Here for good

The Warehouse Group
Integrated Annual Report 2021

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2021 AT A GLANCE

Group sales
$3.4B
up 7.6% on last year

$175.5M
Adjusted NPAT up from $32.1m in prior year[1]

Reported NPAT
$117.7M
up from $44.5m in prior year (up 164.6%)

$160.5M
Net cash at year-end

Online sales **$393.1M**
up **5.0%** on last year and making up
11.5%
of total Group sales

21.1%
growth in Click & Collect sales

over **2M**
customer store visits per week

3M DIGITAL VISITS
per week to our sites and apps

Over **11,500** products
carried a sustainable feature, accounting for over $176 million in sales

Carbon neutral since 2019

We have diverted
77.9%
of operational waste from landfills
(up from 76.7% in FY20)

Reduced Scope 1 & 2 emissions by
2.7%
and reduced total emissions by 6.4% since FY19[2]

Increased female senior leaders to
44.4%
of senior leadership roles

$4.3M
raised for New Zealand charities and communities

The Warehouse, Noel Leeming & TheMarket.com apps in **Top 10** shopping apps in New Zealand
Top 10

1. FY20 Adjusted NPAT was restated from $80.7 million to $32.1 million due to the Group repaying the Government COVID-19 wage subsidy in December 2020. This repayment resulted in the reclassification of the initial receipt of the subsidy in March 2020 as an unusual item. This prior year reclassification has the effect of reducing 'other income' and decreasing the 'unusual item' expense on the Income Statement by $67.6 million (before tax) for the year ended 2 August 2020.
2. FY20 was considered to be an unusual year given 7 weeks of COVID-19 lockdown and reduced operations.

CHAIR & CHIEF EXECUTIVE UPDATES

"We have remained true to our strategy and lived our values by putting customers first, doing good for our people and planet, and delivering on what we said we would do."

Joan Withers
Chair, The Warehouse Group

"We are building an ecosystem which allows customers to be recognised and rewarded however and whenever they choose to interact with us."

Nick Grayston
CEO, The Warehouse Group

CHAIR'S REPORT

Staying on course
In a year buffeted by the disruption of a global pandemic and the rollout of a national vaccination programme, The Warehouse Group has stayed on course.

We have remained true to our strategy and lived our values by putting customers first, doing good for our people and planet, and delivering on what we said we would do.

During the 2021 financial year (FY21), we have made material progress while also embracing the disciplines required to become an agile business and operate effectively within a changing environment.

The Warehouse Group is the first major retailer to adopt and implement the agile framework to improve performance. By steadily enhancing the ways we conduct our business we have been able to act for the good of our customers, communities, people and investors in an era of uncertainty, upheaval and isolation.

Our culture and mindset and our teams' expertise have enabled the business to open and shut stores and move to Click & Collect almost overnight during the first wave of COVID-19 alert level changes. And now again, subsequent to year end we have had to adapt as the country reverted to Level 4 lockdown.

Agile is not an easy journey – and I want to give full credit to all our people for having the bravery and stamina to meet the challenge of such fundamental change.

The execution of the strategy has gone to plan and it is heartening to now see the benefits of the decision we took in 2017 to transform our business by striving to build New Zealand's most sustainable, convenient and customer-first company.

Four years ago, we would not have anticipated the record results we have achieved in FY21. There is no doubt that the Group has benefitted from the changes to the way New Zealanders now live, work and shop. Some of that change was driven by COVID-19 but there has undoubtedly been a shift in behaviours that will be significant and enduring.

COVID-19 was a causative component of our results for the last financial year and we were able to capitalise on the tailwinds arising from border closures and restricted international travel to the fullest extent because of the transformation journey we have been on.

However that is not the whole story of FY21 and the fundamental changes we have made in the business are undoubtedly providing significant benefit. Our increasing competency in data utilisation, and ability to understand and meet customers' product and service needs much better than we did in the past have contributed to margin improvement. Alongside this, our focus on defining the future customer experience, the continued execution of Every Day Low Pricing in The Warehouse and reduced discounting across other brands positioned us to catch the rising wave of in-store and online retail demand amplified by the impacts of COVID-19.

People are now much more used to shopping remotely. The significant investment in our digital future and a quality customer experience has delivered material returns as people embraced services such as Click & Collect, which grew 21.1% year-on-year.

Financial performance across the Group was strong, and the sales growth at Torpedo7 in particular merits a call out – up 22.2% on last year, a testament to the execution of the growth strategies put in place by the team as well as the way Kiwis have pursued cycling, water sports and other outdoor activities locally instead of holidaying offshore.

Two years after the launch of TheMarket.com, our investment in this platform has been vindicated as more and more Kiwis shop from a screen. TheMarket.com's growth during FY21 includes almost 397,000 active customers and over 50,000 Market Club members.

We started our strategic and operational transformation back in 2017 and our FY21 results further strengthen our resolve and confidence in our course of travel.

The results
Our adjusted net profit after tax (NPAT) was $175.5m, up from $32.1m last year, with reported NPAT being $117.7m - a record for The Warehouse Group.

Strong operational performance, sustained sales momentum and a robust financial position enabled the Group to repay the Government COVID-19 wage subsidy of $67.6m for our 11,000 employees in December 2020.

We could not have delivered such a lift in profitability without the improvements our teams have made in our stores, distribution and fulfilment centres, our Store Support Office and to our digital platform.

The fact that we did this during a year which started with Auckland entering Level 3 lockdown for two weeks on 12 August is a testament to the resilience of our people and our business. As I write this, post financial year end, the country is once again in Level 4 lockdown and Nick Grayston, the executive leadership squad and our entire team are responding to the challenges and opportunities we again face.

On virtually all of our key measures, The Warehouse Group has made significant strides year-on-year. Total retail sales increased from $3.2b to $3.4b, and operating margin has risen from 1.6% to 7.0%.

Reported net profit attributable to shareholders for the year was $117.7m, compares to $44.5m last year.

Capital management
As I noted previously, reported work undertaken 18 months ago in terms of balance sheet management continues to assist us with our capital management.

We are comfortable with our capital structure and continue to focus on ensuring that we have the required liquidity for the Group and that we are able to reward our shareholders with a sustainable and coherent dividend policy.

In the current uncertain economic environment the Group considers it appropriate to maintain high levels of liquidity. Our undrawn bank debt facilities of $330m, together with cash on hand at year end provide a liquidity buffer of $490.5m.

"Our culture and mindset and our teams' expertise have enabled the business to open and shut stores and move to Click & Collect almost overnight during COVID-19 alert level changes."

Capital expenditure has risen on the prior year, with increased spend on customer-facing digital and core system initiatives including the Group eCommerce platform and enterprise resource planning systems for finance and inventory.

FY21 capex spend was $85m, lower than initially budgeted, but higher than the average last three years of $65m.

Dividend policy
The Board took a cautious approach to cash preservation in FY20 due to COVID-19 and the resultant operational uncertainty. We made the difficult decision to cancel the FY20 interim dividend and declared no FY20 final dividend.

However, following stronger than expected trading performance in November and December 2020, the Board declared a special dividend of five cents per share in February 2021.

The Board undertook a review of the Group dividend policy, comparing it to market practice and other listed retailers, and taking into account current and forecast Group operational cash flow, forecast capital expenditure and liquidity requirements.

