Reassessment of lease terms	10.2	(21,960)	-	(21,960)
Lease impairments		-	(1,576)	(1,576)
Lease surrenders and terminations		(56,819)	50,253	(6,566)
Closing carrying amount		1,498,007	(723,832)	774,175

The table below details the movements in the lease liabilities for the year following the adoption of NZ IFRS 16 and provides a reconciliation between the liabilities recognised at the date of transition and the lease commitments (calculated in accordance with NZ IAS 17) disclosed last year.

10.2 Lease liabilities	Note	2020
For the 53 week period ended 2 August 2020		\$ 000
Operating lease commitment disclosed at 28 July 2019		661,508
Adjustments as a result of different treatment of extension and termination options		601,863
Calculation refinements		1,896
The above adjustments discounted at the Group's incremental borrowing rate at transition		(275,054)
Carrying amount at transition	10.4	990,213
Additions		66,202
Interest for the period		41,113
Reassessment of lease terms		(21,960)
COVID-19 landlord rent relief	3.1	(8,246)
Lease repayments		(124,946)
Lease surrenders and terminations		(7,588)
Closing carrying amount		934,788

Reassessment of lease terms

The Group's shift to an Agile operating model combined with the impacts of COVID-19 accelerated plans to rationalise the store network and caused the Group to reassess whether it was reasonably certain to exercise store lease extension options, or termination options. The result of this review indicated that a number of leases will be terminated at the end of the next lease renewal period, which was earlier than previously planned.

COVID-19 Landlord rent relief

The Group negotiated rent concessions with its landlords as a result of the temporary store closures caused by the COVID-19 pandemic. These concessions included reduced rents and payment deferrals. In May 2020 the International Accounting Standards Board issued an amendment to NZ IFRS 16 which allowed the Group not to account for rent concessions as lease modifications if they are a consequence of COVID-19. The Group applied this practical expedient to account for all the landlord rent concessions, which meant the rent reductions were accounted for as negative variable lease payments (\$8.246 million note 3.1) and the payment deferrals (\$1.713 million) as timing differences, reducing the amount of lease repayments.

Lease liability maturity analysis	Gross Lease Payments	Interest	Carrying Amount
As at 2 August 2020	\$ 000	\$ 000	\$ 000
Within one year	143,950	(37,483)	106,467
One to two years	116,756	(33,871)	82,885
Two to five years	329,939	(80,767)	249,172
Beyond five years	591,554	(95,290)	496,264
Total lease liability	1,182,199	(247,411)	934,788
Current lease liability			106,467
Non-current lease liability			828,321
Total lease liability			934,788

Notes to the Financial Statements - Operating Assets and Liabilities

For the 53 week period ended 2 August 2020

	Excluding NZ IFRS 16	Impact of NZ IFRS 16	Reported Result
10.3 Profit impact of NZ IFRS 16			
For the 53 week period ended 2 August 2020	\$ 000	\$ 000	\$ 000
Gross profit	1,034,880	-	1,034,880
Other income	75,673	8,246	83,919
Employee expenses	(559,299)	-	(559,299)
Depreciation and amortisation expenses	(58,236)	(96,416)	(154,652)
Other operating expenses	(376,216)	129,129	(247,087)
Operating profit from continuing operations	116,802	40,959	157,761
Unusual items	(55,271)	2,192	(53,079)
Earnings before interest and tax from continuing operations	61,531	43,151	104,682
Net interest expense	(5,597)	(41,113)	(46,710)
Profit before tax from continuing operations	55,934	2,038	57,972
Income tax expense	(13,734)	(571)	(14,305)
Net profit for the period from continuing operations	42,200	1,467	43,667

The impact of NZ IFRS 16 on the income statement decreases operating expenses by removing the lease expense previously calculated in accordance with NZ IAS 17, increases the depreciation expense for the depreciation on the new 'right-of-use' assets, increases 'other income' for the COVID-19 rent relief and increases the interest expense for the interest element connected with repayment of the new lease liabilities. The adjustment to unusual items relates to the impairment of onerous leases and differences in the accounting treatments. Where the Group intends to leave a store prior to the expected lease expiry, NZ IFRS 16 requires the 'Right of Use' asset to be impaired, whereas the previous accounting treatment required the recognition of an onerous lease obligation, which has a different value from the 'right of use' asset impairment.

10.4 Balance Sheet impact of NZ IFRS 16	As at 2 August 2020			As at Transition 28 July 2019		
	Excluding NZ IFRS 16	Impact of NZ IFRS 16	Reported Result	Prior to Adoption	Impact of NZ IFRS 16	Transition Amounts
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
Right of use assets	-	774,175	774,175	-	834,491	834,491
Deferred taxation	59,594	42,211	101,805	38,475	42,782	81,257
All other assets	978,881	-	978,881	1,012,346	-	1,012,346
Total assets	1,038,475	816,386	1,854,861	1,050,821	877,273	1,928,094
Borrowings	-	-	-	125,465	(50)	125,415
Trade and other payables	436,127	(6,198)	429,929	352,575	(2,880)	349,695
Provisions - onerous leases	3,661	(3,661)	-	-	-	-
Lease liabilities	-	934,788	934,788	-	990,213	990,213
All other liabilities	113,805	-	113,805	90,748	-	90,748
Total liabilities	553,593	924,929	1,478,522	568,788	987,283	1,556,071
Net assets/Equity	484,882	(108,543)	376,339	482,033	(110,010)	372,023

In addition to recognising the new 'right of use' assets and related 'lease liabilities', adjustments were made to 'trade and other payables' to remove operating lease incentives and timing accruals and to remove 'onerous leases' which were calculated in accordance with NZ IAS 17. An adjustment is also made to recognise the effect of deferred taxation on the adjustments.

10.5 Changes to cash flow presentation	2020
For the 53 week period ended 2 August 2020	\$ 000
Interest paid on leases (operating activities)	41,113
Lease principal repayments (financing activities)	83,833
Total cash outflows from leases	124,946

Prior to the adoption of NZ IFRS 16, lease payments were included in payments to suppliers within operating activities. Lease payments following the adoption of NZ IFRS 16 are reclassified between the interest component, which is treated as an operating cash flow, and the principal repayments, which are classified as financing activities.

Notes to the Financial Statements - Financing and Capital Structure

For the 53 week period ended 2 August 2020

11.0 BORROWINGS

Net debt in the table below excludes lease liabilities recognised under NZ IFRS 16 (refer note 10.2). Net debt including these lease liabilities is \$766.720 million.

11.1 Net debt	Note	2020	2019
		\$ 000	\$ 000
Cash on hand and at bank		168,068	49,297
Lease liabilities (NZ IAS 17)	10.4	-	50
Fixed rate senior bond (coupon: 5.30%)		-	125,000
Fair value adjustment relating to senior bond interest rate hedge		-	799
Unamortised capitalised costs on senior bond issuance		-	(384)
Current borrowings		-	125,465
Net debt/(Cash in funds)		(168,068)	76,168

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the net proceeds and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

Cash on hand and at bank

Cash on hand and at bank includes short term bank deposits and EFTPOS (electronic funds transfer point of sale) transactions which have not been cleared by the bank. The Group's balance date is always a Sunday, which means the weekend store sales paid by EFTPOS remain uncleared at balance date.

Fixed rate senior bond

The Group issued a five year fixed rate senior bond on the New Zealand Stock Exchange in June 2015 with interest payable every six months (15 June and 15 December) based on a 5.30% coupon. The bond was fully repaid from cash reserves in June 2020 when the bond matured.

11.2 Net interest expense	Note	2020	2019
		\$ 000	\$ 000
Interest on deposits and use of money interest received		(713)	(436)
Interest on bank borrowings		127	2,263
Interest on fixed rate senior bond		6,210	7,043
Interest on leases	10.2	41,113	-
Net interest expense		46,737	8,870
Less interest attributable to discontinued operations		(27)	9
Net interest expense from continuing operations		46,710	8,879

11.3 Bank facilities	2020	2019
	\$ 000	\$ 000
Bank debt facilities	330,000	180,000
Bank facilities used	-	-
Unused bank debt facilities	330,000	180,000
Letters of credit facilities	18,000	28,000
Letters of credit	(2,249)	(2,467)
Unused letter of credit facilities	15,751	25,533
Total unused bank facilities	345,751	205,533

In addition to the \$330 million (2019: \$180 million) of committed bank debt facilities, the Group has seasonal credit facilities (three months) of \$50 million (2019: \$50 million) which commence in mid September each year to accommodate the increased funding demands during the Groups peak funding period.

Notes to the Financial Statements - Financing and Capital Structure

For the 53 week period ended 2 August 2020

12.0 EQUITY

12.1 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 and to optimise the Group's cost of capital. The Group regularly reviews its capital structure 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. The Group's current dividend policy is based on distributing between 75% to 85% of the adjusted net profit back to shareholders (refer note 7.0).

The adoption of the new NZ IFRS 16 lease accounting standard (refer note 10.0) in the current year significantly increased book gearing as new lease liabilities were recognised on the balance sheet. This new standard is non-cash in nature and for internal purposes and for testing debt covenant compliance with the Group's external funding providers, these new lease liabilities and the associated interest expense are excluded from the Group's internal gearing and debt covenant calculations.

The Group monitors gearing based on compliance with its debt covenants and had previously been comfortable to maintain gearing levels of between 20% to 40% however, this changed as a result of the impacts of COVID-19. The consequences of cash preservation measures taken in response to COVID-19, saw the Group's net borrowings reduced by around \$200 million compared with last year and at balance date the Group had cash on hand of \$168 million. In the current environment where there is increased economic uncertainty, the Board is comfortable to have higher levels of liquidity, and in addition to repaying all borrowings the Group has increased its committed bank debt facilities from \$180 million to \$330 million (refer note 11.3). The Group has also received a waiver from its funding providers which means it is not required to comply with the interest cover debt covenant for the nine month period ending 1 August 2021 subject to the consent of the funding providers to allow the declaration of any shareholder distributions during this period.

Externally imposed capital requirements

The trust deed provides a guarantee to its funding providers that the parent and its guaranteeing Group companies will comply with certain quarterly debt ratios and restrictive covenants. The underlying basis for the calculation of these ratios remained unchanged following the adoption of the new NZ IFRS 16 lease accounting standard with the impact of the new accounting standard carved out of the ratio calculations. The two principal covenants are:

Debt covenant ratios at balance date	Quarterly covenant requirement	2020	2019
Group book gearing ratio (percentage)	will not exceed 60% in the first quarter ending October or exceed 50% in each of the remaining three quarters of the year	-	13.7
Group book interest cover (times cover)	will not be less than 2 times operating profit	20.9	12.7

The Group had no external borrowings at balance date, which meant the book gearing ratio was zero. The Group was in compliance with all aspects of the negative pledge covenants throughout the current and previous financial year.

12.2 Contributed equity	Contributed equity		Ordinary shares	
	2020	2019	2020	2019
	\$ 000	\$ 000	000	000
Share capital	365,517	365,517	346,843	346,843
Treasury shares	(5,456)	(5,456)	(1,557)	(1,557)
Contributed equity	360,061	360,061	345,286	345,286

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.

Treasury shares	Treasury shares		Ordinary shares	
	2020	2019	2020	2019
	\$ 000	\$ 000	000	000
Opening balance	5,456	6,060	1,557	1,793
Ordinary shares issued to settle share rights plan obligations	-	(604)	-	(236)
Closing balance	5,456	5,456	1,557	1,557

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 53 week period ended 2 August 2020

12.3 Reserves	2020	2019
	\$ 000	\$ 000
Cash flow hedge reserve	(13,017)	(1,067)
De-designated derivative reserve	-	(163)
Hedge reserves	(13,017)	(1,230)
Foreign currency translation reserve	(170)	14
Total reserves	(13,187)	(1,216)

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).

De-designated derivative reserve

The de-designated derivative reserve is used to record the after tax mark to market losses realised from realigning the Group's interest rate hedge portfolio in prior years which resulted in a number of interest rate swaps being monetised. The cost to close the interest rate swaps is recognised in the income statement over the effective period of the original interest rate swaps. (Refer to the consolidated statement of changes in equity and accounting policies detailed in note 12.2).

Foreign currency translation

Exchange differences arising on translation of the Group's subsidiary in India 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.

12.4 Minority interest	2020	2019
	\$ 000	\$ 000
Opening balance	719	879
Adjustment on adoption of NZ IFRS 16	(38)	-
Net (loss)/profit attributable to minority interest	(774)	133
Share rights charged to the income statement	350	357
Share rights vested	(922)	(471)
Dividends paid to minority shareholders	(129)	(179)
Closing balance	(794)	719

Minority interest reserve

A minority interest is an ownership position in a Group subsidiary where the 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 and also includes the accumulated value of unvested share rights in the minority subsidiary which have been granted and recognised as an employee share based payment expense.

The fair value of share rights granted in a subsidiary is measured at grant date and recognised as an employee share based payment expense over the vesting period with a corresponding increase in the minority interest reserve. Upon vesting of these share rights, the balance of the minority interest reserve relating to the share rights is offset against the proportionate share of the net asset value of the subsidiary acquired by the minority shareholder, with any difference in the value attributed to settling the commitment transferred to retained earnings.

At balance date the Group's minority interests represent a 50% (2019: 50%) minority shareholding held in Chocolate Works and a 10.7% (2019: 5.3%) shareholding and associated share rights in TheMarket.com (TMC). The TMC minority shareholders increased their shareholdings in March 2020 in accordance with the employee share rights plan detailed below.

TheMarket.com share rights plan

Share rights were provided as a performance incentive to key executives in the TMC, an online marketplace start-up venture. In accordance with the share plan, participants were collectively transferred 53,333 TMC shares in June 2019 (Tranche 1) and 53,333 TMC shares in March 2020 (Tranche 2), and are entitled to receive a final tranche of 53,333 shares in March 2021 (Tranche 3), subject to certain conditions, which include continued employment. The vested sharesrights were independently valued at \$5.00 and \$6.37 per share at the date of vesting in June 2019 and March 2020 respectively. If the entitlements fully vest it will provide the participants with a minority shareholding of up to 16% in TMC.

The share right plan also grants the participants put options over a proportion of their Tranche 2 and Tranche 3 TMC shares, which can be exercised to fund the participant tax obligations arising under the plan; and a further put option over the participant's entire TMC shareholding, exercisable during the three years following March 2021 or within three months of certain 'good leaver' events, such as death or incapacity. If the put option is exercised, the Group is required to purchase the TMC shares at a price based on the fair value of the shares at that time, in consideration for providing the participant with ordinary shares in the Group of equivalent value (using the volume weighted average market price of the Group's shares).

Notes to the Financial Statements - Financial Risk Management

For the 53 week period ended 2 August 2020

13.0 FINANCIAL RISK MANAGEMENT

13.1 Financial risk factors

The Group's activities expose it to various financial risks, including liquidity risk, credit risk and market risk (including currency risk and interest rate 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 derivative transactions, principally interest rate swaps and forward currency contracts. The purpose is to manage the interest rate and currency fluctuation risks arising from the Group's sources of finance and foreign currency 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.

13.2 Derivative financial instruments	Currency Contracts		Interest Rate Swaps		Total	
	2020	2019	2020	2019	2020	2019
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
Current assets	243	7,071	-	877	243	7,948
Current liabilities	(17,624)	(939)	(9,467)	-	(27,091)	(939)
Non-current liabilities	-	-	-	(7,055)	-	(7,055)
Total derivative financial instruments	(17,381)	6,132	(9,467)	(6,178)	(26,848)	(46)
Classified as:						
Cash flow hedges	(15,040)	5,518	(3,040)	(7,055)	(18,080)	(1,537)
Fair value hedges	(2,341)	614	-	877	(2,341)	1,491
Fair value of derivatives that are not hedge effective	-	-	(6,427)	-	(6,427)	-
Total derivative financial instruments	(17,381)	6,132	(9,467)	(6,178)	(26,848)	(46)

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 hedge

The Group applies cash flow hedge accounting for hedging variable interest on borrowings and managing 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 (for instance when the forecast interest payment that is hedged takes place). 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 hedge

The Group applies fair value hedge accounting for hedging fixed interest on borrowings and managing 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 either an interest expense or foreign exchange gain or loss, based on the nature of the hedged risk.

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. The fair value of forward exchange contracts are determined using the forward exchange market rates at the balance date and interest rate swaps are calculated as the present value of estimated future cash flows based on the applicable market interest yield rates at 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.

Hedge effectiveness

When calculating the hedge effectiveness of the Group's currency derivatives, the Group is required to forecast the next year's expected foreign currency spend to test if the hedged transactions are still highly probable to occur. The time horizon was extended to five years when it came to testing the hedge effectiveness of the Group's interest rate swaps. The Group considers a wide range of factors, including its financial budgets, strategic plans, external benchmarks and historical performance to formulate the future cashflow projections. The results of the hedge effectiveness tests indicated that the Group's interest rate swaps were not fully effective over the five year duration of the cover period, which has caused the Group to reclassify the hedges out of the cash flow hedge reserve and recognise the ineffective portion of these swaps as an expense (\$6.427 million).

Notes to the Financial Statements - Financial Risk Management

For the 53 week period ended 2 August 2020

13.3 Liquidity risk

Liquidity risk arises from financial liabilities of the Group and the Group's subsequent ability to meet the obligation to repay these financial liabilities as and when they arise. The Group's liquidity position fluctuates throughout the year, with the liquidity position is at its strongest immediately after the Christmas trading period. The Group monitors rolling forecasts of the Group's liquidity position based on expected cash flows.

The table below details the Group's financial liabilities and derivatives. The Group closed-out the interest rate swaps early in August 2020 and the remaining liabilities are payable within one year.

Liabilities/(Assets)	Note	2020	2019
		\$ 000	\$ 000
Borrowings	11.1	-	125,465
Trade and other payables	8.3	420,805	352,575
Derivatives - Currency contracts	13.2	17,381	(6,132)
Derivatives - Interest rate swaps	13.2	9,467	6,178
Financial liabilities and derivatives		447,653	478,086

The table above excludes the Group's lease liabilities; a maturity analysis of these liabilities are detailed in note 10.2.

13.4 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 Directors 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 A (2019: 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.

13.5 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 to 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 40% to 100% of forecast US dollar commitments expected in the next 0 to 6 months
- to hedge 0% to 85% of forecast US dollar commitments expected in the next 7 to 12 months
- where exposures to other currencies arise, the Group hedges these risks once a firm commitment is in place
- where foreign currency hedging extends beyond a 12 month time horizon, this requires specific approval.

Currency position at balance date	Carrying value		Notional amount (NZD)		Average exchange rate		12 month hedge level	
	2020	2019	2020	2019	2020	2019	2020	2019
	\$ 000	\$ 000	\$ 000	\$ 000	CENTS	CENTS	PERCENTAGE	PERCENTAGE
Currency forward contracts								
Buy US dollars/Sell New Zealand dollars	(17,381)	6,132	394,115	373,386	0.6334	0.6759	74.1	64.8

The spot rate used to determine the mark-to-market carrying value of the US dollar forward contracts at balance date was \$0.6628 (2019: \$0.6631).

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.

Foreign currency sensitivity table	Note	Amount	+ 10 percent		- 10 percent	
			Profit	Equity	Profit	Equity
		2020	2019	2020	2019	2020
As at 2 August 2020		\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
Foreign currency trade creditors	8.3	(55,810)	3,653	3,653	(4,465)	(4,465)
Derivative financial instruments						
Currency forward contracts - cash flow hedges	13.2	(15,040)	-	(20,997)	-	25,668
Currency forward contracts - fair value hedges	13.2	(2,341)	(3,697)	(3,697)	4,519	4,519
Total increase/(decrease)			(44)	(21,041)	54	25,722
As at 28 July 2019						
Foreign currency trade creditors	8.3	(76,869)	5,031	5,031	(6,150)	(6,150)
Derivative financial instruments						
Currency forward contracts - cash flow hedges	13.2	5,518	-	(19,657)	-	24,031
Currency forward contracts - fair value hedges	13.2	614	(5,013)	(5,013)	6,128	6,128
Total increase/(decrease)			18	(19,639)	(22)	24,009

Based on historical performance, currency contracts designated as cash flow hedges are treated as 100% hedge effective.

Interest rate risk

The Group's main exposure to market interest rates related to its core borrowings which, prior to the COVID-19 pandemic was estimated to be \$150 million. The Group currently has no core borrowing and forecasts indicate it will have no core borrowings for the next two years on that basis; the Group decided to close-out all its interest rate swaps in August 2020 previously held to manage the Group's exposure to interest rate volatility.

Notes to the Financial Statements - Other Disclosures

For the 53 week period ended 2 August 2020

14.0 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 10 (2019: 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	2020	2019
	\$ 000	\$ 000
J Withers (Chair)	160	166
K R Smith (Deputy Chair)	111	115
A J Balfour	82	85
W K Easton (appointed October 2018)	76	65
D R Hamilton (appointed April 2020)	14	-
J W M Journee	83	86
J M Raue	95	107
Sir Stephen Tindall	82	85
Total	703	709

The Directors reduced their fees by 20 percent in April and May 2020 during the COVID-19 lockdown period. John Journee received an additional fee of \$13,200 (2019: \$16,500) also, as a director of TheMarket.com Limited, a Group subsidiary.

Key management	Note	2020	2019
		\$ 000	\$ 000
Base salary		8,361	7,433
Annual performance based compensation		-	2,492
Three year performance based compensation		2,536	2,195
Share-based compensation	12.4	131	162
Termination benefits		630	-
Total		11,658	12,282

The Group cancelled this year's annual incentive plan in April 2020 as part of measures taken to reduce operating costs in response to the uncertain trading outlook at the commencement of the COVID-19 lockdown.

15.0 COMMITMENTS

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

Capital commitments	2020	2019
	\$ 000	\$ 000
Within one year	4,762	1,452

16.0 CONTINGENT LIABILITIES

	2020	2019
	\$ 000	\$ 000
Bank letters of credit issued to secure future purchasing requirements	2,249	2,467
Less included as a goods in transit creditor	(593)	(213)
	1,656	2,254
Bank guarantees provided to landlords and the New Zealand Stock Exchange Limited	456	456
Total contingent liabilities	2,112	2,710

17.0 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.

Shareholdings

At balance date Directors and other key executives held ordinary shares in the Group and received fully imputed dividends during the year as set out below.