Directors approved a new dividend policy in March 2021.

The new policy is to distribute at least 70% of the Group's full year adjusted net profit, at the discretion of the Board and subject to trading performance, market conditions and liquidity requirements.

This dividend policy provides the Group with flexibility to maintain a stable capital structure, allowing for capital expenditure to invest for future growth, and progressive and sustainable dividends.

In accordance with this new policy the Board declared a fully imputed FY21 interim dividend of 13.0 cents per ordinary share paid on 22 April 2021.

The Board is pleased to announce a fully imputed final dividend of 17.5 cents per share. The final dividend has been declared on the basis that New Zealand is predominantly at Alert Level 2 or below from the end of October 2021. The record date for the dividend will be 18 November 2021 and will be paid on 3 December 2021.

Sustainable and affordable
Our customers increasingly expect that businesses with which they interact have a transparent and measurable commitment to sustainability.

The Warehouse Group aspires to be New Zealand's most sustainable retailer and is implementing initiatives in three focus areas: people, products and planet.

Through efforts including ethical sourcing, reduction in packaging and plastics, and prioritising sustainable products and materials, our brands now offer over 11,500 products with sustainable attributes – up from 6,000 a year ago.

We are working with community organisations such as The Salvation Army, Plunket, and Women's Refuge and taking leadership positions on issues such as reducing family violence, period poverty, supporting diversity, and helping to equip hundreds of vulnerable Kiwi children with much needed back to school essentials.

During FY21 we established a board committee which oversees our governance of environmental, social and sustainability issues. The company achieved carbonzero status back in FY19, and right from the time our founder Sir Stephen Tindall opened the first The Warehouse store back in 1982, we have had a strong focus on sustainability. The Board is committed to understanding and implementing ways we can fulfil our obligations to stakeholders as greater expectations and a requirement for more transparency around Environmental and Social Governance (ESG) unfold.

I am incredibly proud of these and the many other initiatives detailed elsewhere in this report that demonstrate a commitment to sustainability and action.

Board activity
We have continued to refresh the Board, following the retirement of Sir Stephen Tindall and Keith Smith last year.

In February we appointed Rachel Taulelei as a non-executive director. Rachel has unique commercial experience as chief executive of large operational locally owned businesses, including co-founding business design and brand strategy firm, Oho and at Kono, a top 100 New Zealand food and beverage company. She was also founder of Yellow Brick Road which specialises in direct seafood supply into restaurants.

Rachel also has strong credentials leading business councils and in non-executive directorships with particular expertise in primary industries.

She currently chairs the APEC Business Advisory Council and was a member of the Prime Minister's Business Advisory Council.

Rachel's broad-ranging experience adds an important skillset to our Board and complements the skills of existing directors. (Please refer to the Board Skills Matrix available on page 88).

Future Director Renee Mateparae attended her final meeting in September. The Board has valued her contribution very highly and her expert knowledge of agile structures and processes gained through her leadership role at Spark. She has been highly committed to her Future Director role, and we have thoroughly enjoyed having Renee at the board table.

"The Group has traded well through the turbulence of FY21. However, the COVID-19 environment continues to evolve and it would be premature to anticipate a return to full normality in FY22."

Our new Future Director is Caroline Rainsford. Caroline is currently the Country Director for Google NZ, a role she has held since 2017. Prior to this, she was the Marketing and Product Director for Latitude NZ as well as the Brand Director for the Australian and New Zealand region, with her earlier career including roles with Philips Royal Electronics in the Middle East, Turkey and Africa.

I am delighted to welcome Caroline as our latest Future Director. The Warehouse Group remains committed to the scheme and we have derived enormous benefit from the various incumbents we have had sitting around the table for the past seven years.

I attended our Investor Day in May – the first since 2017 – and was heartened by the engagement of the attendees and their interest in the Group. It was a good opportunity to update investors on the progress achieved over the past four years and provide a deeper understanding of our strategy.

Following last year's Board performance review we have undertaken a couple of 'pulse checks' with our external provider to monitor progress on the areas we identified for improvement in the full performance assessment.

The Board will be asking shareholders at our upcoming Annual Meeting for an increase to Directors' Fees. The last increase was in 2013 and we have based our request on an independent report on comparator companies and after canvassing a number of key shareholders on their view of a proposed increment to the existing fees.

The year ahead
Uncertainty remains the dominant factor in assessing the year ahead.

The Group has traded well through the turbulence of FY21. However, the COVID-19 environment continues to evolve – and it would be premature to anticipate a return to full normality in FY22.

While New Zealand's economy strengthened post the initial COVID-19 lockdowns of 2020, the recent closure of the trans-Tasman bubble, the impact of the Delta variant on one of our most important trading partners and most latterly the incursion of the Delta variant to New Zealand shores are yet to play out in terms of repercussions on the retail and wider business sectors.

The sustainability of heightened consumer retail spending levels, the impacts of catastrophic climate-related events, constraints on global supply chains, and lack of clarity about the global roadmap out of COVID-19 restrictions are among the factors that will challenge The Warehouse Group in the year ahead.

We have demonstrated agility and courage in FY21 – and the record result is a tribute to Nick Grayston, his leadership team and all our team members. On behalf of the Board, I thank them most sincerely.

The Board has endeavoured to provide wisdom and steady governance oversight during the upheavals and opportunities and, most importantly, support the exemplary response our team has demonstrated during this global pandemic. Guiding the transformation of a retail business of the scale and reach of The Warehouse Group in a trading environment impacted by tight border controls, logistical disruptions and sudden lockdowns has placed additional demands on Directors. I thank them for their support, their energy and commitment throughout the year.

It is pleasing to be in a position to reward our shareholders for their forbearance last year, with a return to the payment of dividends this year. As always, the Board values your support and looks forward to meeting with you at our Annual Shareholders Meeting in November.

Joan Withers – Chair

CEO'S REPORT

More than a year after the onset of the global pandemic, The Warehouse Group has seen the investment in the move to agile working practices prove worthwhile by demonstrating that it can innovate, adapt and deliver the services Kiwis need in the context of massive disruption.

While New Zealand united around a strategy to keep COVID-19 out, our teams aligned around a business strategy to fulfil customers' demands for frictionless convenience.

Our strategic priorities - to build a customer ecosystem, define the future customer experience and excel in retail fundamentals – became magnified by the radically altered retail environment in which we now operate. Our combination of local assets, global partnerships, and a strong financial position meant we were able to grow our business and expand our capabilities to deliver solutions for customers in a year when they relied on us more than ever.

Changes made to the way we work and the investments in our future have been guided by a core imperative: knowing what our customers want and delivering it so that shopping with us is easier and more rewarding than shopping with anyone else.

Refining our ways of working
Following a record half-year profit the business maintained its momentum, achieving a 7.6% increase in sales revenue which contributed to gross profit increasing 20% to $1.2b compared to the prior year.

The 2021 financial year tested our ability to adapt and flex amid ongoing business interruption.

In August 2020, we formalised our move to becoming a business guided by agile principles within our Store Support Office, enabling us to further strengthen our focus on anticipating and meeting New Zealanders' needs, however and whenever they choose to shop with us.