- (i) Sir Stephen Tindall (Director) has a beneficial shareholding of 93,687,096 shares (2019: 93,687,096 shares) which carry the normal entitlement to dividends. Dividends of \$7.495 million (2019: \$14.054 million) were received on these shares during the year.
- (ii) The Group's other Directors collectively had beneficial shareholdings of 236,939 shares (2019: 198,964 shares) at balance date which carry the normal entitlement to dividends.
- (iii) Share transactions undertaken by the Directors during the year and Director's non-beneficial shareholdings are required to be disclosed in respect of section 148(2) of the Companies Act 1993. Details of these transactions can be found as part of the statutory disclosures in the annual report.
- (iv) Key management (as detailed in note 14.0) collectively held 265,172 shares (2019: 333,586 shares) at balance date which carry the normal entitlement to dividends.

Independent Auditor's Report

To the shareholders of The Warehouse Group Limited



We have audited the financial statements which comprise:

- the consolidated balance sheet as at 2 August 2020;
- the consolidated income statement for the 53 week period then ended;
- the consolidated statement of comprehensive income for the 53 week period then ended;
- the consolidated statement of changes in equity for the 53 week period then ended;
- the consolidated statement of cash flows for the 53 week period then ended; and
- the notes to the financial statements, which include significant accounting policies.

Our opinion

In our opinion, the accompanying financial statements of The Warehouse Group Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 2 August 2020, its financial performance and its cash flows for the 53 week period then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Our firm carries out other services for the Group in the areas of treasury related market analysis, agreed upon procedures at the Annual Shareholders' Meeting and a tax audit for an overseas subsidiary. In addition, certain partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the Group. These relationships and provision of other services has not impaired our independence as auditor of the Group.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current 53 week period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of the key audit matter	How our audit addressed the key audit matter
<p>Valuation of inventory, including impacts of COVID-19</p> <p>The carrying value of the Group's inventory as at 2 August 2020 was \$393.6 million (2019: \$517.8 million) inclusive of inventory provisions amounting to \$36.9 million (2019: \$24.0 million).</p> <p>The cost of inventory is calculated using a weighted average method and includes expenditure incurred to purchase the inventory and transport it to its current location.</p> <p>The inventory provision, which represents a deduction from cost to measure inventory at the lower of cost and net realisable value is determined based on various factors including historical data, current trends and product information from buyers. Determining the appropriate level of provisioning involves judgements including management's expectations of future sales levels and estimation of selling price adjustments. The Group increased inventory provisions in the current 53 week period to reflect management's best estimate of net realisable value based on the expected future economic conditions as a result of the COVID-19 pandemic.</p> <p>This is an area of focus for the audit due to the significance of the inventory balance and the judgements involved in estimating the inventory provisions.</p> <p>Notes 1.5 and 8.1 of the financial statements describe the accounting policy on inventory and the judgements and estimates applied by management to determine the inventory provision, including COVID-19 considerations.</p>	<p>To audit the cost of inventory, our procedures included the following:</p> <ul style="list-style-type: none">• Tested the accuracy of the weighted average cost calculation, on a sample basis, by reperforming the calculation;• Validated the cost of inventory, on a sample basis, to supplier and freight invoices; and• Attended a sample of cycle counts to observe that finished goods have been counted and any stocktake variances have been appropriately recorded. <p>We performed the following audit procedures on inventory provisions:</p> <ul style="list-style-type: none">• Observed management's stocktake process at selected locations to confirm that aged and clearance items were identified and accounted for;• Held discussions with management to understand and corroborate the assumptions used to estimate inventory provisions;• On a sample basis, we tested the net realisable value of finished goods by comparing its cost with the most recent retail price less cost to sell and that finished goods were valued at the lower of cost or net realisable value;• Reviewed the inventory aging schedules to check, on a sample basis, whether provisions were recorded for aged stock in accordance with Group policy;• Obtained an understanding of specific inventory provisions calculated for certain inventory categories, such as discontinued and clearance items. We challenged management on whether the additional provisions recognised as a result of COVID-19 were appropriate based on a review of aged stock and net realisable value; and• Compared all inventory provisions for each inventory category as a percentage of the gross carrying amount versus the prior 52 week period and understood the rationale for material or unexpected changes. <p>There were differences identified based on our audit procedures, however these were not considered material.</p>

Independent Auditor's Report

To the shareholders of The Warehouse Group Limited

Description of the key audit matter	How our audit addressed the key audit matter
<p><i>Adoption of NZ IFRS 16, Leases</i></p> <p>On 29 July 2019, the Group adopted NZ IFRS 16, which resulted in the Group recognising almost all leases, where the Group is a lessee, on the consolidated balance sheet.</p> <p>On adoption date, the Group recognised right-of-use assets of \$834.5 million and \$990.2 million of lease liabilities.</p> <p>Management applied a number of judgements and estimates which included:</p> <ul style="list-style-type: none">• the incremental borrowing rates applied at the time of adoption;• lease term assumptions, including any rights of renewals expected to be exercised; and• practical expedients applied in respect of low value assets and short term lease exemptions. <p>Due to the magnitude of the balances, number of leases involved and effort required during the audit, this was considered an area of focus. The impact on adoption of the new standard is disclosed in notes 10.3 and 10.4 of the financial statements.</p>	<p>Our audit procedures in relation to the adoption of NZ IFRS 16 were as follows:</p> <ul style="list-style-type: none">• Held discussions with management to understand the basis for judgements and estimates used in the calculation of the opening balances;• Understood the practical expedients applied and considered the appropriateness of applying these expedients based on what is permitted in the standard;• Tested the assumptions used to determine the lease term, including rights of renewal, by assessing whether they were supported by past practice and current business plans;• Tested, on a sample basis, the accuracy of information included in the lease calculations by comparing the inputs to the terms in the underlying lease agreements;• Checked completeness of the identified lease agreements by comparing whether leased stores and other major leased assets were included in the calculation;• On a sample basis, recalculated the right-of-use asset and lease liability for individual leases;• Engaged our internal valuation expert to assess the reasonableness of the incremental borrowing rates adopted and compared these to management's rates; and• Considered the appropriateness of disclosures in the financial statements. <p>There were differences identified in relation to the incremental borrowing rates for a small number of long-term leases, however these were not considered material.</p>
<p><i>Group restructuring, including impacts of COVID-19</i></p> <p>In February 2020, the Group commenced its plan to move to an Agile way of working which will result in a reduction in roles across stores and the Group's head office. It also involves the closure of certain stores across the Group. The restructure was accelerated due to COVID-19.</p> <p>Management assessed the impact of COVID-19 in conjunction with its business restructure which resulted in the recognition of redundancy provisions of \$9.1 million (refer to notes 8.3 and 8.4) and asset impairments of \$11.4 million (refer to notes 1.5 and 2.2).</p> <p>This was an area of focus during the audit due to the magnitude of the balances and judgements involved in recognising the redundancy provisions and asset impairments.</p>	<p>Our procedures to address this area of focus were as follows:</p> <p><i>Redundancy provisions</i></p> <ul style="list-style-type: none">• Obtained an understanding of the restructuring plan;• Assessed whether the recognition criteria for redundancy costs under the accounting standards were met; and• Checked the reasonableness of the amounts recognised by agreeing the inputs to the calculation, on a sample basis, to supporting documents such as employee contracts. <p><i>Asset impairments</i></p> <ul style="list-style-type: none">• Understood the rationale for the impairment of assets;• For stores that were closed prior to year end, checked that the remaining assets, which were considered to be obsolete or not able to be transferred to other parts of the Group, were written off;• For expected store closures after year end, checked, on a sample basis, that the remaining useful life of assets still in use did not exceed the anticipated store closure date; and• On a sample basis, recalculated the amount recognised as an impairment. <p>We also reviewed the disclosures in the financial statements in respect of these provisions and impairment.</p> <p>There were differences identified based on our audit procedures, however these were not considered material.</p>

Independent Auditor's Report

To the shareholders of The Warehouse Group Limited

Our audit approach

Overview



An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Overall Group materiality: \$5.1 million, which represents approximately 5% of profit before tax from continuing operations adjusted for restructuring costs and brand impairment.

We chose this benchmark because, in our view, it provides a more stable measure and better reflects the performance of the Group.

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

- Valuation of inventory, including impacts of COVID-19
- Adoption of NZ IFRS 16, Leases
- Group restructuring, including impacts of COVID-19

Materiality

The scope of our audit was influenced by our application of materiality.

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

Audit scope

We designed our audit by assessing the risks of material misstatement in the financial statements and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

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

Information other than the financial statements and auditor's report

The Directors are responsible for the annual report. Our opinion on the financial statements does not cover the other information included in the annual report and we do not express any form of assurance conclusion on the other information.

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

Responsibilities of the Directors for the financial statements

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

In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (NZ), the auditor exercises professional judgement and maintains professional scepticism throughout the audit.

The auditor also:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the auditor's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

Independent Auditor's Report

To the shareholders of The Warehouse Group Limited

- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concludes on the appropriateness of the use of the going concern basis of accounting by those charged with governance and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluates the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. The auditor is responsible for the direction, supervision and performance of the group audit. The auditor remains solely responsible for the audit opinion.

The auditor communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

The auditor also provides those charged with governance with a statement that the auditor has complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on the auditor's independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Who we report to

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Lisa Crooke.

For and on behalf of:



Chartered Accountants

14 October 2020

Auckland

Annual 5 Year Summary

	(53 weeks)	(52 weeks)	(52 weeks)	(52 weeks)	(52 weeks)
	2020	2019	2018	2017	2016
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
Summary Income Statements					
The Warehouse	1,706,036	1,705,687	1,695,839	1,738,751	1,741,831
Warehouse Stationery	268,845	268,592	263,766	278,181	279,155
Noel Leeming	1,009,975	924,648	880,453	810,705	752,137
Torpedo7	190,971	172,474	163,402	157,726	148,660
Other group operations	8,123	8,508	9,655	8,603	13,998
Inter-segment eliminations	(11,120)	(8,552)	(18,544)	(13,195)	(11,602)
Retail sales	3,172,830	3,071,357	2,994,571	2,980,771	2,924,179
The Warehouse	96,280	85,075	71,440	84,531	89,376
Warehouse Stationery	22,764	16,669	10,590	15,743	14,288
Noel Leeming	46,041	38,103	31,163	19,264	12,050
Torpedo7	(14,746)	(7,027)	(1,447)	2,675	3,380
Digital Retail venture	(14,657)	(5,996)	(1,133)	-	-
Other group operations	(18,880)	(14,446)	(19,171)	(14,376)	(7,929)
Retail operating profit¹	116,802	112,378	91,442	107,837	111,165
Adjustments for NZ IFRS 16	(154)	-	-	-	-
Equity earnings of associate	-	-	-	-	723
Gain on disposal of property	88	11,761	218	11,455	5,533
Gain from business acquisitions	-	-	-	-	10,625
Restructuring costs	(44,195)	(15,718)	(8,731)	(12,060)	-
Goodwill and brand asset impairment	(2,545)	(5,478)	(25,622)	-	-
Changes in fair value of financial instruments	(6,427)	-	-	-	-
Earnings before interest and tax²	63,569	102,943	57,307	107,232	128,046
Net interest expense ¹	(5,597)	(8,879)	(9,165)	(12,527)	(14,154)
Profit before tax	57,972	94,064	48,142	94,705	113,892
Income tax expense	(14,305)	(26,621)	(20,636)	(23,691)	(25,890)
Profit after tax	43,667	67,443	27,506	71,014	88,002
Discontinued operations (net of tax)	31	(1,928)	(4,386)	(50,283)	(5,526)
Minority interests	774	(133)	(242)	(302)	(4,138)
Profit attributable to shareholders	44,472	65,382	22,878	20,429	78,338
Adjusted profit reconciliation					
Unusual items (detailed above)	53,233	9,435	34,135	605	(16,158)
Income tax relating to unusual items	(16,930)	(2,642)	(2,384)	(3,132)	(2,163)
Minority interests	-	-	-	-	3,614
Discontinued operations (net of tax)	(31)	1,928	4,386	50,283	5,526
Adjusted net profit	80,744	74,103	59,015	68,185	69,157
The Warehouse					
Operating margin (%)	5.6	5.0	4.2	4.9	5.1
Same store sales growth (%)	10.4	1.5	(3.0)	1.2	4.1
Number of stores	92	93	93	92	92
Store footprint (square metres)	498,955	501,537	505,645	501,807	499,547
Warehouse Stationery					
Operating margin (%)	8.5	6.2	4.0	5.7	5.1
Same store sales growth (%)	7.1	1.4	(6.0)	(0.3)	6.5
Number of stores	71	70	70	69	66
Store footprint (square metres)	67,239	70,550	71,491	73,216	71,927
Noel Leeming					
Operating margin (%)	4.6	4.1	3.5	2.4	1.6
Same store sales growth (%)	17.2	2.8	5.7	6.4	14.2
Number of stores	74	77	74	77	75
Store footprint (square metres)	77,281	80,273	76,055	73,591	71,169
Dividend distributions					
Interim (cents per share)	-	9.0	10.0	10.0	11.0
Final (cents per share)	-	8.0	6.0	6.0	5.0
Ordinary dividends declared (cents per share)	-	17.0	16.0	16.0	16.0
Basic earnings per share (cents)	12.9	18.9	6.6	5.9	22.7
Basic adjusted earnings per share (cents)	23.4	21.5	17.1	19.8	20.1

	2020	2019	2018	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000
Summary Balance Sheets					
Inventories	393,610	517,758	523,840	487,274	501,713
Trade and other receivables	84,263	90,670	79,758	75,632	150,624
Creditors and provisions	(505,661)	(434,616)	(367,002)	(336,451)	(347,073)
Working capital	(27,788)	173,812	236,596	226,455	305,264
Fixed assets	259,741	271,172	272,944	273,300	312,396
Held for sale	-	-	3,674	71,699	52,277
Funds employed	231,953	444,984	513,214	571,454	669,937
Taxation assets	90,823	37,762	32,030	45,870	40,943
Derivative financial instruments	(26,848)	(46)	16,400	(19,265)	(28,619)
Contingent and deferred consideration	-	-	-	-	(1,000)
Right of use assets	774,175	-	-	-	-
Goodwill and brand names	72,956	75,501	80,979	106,601	129,315
Capital employed	1,143,059	558,201	642,623	704,660	810,576
Net debt/cash in funds	(168,068)	76,168	162,339	218,271	299,980
Lease liabilities	934,788	-	-	-	-
Equity attributable to shareholders	377,133	481,314	479,405	485,522	510,429
Minority interest	(794)	719	879	867	167
Sources of funds	1,143,059	558,201	642,623	704,660	810,576
Summary Cash Flow					
Continuing operating profit	116,802	112,378	91,442	107,837	111,165
Continuing depreciation and amortisation	58,236	60,613	59,630	58,376	58,210
Continuing operating EBITDA	175,038	172,991	151,072	166,213	169,375
Change in trade working capital	201,335	77,249	(5,853)	21,661	35,198
Income tax paid	(19,879)	(26,540)	(14,082)	(27,454)	(28,037)
Net interest paid	(5,503)	(8,657)	(9,307)	(16,008)	(16,495)
Restructuring costs	(39,827)	(15,718)	(8,731)	(12,397)	-
Other items	13,009	(1,332)	(5,185)	(3,927)	2,419
Adjusted operating cash flow³	324,173	197,993	107,914	128,088	162,460
Capital expenditure	(64,513)	(61,326)	(70,229)	(70,575)	(75,180)
Proceeds from divestments	12,008	3,710	74,680	79,714	45,870
Net dividends paid	(27,897)	(52,264)	(55,785)	(52,466)	(58,162)
Acquisition of subsidiaries and minorities	-	-	-	(1,000)	(74,367)
Other items	465	(1,942)	(648)	(2,052)	(1,028)
Net cash flow	244,236	86,171	55,932	81,709	(407)
Opening debt	(76,168)	(162,339)	(218,271)	(299,980)	(299,573)
Closing debt	168,068	(76,168)	(162,339)	(218,271)	(299,980)
Financial Ratios					
Operating margin (%)	3.7	3.7	3.1	3.6	3.8
Interest cover (times)	20.9	12.7	10.0	8.6	7.9
Net debt/EBITDA (times)	-	0.5	1.1	1.4	1.8
Net debt/net debt plus equity (%)	-	13.6	25.3	31.0	37.0
Return on funds employed (%)	34.5	23.5	16.9	17.4	16.7
Capex/depreciation (times)	1.1	1.0	1.2	1.1	1.2

Non-GAAP financial information

The numbers in the five year summary are largely extracted from the Group's audited financial statements, but also include a number of non-GAAP financial measures which the Group uses internally as it considers these line items provide a better measure of underlying business performance and improves multi-year comparability. 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 are detailed in note 5.0 of the financial statements.

Notes

- Adjusted to exclude the impact of NZ IFRS 16
- Includes NZ IFRS 16 lease liability interest expense
- Includes NZ IFRS 16 lease principal repayments

Governance Report

At The Warehouse Group Limited (the Company) we are committed to high standards of corporate governance and believe it is a critical component in creating sustainable long-term value for our shareholders, building strong relationships with team members, improving the experience we offer our customers and contributes to our place within the wider community.

This statement gives an overview of the policies and processes that are in place throughout the Company that ensure best-practice standards of corporate governance are followed.

We support and comply with the NZX Corporate Governance Code 2020 (the NZX Code). This statement follows the structure of the new Code and addresses its recommendations. As at the date of the publication of this Annual Report, the Company considers its governance practices are compliant with the NZX Code.

This governance statement was approved by the Board on 14 October 2020 and is current as at that date.

The Company's constitution, the Board and committee charters, codes and policies referred to in this statement are available to view at

www.thewarehousegroup.co.nz/investor-centre/corporate-governance

CODE OF ETHICAL BEHAVIOUR

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

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

Code of Ethics

The Code of Ethics sets out the standards of conduct expected of everyone working at The Warehouse Group including Directors, our people, contractors and other agents. The Code of Ethics provides a guide to the conduct that is consistent with the Company's values and behaviours, business goals and legal obligations, and outlines internal reporting procedures for any breaches. Sanctions for breaches may include serious disciplinary action, removal from office and dismissal as well as other remedies, all to the extent permitted by law and as appropriate given the specific circumstances. An introduction to the Code of Ethics forms part of the induction and training process of new employees. The Code is available on the Corporate Governance section of the website and the Company's shared service knowledge base.

Financial Products Trading Policy

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

BOARD COMPOSITION AND PERFORMANCE

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

Responsibilities of the Board

The central role of the Board is to set the strategic direction, to select and appoint the Company's Group Chief Executive Officer (CEO) and to oversee the Company's management and business activities with the primary objective to create and continue to build sustainable value for shareholders.

The Board has adopted a Board Charter which sets out how the Board will achieve its purpose. The Charter was last approved in May 2020 and is available in the Corporate Governance section of the website. The Charter is reviewed as required and at least every two years. The Board's responsibilities contained in the Charter include:

- set strategic direction and appropriate operating frameworks;
- monitor Management's performance within those frameworks;
- ensure there are adequate resources available to meet the Company's objectives;
- appoint and remove the CEO and oversee succession plans for the senior executive team;
- set criteria for, and evaluate the performance of the CEO and approve his or her remuneration;

- approve and monitor financial reporting and capital management including the payment of dividends;
- monitor the financial solvency of the Company;
- subject to shareholder approval being granted, approve the appointment and retention of the external auditor;
- ensure that effective risk management procedures are in place and are being used;
- approve timely and balanced communication to shareholders;
- ensure, so far as is reasonably practicable, a safe and healthy working environment is provided and maintained for all employees, customers, contractors and visitors;
- promote and authorise ethical and responsible decision-making by the Company;
- ensure the Company has appropriate corporate governance structures in place including standards of ethical behaviour;
- annually review, approve and adopt the Diversity Policy and diversity objectives, and measure achievement against the objectives; and
- ensure that the Board is and remains appropriately skilled to meet the changing needs of the Company.

Day-to-day management and administration of the Company is undertaken by the CEO in accordance with the strategy, plans and delegations approved by the Board. The CEO is assisted by the Executive Management team in delivering the Company's strategy. The Board has implemented appropriate procedures to enable management to undertake its delegated duties and for performance to be assessed. More information can be found in the Remuneration section on pages 85-87.

Chair

Joan Withers is Chair of The Warehouse Board and was first appointed in 2016. Mrs Withers is an independent, non-executive director. Mrs Withers' responsibilities include:

- providing leadership to the Board and to the Company;
- ensuring the efficient organisation and conduct of the Board;
- monitoring Board performance annually;
- facilitating Board discussions to ensure core issues facing the Company are addressed;
- briefing all Directors in relation to issues arising at Board meetings;
- facilitating the effective contribution and ongoing development of all Directors;
- promoting consultative and respectful relations between Board members and between the Board and Management; and
- chairing Board and shareholder meetings.

The Warehouse Group Limited charter states the Company's Chair must not be the same person who is the Company's Chief Executive Officer.

Director Appointments

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

- fulfil its responsibilities;
- represent a variety of skills, expertise, experience (including commercial and/or industry experience and diversity of backgrounds and thought); and
- competently address accounting, finance and legal matters.

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

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

Governance Report

Board Structure, Skills and Composition

The current Board is comprised of Directors with a mix of qualifications, skills and experience appropriate to the Company's existing operations and strategic directions. Qualifications and experience of individual Directors are detailed on pages 22– 24. A comprehensive matrix of Director skills is contained on page 25.

Director Induction and Development

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

Ongoing training includes briefings by senior management and guest speakers on relevant industry and competitive issues, occasional overseas study tours and site-visits. Directors are actively encouraged to attend regular Institute of Director (IOD) courses.

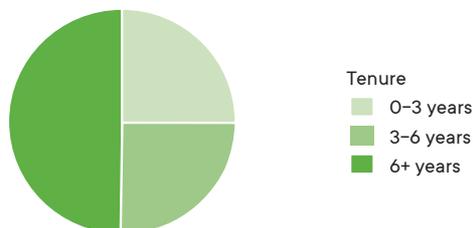
Directors and Board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense.

Board Tenure

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

The Board does not believe that any Director has served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company. The Board considers that Directors retain independence of character and judgement regardless of length of service.

Sir Stephen Tindall and Keith Smith, two of our long-standing directors due to retire by rotation, have confirmed that they will not seek re-election and will step down at the Annual Shareholders' Meeting. Robbie Tindall, who has been acting as Sir Stephen's alternate since October 2017, has been nominated as a Director and will stand for election at the Annual Shareholders' Meeting.