As the first major retailer to go agile, there was no blueprint. We had to make some compromises and manage our way through a lot of unknowns. As a result, some pockets of historic inefficiencies and old ways of doing things remained. We are now addressing these by re-examining what constitutes 'must-do' and discretionary activities by a process of 'zero-basing' the work. This is ongoing work that will support our stated goal of becoming New Zealand's most sustainable, convenient and customer-first company.

In our stores, it was a year of implementing standardised processes and adjusting the deployment of team members. In The Warehouse, we changed the rostering and tasks of our teams so we had team members on the shop floor when customers needed them most: in the weekends and evenings.

In October 2020, after a period of consultation, about 750 roles became redundant following a Group restructure.

"The 2021 financial year tested our ability to adapt and flex amid ongoing business interruption."

That was tough for everyone – those who departed as well as those who remained.

Since then, however, we have seen the employee net promoter score (NPS) in our stores rise significantly, and it has been pleasing to see that customer NPS has also increased over that time.

Building our ecosystem
We have started to deliver an ambitious programme of infrastructural and technological innovation required to enable The Warehouse Group's ability to do good for all our stakeholders and excel for our customers.

We are building an ecosystem which allows customers to be recognised and rewarded however and whenever they choose to interact with us.

Part of our competitive moat is the physical locations that we have all around New Zealand with most Kiwis no more than 20 minutes from one of our stores.

As COVID-19 lockdowns restricted shopping behaviour, we ramped up one-day Click & Collect at The Warehouse and scaled one-hour Click & Collect at Noel Leeming.

Additionally, we accelerated our 'store-within-a-store' (SWAS) model, integrating a further eight The Warehouse and Warehouse Stationery stores. We will continue to co-locate our brands where it makes sense to do so, while also investing over the next two years in renovating approximately 40 stores in order to improve the omni-channel shopping experience.

While it is unlikely that our total footprint will grow, there will be targeted new store openings. During FY21, these included becoming part of the new Ormiston Town Centre in South Auckland, where we opened new The Warehouse, Warehouse Stationery and Noel Leeming stores.

Across our store brands, we recorded a 5.0% increase in online sales, making up 11.5% of total Group sales. We plan continued technology investment to support this ongoing change in customer behaviour.

We have delivered the re-platforming of The Warehouse website, nearly completed the re-platforming of the Noel Leeming site and are now looking at enhancements to our mobile apps.

Our new warehouse management system has gone live in our South Island Distribution Centre and will be activated in the North Island Distribution Centre after Christmas.

Over the next three years we will enhance our Master Data Management, build and deploy enterprise management systems which tie together a multitude of business processes and enable the flow of data between them. We will also optimise our supply chain systems and processes to include providing more options to flex between speed and cost of online fulfilment options for our customers.

We are broadening the scale and scope of programmes that deepen the connection between our brands and our customers.

In addition to growing our existing loyalty programmes - myNoelLeeming, Torpedo7 Club, TheMarket Club, and BizRewards – we have successfully launched an app-first loyalty programme trial in The Warehouse. We have now confirmed the rollout of a unified loyalty programme across the Group, to be named Market Club, which will include both a free and a subscription offer, with subscriptions offering unlimited free shipping on millions of items. This will evolve to integrate all existing programmes, giving even more benefit and utility to our customers, with the rollout starting this calendar year.

Our loyalty programmes are already benefitting New Zealanders by linking with offers from other major brands. In September 2020, TheMarket.com and Vodafone New Zealand entered an exclusive partnership which rewards all Vodafone customers with a free subscription to TheMarket's loyalty scheme and its membership benefits.

The shift to working from home forced people to grapple with technical and IT issues that were formerly the responsibility of workplace experts. Our services were in huge demand, resulting in Noel Leeming Tech Solutions revenue increasing by 42%. In addition to expanding the use of artificial intelligence, chat bots, and digital humans to help solve customer problems, we trained more people to be present on the shop floor and able to provide advice backed by deep knowledge of our products and customers, supported by technology.

Do Good – Kia Oha

One of our core values as a leading New Zealand-owned retailer is to do good, acting as one team that stands up for our people, our planet and our communities.

Sustainability has become increasingly important to our customers and shareholders.

This year we launched the Sustainable & Affordable campaign which highlights that customers can make more sustainable choices without products becoming prohibitively expensive.

We think about value as being the synthesis between price and quality, with today's customers rejecting the trade-off between affordability and sustainability - they are asking for both.

More than 11,500 of our products now carry sustainable attributes which include certified sustainable materials or plastic-free packaging. We are working with recognised programme providers such as the Better Cotton Initiative and Forestry Stewardship Council to ensure the products we purchase are better for our planet and our customers.

Sustainable packaging guidelines are being rolled out across all new products to reduce unnecessary plastic usage and improve packaging recyclability, reusability, or compostability. Our Soft Plastics Recycling Scheme in 29 of our stores allows our customers to drop their soft plastics into recycling bins, diverting them from landfill. We have also launched e-waste recycling capability in 16 of our Noel Leeming stores and will roll this out to more stores as soon as possible.

For the past 17 years, The Warehouse has had an ethical sourcing programme in place to protect the welfare of workers in its supply chain. (You can read more on this in our Ethical Sourcing report on our website).

With our vision to become New Zealand's most sustainable company, we know we have to measure up.

That's why each year we work alongside the Carbon Disclosure Project, a not-for-profit charity that runs the foremost global disclosure system for investors, companies, cities, states and regions to help them manage their environmental impacts. In December The Warehouse Group received a score of A- for 2020, increasing from a C in 2018 and 2019. With C being the current industry, regional and global average, receiving a rating of A- puts us in the highest category of "Leadership", acknowledging we are currently "implementing current best practices" in the fight against climate change.

> **"We think about value as being the synthesis between price and quality, with today's customers rejecting the trade-off between affordability and sustainability – they are asking for both."**

To tackle family violence further, we have partnered with charities to address some of New Zealand's most pressing social issues. We have enhanced support for team members experiencing family violence by providing 15 days' paid leave and three nights' accommodation as well as an online support tool under our Family Violence is not OK platform.

As part of our effort to help remediate period inequity in New Zealand, The Warehouse offered $1 period products and gave one pack to charity for every 10 sold. We partnered with The Period Place to offer a new educational hub on thewarehouse.co.nz aimed at reducing the stigma associated with periods. The Warehouse was also successful in being appointed as an official supplier of period products to schools through the government programme.

During the year we supported our team members through a variety of efforts such as counselling, wellbeing initiatives and via The Warehouse Group Foundation we provided support for those facing financial hardship.

Further information about the many actions and commitments made by the Group, our brands and our teams within our evolving ESG model can be found on pages 46 to 48.

Performance

Each of our brands contributed to our record Group profit through sales growth, improved operating margins, rising online sales, and substantial Click & Collect fulfilment growth.

The Warehouse sales increased 5.8% to $1.8b as we continued to improve products and refine our offer to customers during FY21. That's despite the Auckland region experiencing 18.5 days of COVID-19 lockdown in August 2020 when stores were unable to trade as normal, and heightened alert levels in March and June 2021. During the August 2020 lockdown The Warehouse sales declined 17.4% year-on-year.

Warehouse Stationery continued to build on its momentum from the prior year, benefitting from the store-within-a-store model and the emerging hybrid work practice of splitting days between the office and home. We delivered another record profit with sales of $274.6m, an increase of 2.2% on last year.