Name of Director	Originally Appointed	Last Reappointed/ Elected
Joan Withers	23 September 2016	22 November 2019
Sir Stephen Tindall	10 June 1994	24 November 2017
Keith Smith	10 June 1994	24 November 2017
Antony (Tony) Balfour	15 October 2012	23 November 2018
John Journee	17 October 2013	23 November 2018
Julia Raue	23 September 2016	22 November 2019
William (Will) Easton	3 October 2018	23 November 2018
Dean Hamilton	20 April 2020	

Director Independence and Conflicts

The Board's standards for determining the independence of a Director, including the requirements of the NZX Listing Rules, are set out in full in the Board Charter.

Under this criteria, the Board has a majority of independent Directors and the roles of Chair and Group Chief Executive Officer (CEO) are not exercised by the same person.

The Board consists of eight Directors. Joan Withers (Chair), Keith Smith (Deputy Chair), Antony (Tony) Balfour, John Journee, Julia Raue, William (Will) Easton and Dean Hamilton are considered to be non-executive Directors. Sir Stephen Tindall, and his alternate director Robbie Tindall, are not deemed to be independent by virtue of Sir Stephen's shareholding in the Company. The Board assesses the independence of Directors on their appointment and at least annually thereafter.

The Board is conscious of its obligations to ensure that Directors avoid conflicts of interest between their duty to the Company and their own interests. Where conflicts of interest do exist at law then the Director must disclose their interest. Directors and Team Members are required to minimise any potential conflicts in line with the Company's Code of Ethics.

Board Evaluation

The Chair, with the assistance of appropriate external advisors, regularly assesses the performance of individual Directors whilst Directors also assess the collective performance of the Board and the performance of the Chair. A formal evaluation is regularly conducted with assistance from an outside facilitator.

Future Directors Programme

Continuing the Company's commitment to supporting the next generation of governance talent in New Zealand, the Board appointed Ms Renee Mateparae in August 2019 as part of the Future Directors initiative administered by the Institute of Directors in New Zealand. Ms Mateparae attended her first Board meeting on 22 August 2019 and her appointment will continue through to 31 March 2021.

BOARD COMMITTEES

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

The Board has established Committees that focus on particular areas of the Board's responsibilities and together ensure the efficient performance of the Board, and the achievement of Corporate Governance outcomes. The committees report to the full Board on all material matters and issues requiring Board decisions. From time to time, the Board may create ad hoc committees to examine specific issues on its behalf.

Current Committees

The current committee structure is set out in the table on page 80.

Committee Charters

All committees operate under formal charters which define the role, authority and operations of the committee and can be found in the Corporate Governance section of the website. Charters are reviewed as required and at least every two years.

Takeover Offer Protocols

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

REPORTING AND DISCLOSURE

"The Board should demand integrity in financial and non-financial reporting and in the timeliness and balance of corporate disclosures."

The Board is committed to providing full and timely financial and non-financial information that is accurate, balanced, meaningful and consistent. As a listed Company, keeping the market informed is a key component to ensure the securities are valued fairly.

Market Disclosure Policy

The Board has approved a Market Disclosure Policy which describes the processes designed to ensure that the Company meets its reporting and disclosure objectives and all disclosure obligations under the NZX Listing Rules.

To assist the Company with its Market Disclosure Policy, the Board has appointed a Disclosure Committee. The Committee is responsible for making decisions on what should be disclosed publicly under the Market Disclosure Policy. The company Secretary is the Disclosure Officer of the Company and has responsibility for ensuring compliance with the continuous disclosure requirements and overseeing and co-ordinating disclosure to the market.

Financial Reporting

The Audit and Risk Committee oversees the quality and integrity of external financial reporting including the accuracy, completeness and timeliness of financial statements. The Committee is committed to providing balanced, clear and objective financial reporting.

It reviews half-yearly and annual financial statements and makes recommendations to the Board concerning accounting policies, areas of judgement, compliance with accounting standards, stock exchange and legal requirements, and the results of the external and internal audit.

Management accountability for the integrity of the Company's financial reporting is reinforced by certification from the CEO and the CFO. The CEO and CFO have provided the Board with written confirmation that the Company's financial report presents a true and fair view, in all material respects, of the Company's financial position for the year ended 2 August 2020, and that operational results are in accordance with relevant accounting standards.

Governance Report

Committee	Roles and Responsibilities	Membership	Meetings
People and Remuneration Committee	Review and make recommendations in relation to the human resources strategy, the Company's remuneration policies and practices and the remuneration and performance of the Group Chief Executive Officer.	Comprised of a majority of non-executive, independent Directors. Current members: • Tony Balfour (Chair) • Joan Withers • Keith Smith • Robbie Tindall as alternate to Sir Stephen Tindall	At least twice a year. Employees may only attend by invitation.
Corporate Governance and Nomination Committee	Ensure a high level of corporate governance through continuous monitoring of international corporate governance best practice as promulgated by the relevant authoritative bodies. Ensure that the Board is populated with an appropriate mix of skills and experience who collectively provide the diversity of thought and judgement required.	Comprised of a majority of independent Directors. Disclosure Officer and Founder. Current members: • Keith Smith • Joan Withers (Chair) • Tony Balfour • Robbie Tindall as alternate to Sir Stephen Tindall	At least once a year.
Disclosure Committee	Support the Company in meeting its disclosure obligations as set out in the NZX Main Board Listing Rules, the Companies Act and any other applicable regulations by overseeing the Company's compliance with this policy.	Comprised of the Chair, Deputy Chair, Chair of the Audit and Risk Committee, Group Chief Executive Officer, Chief Financial Officer, Disclosure Officer and Founder. Current members: • Keith Smith (Chair) • Joan Withers • Robbie Tindall as alternate to Sir Stephen Tindall	Held as required.
Audit and Risk Committee	Assist the Board to fulfil its risk and audit responsibilities.	Comprised of at least three independent Directors. The Chair will be independent and may not be the Chair of the Company. Current members: • Keith Smith (Chair) • Joan Withers • John Journee • Julia Raue • Dean Hamilton Keith Smith is a Fellow of the Chartered Accountants Australia and New Zealand (CAANZ)	At least three times each year. Employees may only attend by invitation.
Health, Safety and Wellbeing Committee	Assist the Board to govern health, safety and wellbeing.	Comprised of all Directors Chair • Julia Raue	At the discretion of the Committee Chair.

The table below reports attendance of members at Board and Board Committee meetings during the year ended 2 August 2020.

	Board	Audit and Risk Committee	People and Remuneration Committee	Corporate Governance and Nomination Committee	Health, Safety and Wellbeing Committee	Disclosure Committee
Number of Meetings	19	4	5	2	8	4
Tony Balfour	19	1 ¹	5	2	8	1 ¹
John Journee	18	4	5 ¹		8	1 ¹
Keith Smith	19	4	5	2	8	4
Sir Stephen Tindall ²						
Robbie Tindall	18	2 ¹	5	2	8	4
Joan Withers	19	4	5	2	8	4
Will Easton	18				7	
Dean Hamilton ³	5	1			2	
Julia Raue	19	4	1 ¹		8	1 ¹

¹ Non-committee member in attendance

² Leave of absence October 2019 to October 2020

³ Joined Board in April 2020

Governance Report

Non-financial Reporting

The Warehouse's Corporate Governance section on the website includes all key governance documents including the Code of Ethics, Board and Committee Charters and relevant Company policies.

Communities and Environment are at the heart of the Company's culture. The Company reports annually its financial and non-financial contribution to the community, as well as audited figures on its greenhouse gas emissions. The Company's material environmental, economic and social risks are outlined on pages 44 and 45.

REMUNERATION

"The remuneration of directors and executives should be transparent, fair and reasonable."

The Company's remuneration philosophy, policy and details regarding Executives' remuneration (including remuneration components and performance criteria) are discussed on pages 85-87.

The current Directors' fee pool limit is \$900,000 which was approved by the shareholders at the 22 November 2013 Annual Shareholders' Meeting. Fees are paid for Board and committee roles as indicated below. Directors are reimbursed for reasonable travel and other costs associated with fulfilling his or her role. The Chair and Deputy Chair do not receive additional fees for membership of other Board committees.

The Board considers the advice of independent remuneration consultants when setting remuneration levels and other relevant factors when recommending Directors' fees to shareholders and setting remuneration levels for executives. The Board will not be seeking any increase in the pool limit at the 2020 Annual Shareholders' Meeting.

RISK MANAGEMENT

"Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that

the issuer has appropriate processes that identify and manage potential and material risks."

Risk Management Framework

Risk is the chance of something happening that will have an impact on business objectives. Having established an acceptable risk tolerance, the Company's approach is to identify, analyse, evaluate and appropriately manage risk in the business. The Company recognises three main types of risk:

- Operational risk – risk to earnings and reputation arising from inadequate or failed internal processes, people and systems or from external events;
- Business risk – risk to earnings and reputation from business event risk, legal, compliance or regulatory risk; and
- Market risk – risk to earnings and reputation arising from competitor activity, product risk and risk associated with changes in financial markets.

Information on material risks the business faces and how they are managed is outlined on page 34.

Risk management roles and responsibilities

The Board is responsible for reviewing and approving the Company's risk management strategy. The Board delegates day-to-day management of risk to the CEO, who may further delegate such responsibilities to Executive and other officers. Inherent in this delegation is the belief that responsibility for managing risks in the business is the domain of the business unit.

Risk monitoring and evaluation

The Audit and Risk Committee reviews the reports of management and the external and internal auditors on the effectiveness of systems for internal control, financial reporting and risk management. To assist in discharging this responsibility, the Board has in place a number of strategies designed to safeguard the Company's assets and interests and ensure the integrity of reporting including a comprehensive internal audit programme. These include quarterly reviews of store audit results and quarterly reports on internal audit findings.

Board/Committee Name	Position	Fees (Per Annum)
Board of Directors	Chair	\$166,000 ¹
	Deputy Chair	\$115,000 ¹
	Member	\$78,525
Audit and Risk Committee	Chair	\$15,000
	Member	\$7,500
People and Remuneration Committee	Chair	\$12,000
	Member	\$6,000
Health, Safety and Wellbeing Committee	Chair	\$12,000
	Member	-
Corporate Governance and Nomination Committee	Chair	-
	Member	-
Disclosure Committee	Chair	-
	Member	-

¹ Includes attendances at committee meetings

The fees paid to non-executive Directors for services in their capacity as directors during the year ended 2 August 2020 totalling \$716,172 were paid as follows:

ACTUAL DIRECTOR REMUNERATION 2019/20

Name of Director	Board Fees ⁴	Audit and Risk Committee	People and Remuneration Committee	Corporate Governance and Nomination Committee	Disclosure Committee	Health, Safety and Wellbeing Committee	Other Committees	Shares and Other Payments or Benefits	Total Individual Remuneration ⁴
Joan Withers (Chair)	\$160,467 (Chair)	- (member)	- (member)	- (member)	- (Chair)	- (member)	-	-	\$160,467
Keith Smith (Deputy Chair)	\$111,167 (Deputy Chair)	- (Chair)	- (member)	- (Chair)	- (member)	- (member)	-	-	\$111,167
Tony Balfour	\$75,708	-	\$6,000 (Chair)	- (member)	-	- (member)	-	-	\$81,708
William Easton	\$75,908	-	-	-	-	- (member)	-	-	\$75,908
Dean Hamilton	\$14,098	- (member)	-	-	-	- (member)	-	-	\$14,098
Julia Raue	\$75,658	\$7,500 (member)	-	-	-	\$11,600 (Chair)	-	-	\$94,758
John Journee ²	\$75,658	\$7,500 (member)	-	-	-	- (member)	-	\$13,200	\$96,358
Sir Stephen Tindall ¹	\$75,708	-	\$6,000 (member)	- (member)	- (member)	- (member)	-	-	\$81,708

¹ Director fees on-paid to Robbie Tindall, Alternate Director. ² John Journee received an additional fee of \$13,200 as a Director of subsidiary company TheMarket.com Limited. ³ Robbie Tindall received a fee of \$12,512 as a Director of subsidiary company TheMarket.com Limited. ⁴ Directors took a 20% pay cut during April and May due to COVID-19 disruption to business.

Governance Report

Health and safety

The Company's approach and process on health and safety initiatives can be found on pages 38 and 39.

DIVERSITY

Diversity of gender, skill, age, experience and beliefs are valued and the provision of equal opportunities for all employees and those looking to join the Company is fundamental to the way we operate as a business.

For the year ended 2 August 2020 the Board is satisfied that the Company achieved its gender diversity objectives and other measurable objectives. Details regarding the Company's Diversity Policy, goals and performance criteria are detailed on page 84.

AUDITORS

"The Board should ensure the quality and independence of the external audit process."

Approach to audit governance

The independence of the external auditor is of particular importance to shareholders and the Board. The Audit and Risk Committee is responsible for overseeing the external audit of the Company. Accordingly, it monitors developments in the areas of audit and threats to audit independence to ensure its policies and practices are consistent with emerging best practice in these areas.

The Board has adopted a policy on audit independence, the key elements of which are:

- the external auditor must remain independent of the Company at all times and comply with the Chartered Accountants Australia and New Zealand (CAANZ) Code of Ethics;
- the external auditor must monitor its independence and annually report to the Board that it has remained independent;
- the audit firm is permitted to provide certain non-audit services, set out in the Audit and Risk Committee Charter, that are not considered to be in conflict with the preservation of the independence of the auditor; and
- the Audit and Risk Committee must approve significant permissible non-audit work assignments that are awarded to an external auditor, and the value of non-audit work must be reported at every Board meeting.

Engagement of the external auditor

The Company's external auditor is PricewaterhouseCoopers (PwC). PwC was appointed by shareholders at the 2004 Annual Shareholders' Meeting in accordance with the provisions of the Companies Act 1993 (Act). PwC is automatically reappointed as auditor under Section 207T of the Act.

Attendance at the Annual Shareholders' Meeting

PwC, as auditor of the 2020 Financial Statements, has been invited to attend this year's Annual Shareholders' Meeting and will be available to answer questions about the conduct of the audit, preparation and content of the auditor's report, accounting policies adopted by The Warehouse Group Limited and the independence of the auditor in relation to the conduct of the audit.

The Company's corporate legal advisors, Russell McVeagh, will also attend the Annual Shareholders' Meeting.

Internal audit

The Company has an internal audit function which is independent of the Company's external auditors. The internal audit function of the Company is undertaken by Ernst and Young and the Company's internal Audit team. The respective internal audit teams report to and are directed by the Audit and Risk Committee.

Each year, the internal audit programme is approved by the Audit and Risk Committee. The programme of audit work considers the most significant areas of business risk in the Company and is developed following discussions with senior management, review of the business process model of the Company and consideration of the findings of the strategic risk assessment. The programme considers risks also in relation to major projects that are planned or currently underway.

The role of internal audit is to:

- assess the design and operating effectiveness of controls governing key operations, processes and business risks;
- provide the Board with an assessment, independent of management, as to the adequacy of the Company's internal operating and financial controls, business processes, systems and practices; and
- assist the Board in meeting its corporate governance and regulatory responsibilities.

SHAREHOLDER RIGHTS AND RELATIONS

"The Board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer."

The Company is committed to providing a high standard of communication to its investors. The Company believes effective communication achieved by equal access to timely, accurate and complete information allows investors to make informed assessments of the Company's value and prospects. Investor communication is governed by the Investor Communications Policy.

The Company transitioned to the new NZX Listing Rules with effect from 1 March 2019.

The Company has an investor relations programme which includes communication through:

- periodic and continuous disclosure to NZX;
- annual reports;
- the Annual Shareholders' Meeting (ASM);
- the Company's website which includes financial and operational information, and key Corporate Governance information; and
- analyst and investor briefings and roadshows.

Engagement with investors

The Company values its dialogue with strategic stakeholders, institutional and retail investors, and believes effective engagement benefits both the Company and investors. Annual Shareholders Meetings, analyst and investor briefings and roadshows provide an important opportunity for this dialogue. Shareholders also have the opportunity to direct questions and comments through investor@twgoup.co.nz.

Website

The Company's website contains a comprehensive set of investor-related material and data including NZX disclosures and media releases, interim and annual reports, share-price and dividend information, shareholder meeting materials and all of the Company's governance charters and policies.

Annual Shareholders' Meeting (ASM)

The ASM provides an opportunity for Directors, the CEO, senior management and the Company's external auditor to meet shareholders and answer any questions they may have.

The ASM is held at a convenient time and location and this year is anticipated to be run as a hybrid meeting (being a combination of the physical meeting as well as a virtual online meeting) or as a virtual-only meeting. This is due to the uncertainties this year around COVID-19, and we anticipate this will also maximise participation. The 2020 ASM will be held on 27 November 2020. The Notice of Meeting will be circulated as soon as possible (at least 28 days before the meeting) and will be posted on the Company's website.

In accordance with the Companies Act and Listing Rules, the Company refers any significant matters to shareholders for approval at the ASM, and shareholders are given the opportunity to vote by proxy ahead of the meeting or by polling if attending the meeting in person or virtually.

Electronic communication

A key component of the Company's strategy is cost effectiveness and minimising the Company's impact on the environment. therefore, in 2016 the Board moved to electronic reporting. We understand this doesn't suit everyone, so shareholders can request a hard copy of the annual report to be mailed to them free of charge by contacting Computershare, our share registrar. We would also encourage shareholders to provide their email addresses to Computershare to enable them to receive all other shareholder materials electronically.

Computershare Investor Services Limited

Telephone: +64 9 488 8777

Email: investor@twgroup.co.nz

Governance Report

DISCLOSURES OF INTERESTS BY DIRECTORS

General disclosures

The following are particulars of general disclosures of interest given by the Directors of the Company pursuant to section 140(2) of the Companies Act 1993:

ANTONY (TONY) BALFOUR

Director, Les Mills International Limited
Director, Wayfare Limited (formerly Real Journeys Limited)
Director, BLIS Technologies Limited

WILLIAM (WILL) EASTON

Managing Director, Facebook Pty Ltd
Director, Meandu Australia Pty Limited

DEAN HAMILTON

Chair & Shareholder, Fulton Hogan Limited
Director & Shareholder, Auckland International Airport Limited
Director, Skyline Enterprises Limited
Director, Tappenden Holdings Limited

JOHN JOURNEE

Director, Farmlands Society
Director, Colonial Motor Company Limited
Director, CMC Workplace Savings Scheme Trustee Limited
Director, Vanishing Point Limited
Member, Advisory Board, Quantiful Limited

KEITH SMITH

Chair, Anderson & O'Leary Limited
Chair, Goodman (NZ) Limited
Chair, Healthcare Holdings Limited and subsidiaries
Chair, Mobile Surgical Services Limited
Chair, H J Asmuss & Co Limited and subsidiaries
Director, Community Financial Services Limited
Director, Enterprise Group Limited and subsidiaries
Director, Gwendoline Holdings Limited (non-trading)
Director, James Raymond Holdings Limited (non-trading)
Director, Mercury NZ Limited
Director, Tree Scape Limited
Director, Sky Network Television Limited
Member, Advisory Board NZ Tax Traders Limited
Trustee, Cornwall Park Trust Board

JULIA RAUE

Director, Jade Software Corporation Limited
Director, Southern Cross Health Society
Director, Southern Cross Pet Insurance Limited
Director, Television New Zealand Limited
Director, Z Energy Limited
Director, Rowdy Consulting Limited

JOAN WITHERS

Chair, Mercury NZ Limited (*resigned*)
Director, ANZ Bank New Zealand Limited
Director, On Being Bold Limited
Director, Sky Network Television Limited

Member, MBIE Economic Development Challenge Group (*resigned*)
Member, Appointments Panel Fonterra farmer-elected directors
Trustee, Sweet Louise Foundation

SIR STEPHEN TINDALL

Founding Director, KEA New Zealand
Director, Branches Station Limited
Director, Byron Corporation Limited
Director, Foundation Services Limited
Director, Elliott Street No 5 Limited
Director, K One W One Limited
Director, K One W One (No 2) Limited
Director, K One W One (No 3) Limited
Director, K One W One (No 4) Limited
Director, K One W One (No 5) Limited
Director, Lake Pupuke Investments Limited
Director, Norwood Investments Limited
Director, No Holdings Limited
Director, The Gorse Company Limited
Director, Team New Zealand Limited
Director, America's Cup Event Limited
Trustee, Team New Zealand Trust
Trustee, The Tindall Foundation
Shareholder*, Ambit AI Ltd
Shareholder*, Ask Nicely Ltd
Shareholder*, Auror Ltd
Shareholder*, Career Engagement Group Ltd
Shareholder*, GoGo Connecting Good Ltd
Shareholder*, MEA Mobile Ltd
Shareholder*, Mentemia Ltd
Shareholder*, Qotient Group Ltd
Shareholder*, Solar City Ltd
Shareholder*, TNX Ltd
Shareholder*, Uneeq Ltd
Shareholder*, VWork Ltd
Shareholder*, Velocity Made Good Holdings Ltd

* Indirect interest

ROBERT (ROBBIE) TINDALL (ALTERNATE DIRECTOR)[#]

Trustee, The Tindall Foundation
Trustee, Finn Lowery Foundation
Director, Foundation Services Limited
Director, Franklin Smith Limited (*resigned*)
Director, K One W One Limited
Director, K One W One (No 2) Limited
Director, K One W One (No 3) Limited
Director, K One W One (No 4) Limited
Director, K One W One (No 5) Limited

[#] alternate to Sir Stephen Tindall

INDEMNITY AND INSURANCE

In accordance with section 162 of the Companies Act 1993 and the constitution of the Company, the Company has provided insurance for, and indemnities to, Directors and employees of the Group and its subsidiaries for losses from actions undertaken in the course of their legitimate duties. The insurance includes indemnity costs and expenses incurred to defend an action that falls outside the scope of the indemnity.

Governance Report

CELEBRATING DIVERSITY AND INCLUSION

The Group strives to create a workplace where our people feel they can bring their whole selves to work. We believe that this can only happen in an environment where diversity and inclusion are embraced. That is why the Group is committed to continuously identifying ways we can improve diversity and inclusivity.