Noel Leeming had a stellar year with sales growth of 11.7% to $1.1b. The 9.3% growth in Click & Collect fulfilment with most customers choosing our one-hour service showed the extent to which people have gravitated to online purchases since the COVID-19 lockdowns.

Both Noel Leeming and Warehouse Stationery benefitted from our recent inclusion in the all of government procurement panel for office supplies and Information and Communication Technology (ICT) consumables.

Torpedo7 was our turn-around hero with total sales increasing 22.2% on the same period as last year to $158.7m. Simon West and the team have worked very hard to reverse profit losses and are now reaping the benefits of scale and improved merchandising and operations. We see additional growth opportunities as we continue to scale the business to achieve coverage and critical mass across New Zealand.

TheMarket.com is another growth story, now with 2.5 million available products and over 5,300 brands from more than 800 merchants. More than 18.6m online sessions were completed in FY21, up 138% compared to the same period last year. We are continuing to invest in this critical part of our ecosystem as we move towards scale.

Ready to meet challenges

The pace of modern life in the digital age means that the biggest risk to companies is becoming anachronistic and lacking the flexibility to respond to the ever-increasing pace of change.

COVID-19 was an accelerant for us, and made it all the more imperative to work our way through some difficult decisions.

Pressure creates diamonds but you must have the carbon to create them in the first place. During FY21 we saw the benefits from the plans that we laid prior to the pandemic, and the execution that we are now delivering.

Product improvements, building our own private label and sourcing capabilities, and price optimisation have all enabled us to extract more value as well as manage costs.

We are now being rewarded for many of the things we have been working on since we confirmed our strategy in 2017.

We acknowledge that a buoyant market contributed to our significant increase in profitability. COVID-19 lockdowns spurred people to focus on the quality of their home environments which has benefitted consumer electronics and homeware in particular.

A nearly 27% increase in New Zealand's minimum wage since 2017 means there is more disposable income flowing into the economy and some of that has benefitted retail.

When New Zealand reopens its borders there is the potential for growth rates to contract. However, we have made good use of these unusual times to get our house in order and have constrained costs where possible to be able to protect profits in that eventuality.

We have long anticipated that an online behemoth like Amazon would enter the local market. Although they do not have a distribution centre here yet, they have three in Australia and are building a fourth so it's only a matter of time. They have formally launched in New Zealand where they are already the third most trafficked website without a physical presence.

It is vital that we become a modern, vigorous and competitive option so that The Warehouse Group can retain our 11,000 people employed within New Zealand instead of losing those jobs overseas.

Further modernisation of our supply chain will be a major focus over the next few years. COVID-19 has created global supply challenges and we need to stay ahead of these.

Last Christmas we reduced our focus on seasonal product and put more effort into basic continuity product. That meant we left some business on the table but we also reduced risk through better inventory management. The worst case scenario is seasonal product arriving too late to sell.

A shortage of shipping containers in the right place at the right time to carry manufactured goods from source to destination is a symptom of the havoc the pandemic has wrought on international supply chains. As a result, freight costs are rising which will inevitably translate into higher prices for customers.

Issues like these will continue to challenge us. By staying true to our strategy, we will deal with them – and I am confident we have the leadership strength and commitment from our people to do so and prosper.

We farewelled three members of the leadership team over the course of the year.

In October 2020 Chief Operating Officer Pejman Okhovat resigned to take up a senior executive position with an overseas retailer. Pej joined The Warehouse Group in 2005 and played a key role in improving the performance of The Warehouse and Warehouse Stationery, and enabling The Group to trade through COVID-19 during the Level 4 and 3 lockdowns in 2020.

Chief Transformation Officer Scott Newton, who led our transformation over the past three years, also decided it was time to move on, having made a significant contribution to reducing complexity, driving performance improvements and strengthening The Warehouse Group's health and capabilities.

In September 2021 Chief Sales Officer Tim Edwards resigned. Tim has been with the Group since 2009 in the roles of CEO Noel Leeming and CEO Torpedo7 prior to taking on his current position. He played a key role in the Noel Leeming brand's significant growth, achieving over $1b in annual sales in FY20, as well as growing the Services and Commercial businesses.

We wish Pej, Scott and Tim all the best for the future.

Our executive leadership team has continued to become leaner and more agile. At the next leadership level we have grown our diversity considerably with women now holding 50% of these senior roles.

A successful retail business runs on the energy, commitment and skills of its people.

By living our values, everyone working at The Warehouse Group brings us closer to our vision of being New Zealand's most sustainable, convenient and customer-led company.

I want to thank all of our team members for their resilience, dedication and courage in embracing the changes we have made, and those we must continue to make.

Nick Grayston – CEO

OUR PURPOSE

Helping Kiwis live better every day

Every day, we're living our purpose by transforming our business to exceed our customers' expectations and have a positive impact on our communities.

OUR VISION

to build New Zealand's most sustainable, convenient and customer-first company.

Providing a customer-first offering powered by data, a frictionless on-demand shopping experience, delivering an ethical and sustainable performance for our shareholders.

OUR VALUES

Do good

Mahi i ngā mahi pai

We are one team, standing up for our people, our planet and our communities

Think customer

Whakaarohia te kaiutu

We put the customer first in everything we do

Own it

Kia haepapa

We walk the talk and make things happen

OUR ECOSYSTEM

We're building a customer-centric ecosystem for New Zealand that enables frictionless shopping experiences and creates greater customer value over time.

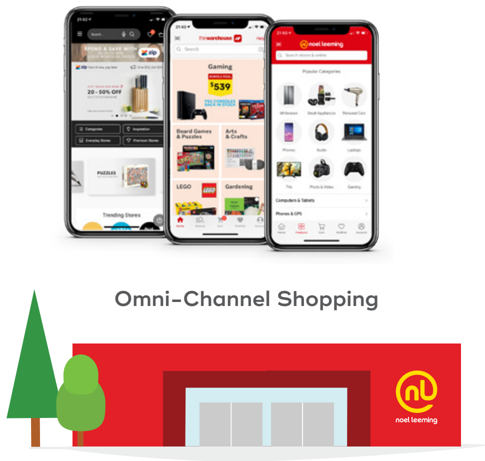
Our unique combination of local assets, global partnerships and our strong financial position means we can further scale our business by investing in the right capabilities to serve our customers more holistically.

We now have strong ecosystem foundations in place with an established physical footprint and market-leading digital assets. We have confirmed the rollout of a unified loyalty programme across the Group as 'Market Club' and 'Market Club+', which is starting its rollout with The Market and The Warehouse this calendar year. We have also become a cornerstone strategic investor in Zoom Health, the operator of Zoom Pharmacy, because we believe together we can make a real difference to our customers' welfare through a shared vision to offer convenient and affordable access to healthcare to all Kiwis.

Our efforts and innovations have already delivered significant omni-channel capabilities across our stores, services, supply chain, and our mobile apps and online sites. These are already improving the customer experience, including the expansion of range on The Market to over 2.5m active product stock keeping units (SKUs). We continue to invest in being sustainable and affordable in everything we do, and this vision underpins our ecosystem at every stage.

Further improvements will make customer shopping journeys with our family of brands faster, easier and more personalised through unified data, platforms and people – while remaining focused on the fundamentals of delivering exceptional value and new assortments with better customer fulfilment and payment options in store and online.