Areas of focus	Objective	Target		Actual					
				2019		2020			
			2021	2022	Female representation	Female	Total	Female	Total
Gender	Improve representation of women at senior levels of business	50% of senior management positions held by women by 2022	40%	50%	Board	2	7	2	8
					Executive	2	11	2	11
					Direct report to executive team Agile shift	21	43	25	58
		100% of shortlists for all senior management roles must include one woman	91% of shortlists for all senior management roles included at least one woman						
	Close gender pay gaps	Gender pay gap is within +/- 2.5% for senior management		The gender pay gap has been reduced to within our target range for stores. For our Store Support Office, there was a gender pay gap at certain levels that exceeded our target. With the move to a new remuneration model under Agile, we will assess all roles against the new model in FY21 and make any adjustments once that work is complete.					
Māori Culture	Build our Māori cultural competency	100 Group Executive Team and other selected senior leaders complete Te Kaa – igniting your Māori Cultural Competency Programme by 2021		Most of Leadership Squad completed Te Kaa Māori Cultural Competency Programme					
Diversity and Inclusion	Develop and celebrate our diversity	Senior managers complete unconscious bias training and managing diversity in the workplace workshops Launch Diversity & Inclusion survey to build D&I understanding Establish five D&I communities		Maintained Rainbow Tick Accreditation Obtained Accessibility Accreditation and Winner of the Access Alliance People's Choice Accessibility Awards for Business in the Best Accessibility Retailer category Launched Diversity and Inclusion Survey Launched Lean in for Women Leaders, which includes training around gender bias Celebrations: Auckland Big Gay Out and Pride in Wellington and Christchurch, International Women's Day, Wellbeing Week with a focus on mental health					
	Continue to support our Gender Transition Policy and Family Violence Policy	Continue to support our Gender Transition Policy and Family Violence Policy Support parental leave policies such as Ease Back to Work to encourage mothers to return to work							

For 2021 we are focused on gender equity as well as creating a feeling of belonging and designing work for wellbeing to live and perform at our best. Our initiatives will include supporting our Group D&I communities to drive D&I strategy for their community using our Company communications platform Workplace and providing senior managers with unconscious bias training.

Statutory Disclosures

TEAM MEMBERS' REMUNERATION

Grouped below, in accordance with section 211(1)(g) of the Companies Act 1993, are the number of Team Members or former Team Members, not being directors or former directors, who received remuneration and other benefits valued at or exceeding \$100,000 during the accounting period.

Remuneration includes redundancy payments and termination payments made during the year to Team Members whose remuneration would not otherwise have been included in the table reported below.

Team Members also received share-based remuneration during the year as part of the Group's long-term incentive plans (refer to note 12.4 to the financial statements). The amount attributed to share-based remuneration presented in the table below represents the value to the employee of the compensation determined using the share price on the date when share options were exercised by the Team Member and/or the share price on the date when share rights vested.

Remuneration (\$ 000)	Number of Team Members	Remuneration (\$ 000)	Number of Team Members	Remuneration (\$ 000)	Number of Team Members
100 - 110	117	260 - 270	4	470 - 480	2
110 - 120	101	270 - 280	6	480 - 490	2
120 - 130	65	280 - 290	1	500 - 510	1
130 - 140	68	290 - 300	3	510 - 520	1
140 - 150	46	300 - 310	3	520 - 530	1
150 - 160	35	310 - 320	5	560 - 570	3
160 - 170	47	320 - 330	2	580 - 590	1
170 - 180	24	330 - 340	3	640 - 650	1
180 - 190	20	340 - 350	2	690 - 700	2
190 - 200	14	350 - 360	2	730 - 740	1
200 - 210	19	370 - 380	3	740 - 750	1
210 - 220	21	380 - 390	2	840 - 850	1
220 - 230	16	410 - 420	1	1,120 - 1,130	2
230 - 240	17	420 - 430	2	1,210 - 1,220	1
240 - 250	7	440 - 450	3	1,380 - 1,390	1
250 - 260	15	460 - 470	1	1,920 - 1,930	1
				3,330 - 3,340	1

Statutory Disclosures

REMUNERATION REPORT

1. CEO remuneration 2020 (\$ 000s)

	Base			Pay for Performance			Total Remuneration
	Salary	Taxable Benefits	Subtotal	STI	LTI	Subtotal	
Nick Grayston	1,461	97	1,558	-	1,304	1,304	2,862

2. 5 year summary of CEO remuneration (\$ 000s)

Year	Group CEO	Total Earnings Paid	Base	Taxable Benefits	STI	STI as % of Maximum	LTI
2020	Nick Grayston	2,862	1,461	97	-	-	1,304
2019	Nick Grayston	1,972	1,435	66	471	48%	-
2018	Nick Grayston	2,237	1,415	54	768	96%	-
2017	Nick Grayston	1,773	1,415	25	333	31%	-
2016	Nick Grayston	1,398	934*	-	464*	66%	-
	Mark Powell	759	733	26	-	-	-

* The 2016 base salary and Short-Term Incentive (STI) payment for Nick Grayston were pro-rata based on his start date of November 2015.

Explanation of the above items

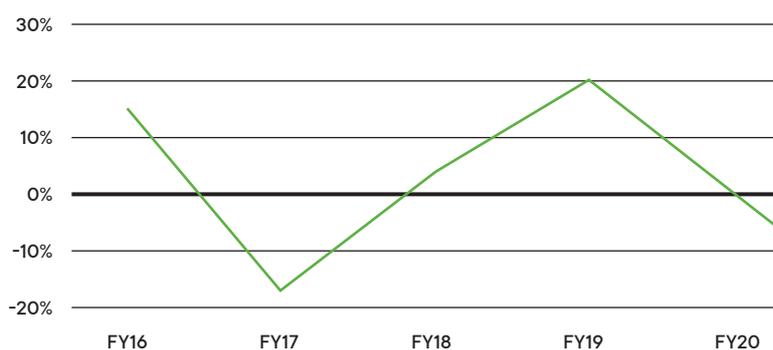
- CEO remuneration is based on actual remuneration paid within a financial year. The 2020 Long Term Incentive (LTI) value relates to FY17–FY19 but was paid in FY20.
- The actual remuneration paid includes holiday pay paid as per NZ legislation.
- Nick Grayston joined the group in November 2015 and replaced Mark Powell, who left at the end of January 2016 following a three-month handover period.
- Taxable benefits are the value of employer KiwiSaver contributions.

3. Breakdown of pay for performance (2020)

	Description	Performance Measures	Percentage Achieved
Short-term Incentive (STI)	Set at 50% of base salary for On Target performance. Combination of financial and non-financial performance measures.	Financial Measures: 70% weighting: The financial measure is based on achieving Group EBIT budget (excluding STI).	70% x 0%*
	For this to be payable, the Group must firstly achieve a gate opener of 90% of the Adjusted NPAT budget and a minimum level of individual performance must be achieved.	Individual Measures 30% weighting: Individual goals relate to delivery of strategic priorities, delivering core business drivers and building capability.	30% x 0%*
Long-term Incentive (LTI) FY18–FY20	Cash based scheme. Potential 50% of base salary for On Target performance.	100% weighting based on the three-year Group Adjusted NPAT, calculated as a percentage of the budgeted Group Adjusted NPAT. 50% of potential paid if >95% of target achieved, increasing to a maximum of 150% of potential for achievement of 125% of target.	119.8%†

* The Executive team proposed and the Board accepted that in light of the uncertainty surrounding COVID-19, the FY20 STI scheme should be suspended for the financial year regardless of whether the scheme gates were triggered or not. † The above LTI payment for FY18–FY20 will be paid in FY21.

4. 5 year summary of Total Shareholder Return performance



TOTAL SHAREHOLDER RETURN (TSR)

Financial Year 2016 (FY16)	15.2%
Financial Year 2017 (FY17)	-18.9%
Financial Year 2018 (FY18)	3.3%
Financial Year 2019 (FY19)	20.2%
Financial Year 2020 (FY20)	-6.1%

Statutory Disclosures

REMUNERATION POLICY AND DISCLOSURES

5. Potential CEO remuneration (2021)



	Base Package			Pay for Performance at Target			Total Remuneration	
	\$ 000	Salary	Taxable Benefits	Subtotal	STI	LTI		Subtotal
Nick Grayston		1,461	44	1,505	731	731	1,462	2,967

Explanation: Base salary is set at \$1.461 million for the financial year. STI is 50% of base salary for On Target performance. The gate for payment is 90% of 2021 Group Adjusted NPAT budget. The STI is split: 70% based on Group financial results and 30% individual performance against goals. LTI is 50% of base salary, settled in cash, and is payable at the end of the three-year performance period if The Warehouse Group's target of absolute TSR against the Company's cost of equity plus 1% is achieved for the three-year period.

6. Scheme Investments awarded to CEO

Year Invited	% of Salary	Settlement	Performance Period	Measure
FY17	50%	Cash	August 2016 to July 2019*	Three-year Group Adjusted NPAT achieved calculated as a percentage of the budgeted Group Adjusted NPAT.
FY18	50%	Cash	August 2017 to July 2020	Three-year Group Adjusted NPAT achieved calculated as a percentage of the budgeted Group Adjusted NPAT.
FY19	50%	Cash	August 2018 to July 2021	Three-year Group Adjusted NPAT achieved calculated as a percentage of the budgeted Group Adjusted NPAT.
FY20	50%	Cash	August 2019 to July 2022	Three-year Group Adjusted NPAT achieved calculated as a percentage of the budgeted Group Adjusted NPAT.
FY21	50%	Cash	August 2020 to July 2023	Absolute TSR [^] against the Company's cost of equity plus 1% over a three-year performance period.

* FY17 scheme was pro-rated to start date of November 2015. [^] The new TSR measure will ensure Management's long-term incentives are more closely aligned to shareholder outcomes.

7. Required disclosures per guidelines

Description	Performance Measures
1. CEO Pay as a Multiple of Team Member median pay	33.22 measured on fixed remuneration. Median hourly rate of all Team Members is \$21.15 per hour.
2. TSR Methodology	Total Shareholder Return has been calculated as the movement in the share price during the period plus any dividends paid.
3. Board Discretion	The Board of Directors has exercised discretion with regard to CEO's STI pay for performance for 2020. Any payments made or forecasted are in line with contractual or scheme criteria.
4. Omissions	No information has been omitted relating to CEO remuneration.
5. Any Other Items	There are no other items payable to the CEO that are not disclosed.
6. Benefits	There are no benefits attributable to the CEO due to any loans made.
7. Withholdings	No part of the CEO remuneration has been withheld for any purpose.
8. Related Parties	No related parties are involved with the CEO remuneration.

Statutory Disclosures

DIRECTORS' SHAREHOLDINGS AS AT 2 AUGUST 2020

At 2 August 2020 the following Directors, or entities related to them, held interests in the Company shares:

	Beneficial Interest	Beneficial Interest	Non-beneficial Interest	Non-beneficial Interest	Related Party	Related Party
	2020	2019	2020	2019	2020	2019
J Journee	172,000	172,000				
K R Smith	13,250	13,250	1,978,222	1,797,593	53,158	35,144
R J Tindall ¹	4,800	4,800			93,721,184	93,721,184
Sir Stephen Tindall	93,687,096	93,687,096	7,986,050	7,986,050	38,888	34,088
J Withers	46,889	8,914	1,561,294	1,797,697		

¹ Alternate director

Major shareholdings in which more than one Director has an interest in the same parcel of shares are as follows:

- Sir Stephen Tindall and Robert Tindall both hold an interest in 93,687,096 shares and other smaller parcels by virtue of their family relationship.