We're focused on making our shopping experiences easy and seamless – in stores and online



Omni-Channel Shopping

Our services help customers and businesses in their daily lives

noel leeming protection
noel leeming tech solutions

OUR STORES

252
stores across New Zealand

thewarehouse	noel leeming	warehouse stationery	Torpedo7
90	71	70 (incl 25 SWAS)	21

Plus a leading online marketplace, websites and mobile apps

The Warehouse is New Zealand's largest general merchandise retailer with a presence in virtually every Kiwi home and community.

Ensuring that our products and services keep pace with the expectations of those we serve and our focus on implementing new ways of working to meet those needs and expectations contributed to The Warehouse's retail operating profit growth.

Updates to our store operating model and changes to rosters have been successful, with team member rosters now more closely aligned to when our customers are shopping. Our customer and employee survey scores have improved, showing both our customers and our team are embracing the changes.

During the year we deployed a new picking and order location app to better equip our team members to efficiently fill Click & Collect orders, which have increased 37.9%. We now have dedicated Click & Collect counters in some of our stores, conveniently located at the front to facilitate efficient pick-ups.

Our store footprint continues to evolve, with the latest new generation SWAS store opening in Ormiston Town Centre, South Auckland, including a complete garden centre, a dedicated new-look homeware range space, a full print and copy centre and a dedicated Click & Collect counter.

Our 40-in-2 programme will see approximately 40 of our stores nationwide refurbished and refitted with an updated store format and fixtures and fittings, with works due to be completed by 2023.

We are committed to becoming one of New Zealand's most sustainable companies while continuing to deliver great value to our customers. Our efforts at The Warehouse – from the location of our stores, to our ethical sourcing programme, sustainable initiatives and community partnerships – are moving us towards achieving this goal.

We have made significant improvements to a number of our products, including removing plastic packaging from our ranges and replacing with more environmentally friendly alternatives.

During the year we expanded our soft plastics recycling scheme to another 13 stores across our network. Since the programme's launch in The Warehouse stores in October 2015, close to 15.5 million individual units of soft plastic have been collected and diverted from landfill. That equates to nearly 70 tonnes.

Electric trucks were introduced for customer deliveries of larger items to locations within a 220km round trip radius from our distribution centres in Auckland, Hamilton, Tauranga and Christchurch. We have also increased public access to electric vehicle (EV) charging with the expansion and upgrade of our charging station infrastructure, now with 28 store locations nationwide.

Our team's passion for our customers and the community continues to be a strong driver of our support to a number of organisations throughout the year, including Variety - the Children's Charity, The Salvation Army, Women's Refuge and Duffy's Books in Homes.

Following the introduction of our affordable range of $1 period products, The Warehouse has teamed up with The Period Place to launch collection boxes where customers can donate period products directly to local community groups to reach people in need. For every ten sold, The Warehouse also donates a pack to its community partners – Women's Refuge and The Period Place. More than 99,000 period products have been donated through the initiative already.

THE AUTHORITY IN APPLIANCES, TECHNOLOGY & SERVICES

Noel Leeming helps Kiwis enrich their lives through technology. We pride ourselves on offering Kiwis global and home brands, coupled with innovative, world-class service.

Highlights for the year include a record operating profit of $64.9m, record sales of $1.1b, an increase in market share, and a lift in employee and customer satisfaction ratings. These successes reflect a dedication to sticking to our strategy and delivering exceptional customer service through our high-performing, passionate experts and end-to-end services solutions.

As a result of adapting to changing trading conditions during COVID–19 alert levels, one-hour Click & Collect is now a permanent offering for customers, with dedicated Click & Collect bays at most stores making pick-up quick and easy.

We have continued to consolidate our store footprint, closing stores at Manukau Westfield, Tokoroa, and Hunters Plaza in Papatoetoe, and opening our innovative store at Ormiston Town Centre in South Auckland, built on the design of our successful Newmarket store.

Innovating for our customers is a key reason why Noel Leeming is New Zealand's number one consumer electronics retailer. Our Noel Leeming services offering continues to grow – 42% up on FY20's services results. Key customer experience capabilities have been unlocked including the ability to book our Tech Solutions services at point of sale, the introduction of a tiered capability framework for team member development and a full team redesign, setting up the services business for further growth in the years ahead.

The Noel Leeming sales app provides us with a point of difference in the retail environment in New Zealand – helping customers on the shop floor, improving the overall customer experience, showing our authority in demonstrating technology and increasing our sales conversion.

Another step forward in innovation is the completed roll-out of e-ticketing across all Noel Leeming stores, removing all paper ticketing from stores. We are proud to be the first retailer in Australasia to achieve this, enabling live pricing in all stores. Looking ahead, the next development will be the inclusion of live product locations on store maps for customers through the Noel Leeming mobile app, as well as hourly deals and competitive price reactions.

In partnership with TechCollect NZ, Noel Leeming now offers free e-waste collection at 16 stores nationwide, with plans for this programme to be extended across all Noel Leeming stores. We hope this programme will help New Zealand divert a significant amount of e-waste from landfills, and recover precious resources to be recycled.

The Warehouse Group Business (TWGB) was formed in 2019 to allow business and commercial customers to procure a wide range of products across our Group companies including technology, stationery, appliances, furniture, sporting, outdoor, apparel, FMCG and many more categories, through one central supplier.

Since its inception, TWGB has increased the Group's commercial sales revenue by 24.1% and exceeded $500m in group commercial sales. Key highlights include 5,831 lunchbox units to 214 schools participating in the Ministry of Education school lunch programme, and 300,000 period products distributed to schools in partnership with the Ministry of Education.

DO YOUR BEST WORK

Business made easy and doing your best work are the principles that drive Warehouse Stationery.

The brand caters to Kiwis from all walks of life who want to stock up on business items, school supplies, or materials for creative projects such as photography or craft. Warehouse Stationery is a leading supplier for small businesses in New Zealand, and has benefitted from our recent inclusion in the All of Government Procurement Panel for office supplies ICT (information and communication technology) consumables.

In FY21 our retail operating profit of $34.3m increased by to 12.5%, sales were up from $269m to $275m and Click & Collect sales increased to 64.4%. Sales received a strong boost from changing work habits. As more Kiwis now work from home, they are using Warehouse Stationery to purchase their office furniture and essentials such as ink, paper and printers.

Our Print and Copy Centre facilities continued to show increased demand, with Click & Collect services growing to 6% of total sales from 3% last year. The uptake of our Tech Solutions service also grew, as more customers had to deal with technology challenges in their home workspaces.

Throughout the year we continued to refine our Warehouse Stationery offer by moving seven standalone stores to within The Warehouse stores, giving customers more choice under one roof. We also opened a purpose-built store-within-a-store at Ormiston. This format has proven to be very successful and we will continue our store-within-a-store concept in the coming year. We plan for another four to be moved within the first half of FY22.

Our standalone stores continue to provide our customers with the wide variety of services and essentials they have come to trust.

This year we further expanded our sustainable range of products and services. These included Forest Stewardship Certified notebooks and wheat paper school supplies, as well as wheat photocopy paper in our business range. We also continued our ink, toner and drum cartridge recycling programme.

Our Warehouse Stationery team members supported a variety of causes over the year including the Blue Shirts in Schools programme which provides six weeks of work experience and guidance to school students wanting to understand more about retail as a career choice. We also worked with The Salvation Army to equip children in need with back-to-school essentials through our in-store Add a Dollar campaign, which is now in its 11th year.

SEE YOU OUT THERE

Torpedo7 is one of New Zealand's leading adventure sports stores offering a unique selection of bikes, outdoor equipment, water gear, clothing, snow and fitness products and technology to guide you in your next adventure.

Torpedo7 continues to make good progress year-on-year, with both sales and gross profit growth, 22.2% and 102.3% respectively.

We have succeeded in turning around our business performance to a position the brand can profitably grow from. Key to this success has been the rationalisation of range and growth of Torpedo7 branded goods. Product sourcing has moved to an in-house specialist team, focused on developing our Torpedo7 brand of products and apparel. Our team members are also keen outdoor enthusiasts and avid users of the products we sell, ensuring they are well positioned to give our customers the best and right advice on gear for whatever outdoor activity or adventure our customers are participating in.

Strong demand for adventures was generated by our customers need to continue to explore, just more locally - reawakening the realisations that we live in the world's best adventure playground. Proudly on a journey to a more sustainable offering, we have removed all plastic packaging on Torpedo7 branded bikes with packaging now being 100% cardboard. Building on that achievement, our goal in 2022 is to have 30% of our Torpedo7 branded apparel be manufactured with recycled fibres. We have also added low-emission lighting in stores and a 100% hybrid vehicle fleet to our short-term sustainability goals.

In FY21 we opened a spacious new 1,200sqm store in Napier which features a refreshed look and feel to acknowledge the local environment. Moving forward, Torpedo7 growth initiatives will include opening new stores in Whangārei, Invercargill and Wellington in 2022, and other sites of interest have been identified for future growth.

We have now streamlined our online fulfilment capabilities by moving to one dedicated fulfilment centre, improving our customer experience.

Torpedo7 Club continues to drive engagement for our customers and a new partnership with the AA brings more benefits to our members. We will continue to drive engagement with our Club members through our club offers and partnerships.

Torpedo7's passion for the outdoors and our local environment has provided support through partnerships with Sustainable Coastlines, joining with them to clean up our shorelines, and with Hillary Outdoors Education Trust by donating $67,000 to support programmes run by them throughout the year.

GET IT ALL DONE

With millions of products from more than 5,300 of the world's most desirable local and international brands, TheMarket.com is the place to get it all done.

Since launching in 2019, TheMarket.com is New Zealand's fastest growing e-Commerce platform with almost 397,000 active customers with the marketplace customer segment growing fastest at 207% YoY, adding 147,000 customers in FY21.

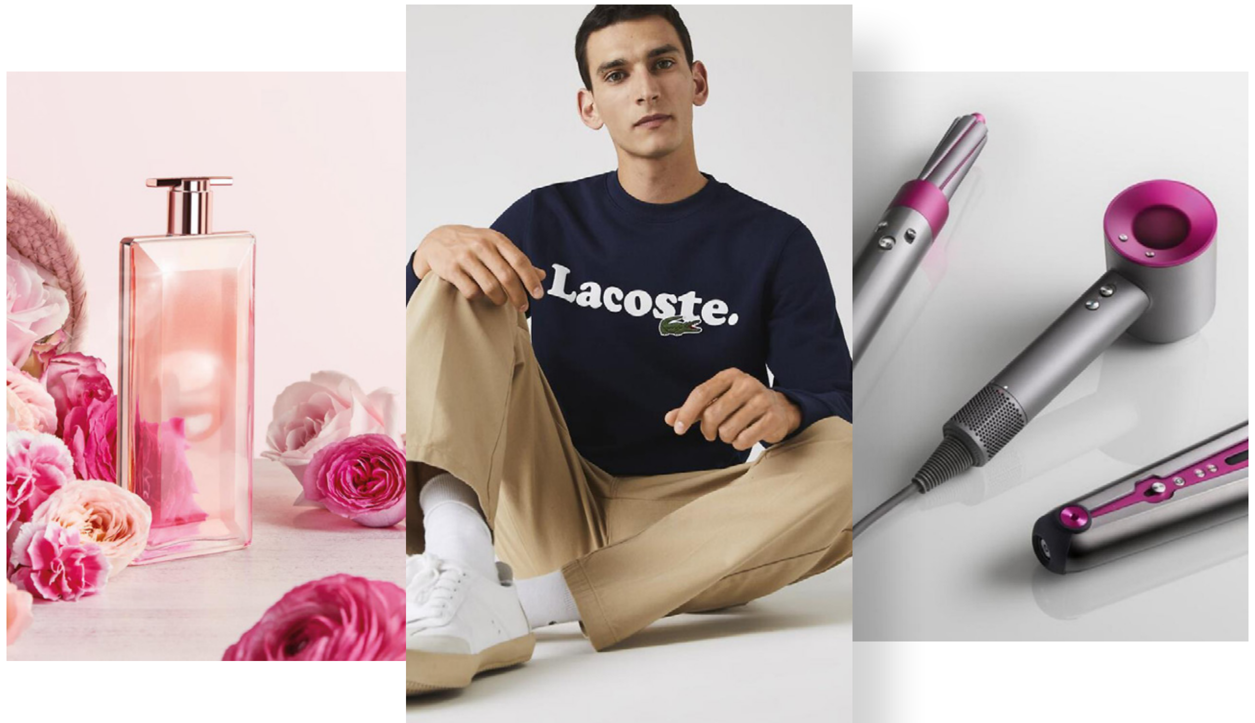
Assortment has grown YoY with over 2.5m products available. Traffic to the site and consumer sales have increased with a shift from stores to online. This has been accelerated by COVID–19, with momentum continuing to grow with more range, more partners and more customers joining the platform every week.

TheMarket Club subscription service now has over 50,000 members, offering subscribing customers free shipping on eligible items from local and international stores, VIP access to exclusive offers and promotions, priority customer service and eligibility for benefits and deals through exclusive partners.

Throughout the year, TheMarket.com has partnered with major brands and events, resulting in increased brand awareness and was a naming sponsor and the official retail partner of Emirates Team New Zealand's defence of the 36th America's Cup in Auckland in 2021.

TheMarket.com also partnered with Vodafone, offering free access to TheMarket Club to Vodafone's Club members.

In 2020 TheMarket.com launched its Fulfilment by Market service which provides end-to-end solutions for brand owners where inventory is held and fulfilled by TheMarket.com on their behalf. Brand owners like L'Oréal are using this service, selling all their major brands through their store on TheMarket.com.



DRIVING TOWARDS A MORE SUSTAINABLE FUTURE

ENVIRONMENT, SUSTAINABILITY & ETHICAL SOURCING

The Warehouse Group's teams, leadership and Board are serious about achieving our vision to become New Zealand's most sustainable retailer.

Ongoing initiatives which include supporting team members' wellbeing and diversity, decarbonising energy use, and giving a hand up to the communities in which we operate are detailed in our Integrated Report. During FY21, we added programmes that are making a difference in the lives of our communities and key stakeholders.

Social: Period Equity
The Warehouse has partnered with The Period Place with the goal of eliminating period inequity in Aotearoa by 2030. The partnership is an evolution of the existing work by The Warehouse to recognise that of around 1.2 million menstruators in New Zealand, an estimated 700,000 experience barriers to accessing period products. As a result of this issue, approximately 8% of students are missing days at school.