SHARE DEALINGS BY DIRECTORS

During the year, the Directors disclosed in respect of section 148(2) of the Companies Act 1993 that they acquired or disposed of a relevant interest in shares as follows:

Share Transaction	Date of Transaction	Number of Ordinary shares Acquired/(Disposed)	Consideration
J Withers	October 2019	7,000	On market purchase of shares at an average price of \$2.62 per share
J Withers	October 2019	30,975	On market purchase of shares at an average price of \$2.62 per share

Keith Smith (Director) made three disclosures during the 2020 financial year regarding his indirect interest in the acquisition of a total of 18,014 ordinary shares in The Warehouse Group by Lily Wong. All three disclosures were made in November 2019.

DISTRIBUTION OF SHAREHOLDERS AND HOLDINGS AS AT 30 AUGUST 2020

Size of Shareholding	Number of Shareholders	Percentage	Number of Shares	Percentage
1 - 1,000	3,733	37.19%	1,728,729	0.50%
1,001 - 5,000	4,072	40.57%	8,949,684	2.59%
5,001 - 10,000	1,035	10.31%	6,751,289	1.97%
10,001 - 100,000	1,107	11.03%	24,270,973	6.98%
100,000 and over	90	0.90%	305,142,445	87.96%
	10,037	100.00%	346,843,120	100.00%
Geographic Distribution				
Auckland and Northland	3,902	38.88%	304,998,975	87.94%
Waikato and Central North Island	2,030	20.23%	10,995,532	3.17%
Lower North Island and Wellington	1,406	14.01%	7,844,175	2.26%
Canterbury, Marlborough and Westland	1,082	10.78%	16,222,058	4.68%
Otago and Southland	697	6.94%	4,265,355	1.23%
Australia	771	7.68%	1,331,980	0.38%
Other Overseas	149	1.48%	1,185,045	0.34%
	10,037	100.00%	346,843,120	100.00%

Statutory Disclosures

SUBSIDIARY COMPANY DIRECTORS

The following people held office as directors of subsidiary companies at 2 August 2020. Those who retired during the year are indicated with an (R).

Company	Directors
1-Day Limited	N Grayston, J Oram, K Nickels (R)
1-Day Liquor Limited	K Nickels
Bond and Bond Limited	B Moors, K Nickels
Boye Developments Limited	K Nickels, M Yeoman (R), J Oram
Diners Club (NZ) Limited	M Yeoman (R), K Nickels, J Oram
Eldamos Investments Limited	K Nickels, P Okhovat
Eldamos Nominees Limited	K Nickels
Noel Leeming Finance Limited	B Moors
Noel Leeming Financial Services Limited	B Moors, K Nickels
Noel Leeming Furniture Limited	B Moors, K Nickels
Noel Leeming Limited	B Moors, K Nickels
Noel Leeming Group Limited	T Edwards
The Book Depot Limited	K Nickels
TheMarket.com Limited	N Grayston, J Journee, R Tindall, K Nickels (R), M Yeoman (R), J Oram
The Warehouse Card Limited	K Nickels
The Warehouse Group Support Services Limited	K Nickels
The Warehouse Investments Limited	K Nickels
The Warehouse Limited	K Smith, N Grayston, M Yeoman (R), J Oram
The Warehouse Nominees Limited	K Nickels, B Moors
TWGI Operations Limited	J Oram
Torpedo7 Limited	P Okhovat (R), T Edwards, S West
TWGA Pty Ltd	I McGill, B Moors, K Smith, Sir Stephen Tindall
TWL Australia Pty Limited	I McGill, B Moors, K Smith, Sir Stephen Tindall
TWP No.1 Limited	N Tuck
TWP No.4 Limited	B Moors, K Nickels
TWP No.5 Limited	B Moors, P Okhovat
TWP No.6 Limited	K Smith, M Yeoman (R), J Oram
Chocolate Works NZ Limited	N Craig, P Judd (R), M Razey, H Vetsch, M Anderson, S Smith
Warehouse Stationery Limited	B Moors
TWNL Projects Limited	P Okhovat, S Watson
Lincoln West Limited	K Gardiner, G Helsby, G Lane, P Okhovat
Farran (Nine) Limited	K Gardiner, G Helsby, G Lane, P Okhovat
The Warehouse Planit Trustees Limited	J Withers
The Warehouse Management Trustee Company Limited	K Smith, J Withers
The Warehouse Management Trustee Company No.2 Limited	K Smith, J Withers
TW House Sourcing Private Limited (India)	K Kramer, T Benyon, A Passi (R), C Srinivasan
The Warehouse (Shanghai) Trading Company Limited	T Benyon, M Anderton, K Kramer

USE OF INFORMATION BY DIRECTORS

During the financial year, there were no notices from Directors of the Company, or its subsidiary companies, requesting to disclose or use Company information received in their capacity as Directors of the Company or its subsidiary companies which would not otherwise have been available to them.

Statutory Disclosures

TWENTY LARGEST REGISTERED SHAREHOLDERS AS AT 30 AUGUST 2020

	Number of Ordinary Shares	Percentage of Ordinary Shares
Sir Stephen Robert Tindall	93,687,096	27.01
The Tindall Foundation Inc	73,920,496	21.31
James Pascoe Limited	68,671,082	19.80
Cash Wholesalers Limited	10,373,363	2.99
Foodstuffs Auckland Nominees Limited	10,373,363	2.99
Wardell Bros & Coy Ltd	10,373,363	2.99
Accident Compensation Corporation – NZCSD <ACC140>	4,372,934	1.26
Sir Stephen Tindall, Brian Mayo-Smith & John Richard Avery (SR Tindall Family A/C)	3,778,149	1.09
Citibank Nominees (New Zealand) Limited – NZCSD <CNOM90>	3,729,031	1.08
Robert George Tindall, Sir Stephen Tindall & Pupuke Trustee Limited (Tindall A/C)	3,455,103	1.00
JB Were (NZ) Nominees Limited <NZ Resident A/C>	906,741	0.26
HSBC Nominees (New Zealand) Limited – A/C State Street – NZCSD <HKBN45>	854,011	0.25
Forsyth Barr Custodians Limited <1-Custody>	831,414	0.24
HSBC Nominees (New Zealand) Limited - NZCSD <HKBN90>	814,074	0.23
Stephen Robert Tindall + John Richard Avery + Brian Mayo-Smith <Merani A/C>	752,798	0.22
New Zealand Depository Nominee Limited <A/C 1 Cash Account>	680,437	0.20
Custodial Services Limited <A/C 4>	676,242	0.19
The Warehouse Management Trustee Company Limited	667,174	0.19
James Raymond Holdings Limited	600,000	0.17
John Francis Managh	559,673	0.16
	290,076,544	83.63%

New Zealand Central Securities Depository Limited (NZCSD) is a depository system which allows electronic trading of members. As at 30 August 2020 total holdings in NZCSD were 9,770,050 or 2.82% of shares on issue.

SUBSTANTIAL PRODUCT HOLDERS

According to notices given to the Company under the Financial Markets Conduct Act 2013, as at 2 August 2020, the substantial product holders in the company and their relevant interests are noted below:

	Relevant Interest	Date of Notice
James Pascoe Limited	68,270,081	10 May 2018
Wardell Bros & Coy Limited, Cash Wholesalers Limited and Foodstuffs (Auckland) Nominees Limited	31,120,089	23 March 2007
Sir Stephen Tindall	84,141,524	19 March 2004
The Tindall Foundation	66,323,220	19 March 2004

STOCK EXCHANGE LISTING

The ordinary shares of The Warehouse Group Limited are listed on the New Zealand Exchange (NZX).

ORDINARY SHARES

The total number of voting securities of the Company on issue as at 2 August 2020 was 346,843,120 fully paid ordinary shares.

Holder of each class of equity security as at 2 August 2020	Number of Holders	Number of Shares or Rights
Ordinary Shares	10,037	346,843,120

RIGHTS ATTACHING TO SHARES

Clauses 20–22 of the Company's constitution set out the voting rights of shareholders. Ordinary shares in the Company each carry a right to vote on a poll at any general meeting of shareholders on any resolution. Holders of ordinary shares may vote at a meeting in person, or by proxy, representative or attorney. Voting may be conducted by voice, a show of hands or a poll. Each of the Company's ordinary shares entitles the holder to one vote.

ON-MARKET SHARE BUY-BACKS

The Company is not, at the date of this annual report, undertaking any on-market share buy-backs.

ESCROW

Apart from the shares held under the Staff Purchase Plan, the Company has no securities subject to an escrow agreement.

DIVIDENDS ON ORDINARY SHARES

The Warehouse Group Limited has paid dividends on its ordinary shares every year since listing on the New Zealand Exchange in 1994. The Group's current dividend policy was approved by the Board in September 2015, commencing

from the 2016 financial year. The Group's dividend policy is to distribute between 75% and 85% of the Retail Group's adjusted net profit to shareholders.

No dividends were declared for the current financial year.

Dividends	2020	2019	2018	2017	2016
Interim	0.0	9.0	10.0	10.0	11.0
Final	0.0	8.0	6.0	6.0	5.0
Total	0.0	17.0	16.0	16.0	16.0

AUDITOR

PricewaterhouseCoopers has continued to act as auditors of the Company and have undertaken the audit of the financial statements for the year ending 2 August 2020.

DISCIPLINARY ACTION

The NZX has not taken any disciplinary action against the Company during the period under review.

DONATIONS

In accordance with section 211(1)(h) of the Companies Act 1993, the Company records that it donated \$134,000 (2019: \$89,000) to various charities during the year. In line with Board policy, no political contributions were made during the year.

NZX WAIVERS

Details of all waivers granted and published by NZX within or relied upon by the Company in the 12 months immediately preceding the date two months before the date of publication of this annual report are available on the Company's website www.thewarehousegroup.co.nz.

Directory

Board of Directors

Joan Withers (Chair)
Keith Smith (Deputy Chair)
Robbie Tindall (alternate to Sir Stephen Tindall)
Tony Balfour
John Journee
Will Easton
Julia Raue
Dean Hamilton

Group Chief Executive Officer

Nick Grayston

Group Chief Financial Officer

Jonathan Oram

Company Secretary (Acting)

Erin Vercoe

Place of Business

26 The Warehouse Way
Northcote, Auckland 0627
PO Box 33470, Takapuna
Auckland 0740, New Zealand
Telephone: +64 9 489 7000
Facsimile: +64 9 489 7444

Registered Office

C/- BDO
Level 4, 4 Graham Street
PO Box 2219
Auckland 1140, New Zealand

Auditor

PricewaterhouseCoopers
Private Bag 92162
Auckland 1142, New Zealand

Shareholder Enquiries

Shareholders with enquiries regarding the share transactions, changes of address or dividend payments should contact the Share Registrar.

You can also manage your shareholding electronically by using Computershare's secure website, www.computershare.co.nz/investorcentre, whereby you can view your share balance, change your address, view payment and tax information, update your payment instructions and update your report options.

Share Registrar

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road, Takapuna
Private Bag 92119, Auckland 1142
New Zealand
Telephone: +64 9 488 8777
Facsimile: +64 9 488 8787
Email: enquiry@computershare.co.nz
Website: www.computershare.co.nz/investorcentre

Investor Relations

For investor relations enquiries, email investor@twgroup.co.nz

Stock Exchange Listing

NZX trading code: WHS

New Zealand Business Number (NZBN)

New Zealand Incorporation: 9429038766633

Website

www.thewarehousegroup.co.nz