In FY20 we started providing a $1 range of period products, with one pack for every ten sold donated to Women's Refuge and The Period Place to reach those in need. By the end of FY21 more than 99,000 period products were donated.

We have also provided free period products to all bathrooms across the Group's stores, distribution centres and support offices because people can get caught short. Together with The Period Place, we rolled out donation bins across 26 The Warehouse stores where customers can donate period products which are then distributed to local community groups who support people with barriers to access - such as cost, vulnerable living situations and education.

Alongside the donated products, educational material from The Period Place about period cycles and types of period products available was provided. The Period Place relationship helped us further reduce barriers by getting information to community groups and hosting a podcast series and portal on our The Warehouse website. By promoting understanding that menstruation is a normal biological process we aim to help people manage their period with confidence.

Work in this area will continue into FY22 with further products scheduled to be launched.

Wellbeing: Family Violence is Not OK
The Warehouse Group has had a Family Violence is Not OK policy in place since 2015. In FY21 the Group updated its policy to reflect users' feedback. Initially developed in conjunction with Women's Refuge, the policy was designed to provide those affected by family violence with ten days paid leave and the perpetrators of violence with five days unpaid leave. The updated policy now offers 15 days of paid leave in addition to three nights' accommodation for those impacted by family violence.

During FY21 training associated with the policy was digitised allowing our team members to more easily access the material, which is designed to help them understand what family violence is and to provide guidance on where to seek help. It also supports managers with information about what to do if a team member is experiencing family violence.

During the year the Group also supported Women's Refuge by donating $250,000 from the proceeds of our July toy sale. The funds went to Women's Refuge's Kids in the Middle Programme which supports children impacted by family violence.

Sustainable attributes: Increasing the sustainability of our product range
Providing customers the ability to choose more sustainable products gained a significant focus in FY21, with the number of products with a sustainable feature growing to a peak of around 11,500. That number will continue to rise as our efforts in this area continue.

As a business we are prioritising the delivery of product packaging with reduced plastic, improved recyclability and reusability. Traditionally plastic packaging is being replaced by cardboard or fabric. We have also increased our use of certified materials sourced through global sustainability programmes such as the Better Cotton Initiative, the world's largest cotton sustainability programme, and the Forest Stewardship Council, a non-profit organisation that promotes responsible management of the world's forests. Materials sourced from these programmes are prevalent in our home and apparel ranges.

We have been innovating product ranges, including with the introduction of sustainable materials such as recycled polyester, a durable material made from recycled used plastics which featured in our men's winter puffer jackets and women's winter bathrobe, as well as in a range of pillows.

Waste reduction: Trialling circularity initiatives
We are committed to making recycling and waste reduction easier and more accessible for Kiwis. Post-consumer waste was a focus and we expanded the number of stores offering soft plastics recycling bins in store to a total of 29, including our first stores to offer the scheme in the South Island and Hawkes Bay region.

We launched an e-waste collection pilot programme, in partnership with TechCollect NZ, at 16 of our Noel Leeming stores. This programme allows consumers to drop their used electronics into a Noel Leeming store for recycling at no cost. This service is funded by TechCollect NZ's members such as Canon New Zealand, Dell, Dynabook, HP, Microsoft and Toshiba.

The lessons from TechCollect NZ's programme partnership with Noel Leeming will be used to inform the best options for an ongoing regulated e-waste product stewardship system in New Zealand.

We are also trialling the recycling of hard-to-recycle waste at three of our The Warehouse stores. Partnering with recycling company TerraCycle NZ and leading global brands including Colgate, Schwarzkopf, Zuru and NESCAFÉ, the trial offers customers a way to dispose of waste which is not processed through kerbside recycling collections. Examples include toothpaste tubes and caps, toothbrushes, hair colouring packaging (including bottles, tubes and lids), NESCAFÉ Dolce Gusto coffee capsules and Zuru Bunch O' Balloons.

INTEGRATED REPORT

This is the third year The Warehouse Group has reported under Integrated Reporting.

This Integrated Report describes our retail business model and how our resources contribute to our goals and vision to build New Zealand's most sustainable, convenient and customer-first company. These are demonstrated through the six capitals shown below and detailed in this report.

The aim of this report is to outline our focus areas, priorities and progress for each year, and targets for the future. This Integrated Report has been prepared using the International Integrated Reporting Council's (IIRC) Integrated Reporting Framework.

In addition, in 2021 we have taken a further step into how we determine what Environmental, Social and Governance (ESG) areas are material to The Warehouse Group, and we have reported on current ESG initiatives and achievements, as well as relevant economic impacts, through adopting the Global Reporting Initiatives (GRI) reporting framework. Refer to pages 103 to 106 of this Annual Report for further information on the GRI reporting framework, The Warehouse Group's materiality assessment and the GRI content index.

The Group's Board and Management have established internal preparation and quality control processes to ensure the quality and integrity of this report. We have not sought external audit or assurance for the non-financial information contained throughout this Integrated Report or on the GRI content of this report with the exception of our carbon emissions and energy consumption which are audited by Toitū Envirocare.

INPUTS

Manufactured Capital

Our Networks
Our aim is to build a world-class omni-channel retail network that leverages physical and digital assets to deliver customer needs and wants in an efficient and innovative way.

Intellectual Capital

Our Customers
Our expertise in understanding our customers allows us to keep them at the centre of all that we do.

Social and Relationship Capital

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

Human Capital

Our People
Create a dynamic purpose-driven organisation that is the best place to work, with a high-performance, agile culture focused on the health, safety, wellbeing and development of our people.

Financial Capital

Financial Capital
We need to ensure efficient utilisation of financial capital to compete and enable growth, provide resilience and deliver consistent and strong total shareholder return.

Natural Capital

Our Environment
It is our goal to embed our Sustainable & Affordable platform throughout our ecosystem and accelerate the Group's transition to a sustainable, circular, and low-carbon future.

RETAIL VALUE CREATION PROCESS

- Sourcing product
- Understanding our market
- Bringing product to market
- Omni-channel sales environment
- Supporting New Zealand communities

FY21 OUTPUTS

Our Networks
- **252** stores including 25 stores-within-a-store
- **88.0%** of overseas sourced products through three offshore offices
- DIFOT to store **98.0%**
- DIFOT home delivery: **91.7%** for The Warehouse and **93.4%** for Warehouse Stationery

Our Customers
- NPS up +7.5 points to **76.6**
- SKU reduction of **18.5%** for TWL and **12.6%** for WSL
- Online sales **11.5%** of total sales
- Click & Collect sales growth **21.1%**
- Stock turn **5.3** times

Our Relationships
- Raised **$4.3m** for New Zealand charities and communities in FY21. **$75.5m** since 1982
- **856** student enrolments in The Warehouse Group's Gateway programmes
- **1,744** suppliers completed e-learning lessons on labour and environmental management topics

Our People
- eNPS **+17** (Aug 2021)
- Women in **44.4%** of senior leadership roles
- Gender pay equity **89.0%**
- Severity 1 Frequency Rate (SV1FR) decreased by **34.5%**
- Incidents closed within 10 days performance **94.0%**

Financial Capital
- Share price growth of **66.2%** in FY21
- TSR **74.9%**
- Liquidity of **$490.5m**
- Final dividend **17.5cps**, Full dividend **35.5cps**

Our Environment
- **11,500** SKUs carrying a sustainability attribute, accounting for over **$176m** in sales
- Diverted **77.9%** of operational waste from landfills
- Decreased Scope 1&2 emissions by **2.7%** compared to FY19
- **60%** of the Group's passenger fleet is full EV

RISK & MATERIALITY

Risk management

The Group is committed to the ongoing roll out of its Enterprise Risk Management (ERM) Framework. This includes continuing to embed the ERM Framework into the wider business and enhancing risk management processes with agile thinking. This assists in attaining effective risk management across the organisation and allows for the exploration of opportunities as they present.

The Board sets the Group's risk appetite, which provides informed decision making in the risk management framework and delivers parameters within which the business manages risk.

Our risk management framework embraces agile practices which allows the Group to identify and manage risk and provides it with a mechanism to adapt and respond to an ever changing environment. The Group has assumed a blended approach to risk management which considers both traditional risk management and agile structures. This blended approach allows the Group to be nimble in risk management and aligns with the Group's agile approach.

The Group's ERM Framework is aligned with best practice and includes:

- A consistent approach to identifying and managing risk;
- Supporting the achievement of the Group's strategic, financial and operational goals by managing risks;
- Encouraging an open and transparent culture where risk discussion and awareness is supported;
- Enabling better decision-making practices through the adoption of agile thinking to help support risk informed choices, prioritises actions and distinguishes between alternative courses of action; and
- Encouraging an understanding of the risk environment within which the Group operates.

The Group acknowledges that risk management is important to all aspects of its activities and is the responsibility of every team member. Our leaders have a particular responsibility to appraise their risk environment, to put in place appropriate controls and to monitor the effectiveness of those controls.

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

The Audit and Risk Committee receives reports from internal audit and other professional service providers.

The Group has identified its key risks which, if realised, would materially impact the success of the business. These risks include enterprise and system failure, global logistics and trading disruption, sourcing and retaining skilled talent, increased global competition, environmental risk, and failure to automate and increase productivity.

Materiality

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

Building on an improvement may mean we have a higher materiality for change than if we were attempting to arrest a declining performance. Materiality is therefore relative to every strategy and metric in each capital and is used to filter what is reported and what is not. The Integrated Report is not the definitive or last word that the organisation has to say on a given topic, it is the material performance report against those elements in the capitals that we are trying to influence or improve.

This year we have taken a further step in our overall reporting and in particular in our Environmental, Social and Governance (ESG) targets and initiatives by adopting the Global Reporting Initiatives (GRI) reporting framework and materiality principles. This will enable us to identify and prioritise areas that substantively influence the assessments and decisions of stakeholders or have a significant ESG positive or negative economic, environmental and/or social impact towards achieving our goals of sustainable development. This report has been prepared in accordance with the GRI Standards: Core option.

OUR NETWORKS

Our aim is to build a world-class customer ecosystem, powered by first-party customer data, a loyalty platform that rewards and engages customers in the ways most important to them, and a network with convenient locations throughout New Zealand that makes it easy for customers to shop whenever and however they choose.

To deliver on this, we have three key areas of focus:

- Build a world-class customer ecosystem and retail network
- Our supply chain network
- Our enterprise systems, processes, and data.

Building a world-class customer ecosystem and retail network

Going forward, modern retail is all about customer ecosystems. They better leverage assets and investments, they create stronger customer relationships, and they create new platforms for business growth. With stores that are conveniently located throughout New Zealand, improving our store experiences while increasing our digital footprint has been a key focus. We have made significant improvements in our retail property portfolio including increasing The Warehouse and Warehouse Stationery store-within-a-store (SWAS) format. In FY21 we integrated eight additional Warehouse Stationery within The Warehouse stores, bringing our total SWAS to 25 at the end of FY21 (FY20: 17).

This year saw a considerable focus on store improvements – in FY21, 32.6% (FY20: 22.9%) of capital expenditure was allocated to asset development of our stores, including new stores and upgrading existing stores. We strive to ensure our stores offer excellent customer experience with layouts which are best suited to customer shopping habits.

Total Group store foot traffic increased 0.4% in FY21 compared to the same 52 weeks in FY20, excluding any lockdown periods and comparing the same weeks year-on-year. Foot traffic does not include separate foot traffic into Warehouse Stationery SWAS stores, this is included in The Warehouse figure. This is a pleasing result considering our total stores (excluding SWAS stores) decreased from 240 stores in FY20 to 227 stores in FY21.

TheMarket.com – the Group's online marketplace – further expanded its offerings with over 2.5 million available products from more than 5,300 of the world's most desirable local and international brands.

Supply chain network

It has been a challenging year as the COVID-19 pandemic changed demand patterns and created new pressures that tested global supply chains to the limit. The pandemic's impact was further exacerbated by port and local transport challenges in New Zealand. Despite these disruptions, the Group's brands have performed well keeping average store availability over 90.0% with store delivery in full on time (DIFOT) of 98.0%. Having teams located at source, strong supplier relationships and our agile way of working were key factors in allowing us to respond quickly as circumstances changed.

In FY21 we extended our customer DIFOT measurement to include the receipt of orders by customers, recognising the importance of last mile delivery in overall customer experience. We achieved a DIFOT (delivery and Click & Collect) of 91.7% for The Warehouse and 93.4% for Warehouse Stationery against our target of 95.0% - up significantly on FY20 which was greatly impacted by COVID-19 lockdowns across the country.

We have worked hard to improve the Click & Collect and delivery experience. We launched same-day Click & Collect for The Warehouse, made instore availability viewable on the website and mobile app, launched new customer QR code functionality to speed up collections, and built a picking and location management app for the Fulfilment Centre teams.

From an integrated supply chain perspective, we made substantial progress scoping our end-to-end transformation programme, standing up a dedicated customer demand and fulfilment agile tribe to support the work, and delivering some quick wins. These included capacity and peak trade planning and stock keeping unit (SKU) segmentation to enable better stock flow. Work has also begun on long-term strategic enablers such as network optimisation, unified central planning, and transport optimisation with our supplier partners.

Enterprise systems, processes and data

The Group operates a number of businesses that use different Enterprise Resource Planning (ERP) systems and processes. Our strategy is to provide an end-to-end operational platform of systems and common processes through which the brands can accelerate their points of competitive differentiation. We have started a major systems and process modernisation investment to drive efficiency and common processes across the Group, supported by a modern technology stack that enables migration from batch to real-time financial operations which is expected to be completed in early FY23.

Our expertise in our systems is focused on integrating, simplifying and standardising all back-office business processes and support systems, across order-to-cash, procure-to-pay, statutory and management accounting.

During the financial year we achieved the following milestones in our enterprise systems and processes roadmap:

- Completed designing a back-office finance solution to replace multiple legacy ERP systems
- Completed designing an integrated inventory system for real-time stock on hand to meet the demands of store and online systems for "available to sell" and "available to promise"
- Established a cloud-based, Master Data Management (MDM) system to host all item attributes across the enterprise, enabling a "single version of the truth"
- Replaced our legacy Warehouse Management System (WMS) in the South Island Distribution Centre to increase productivity and stock availability for our stores
- Completed our mobile-first, artificial intelligence-enabled eCommerce platform which enables a 'build one, deploy many' approach for the Group, with thewarehouse.co.nz. being the first site to go live on this functionality.

Significance

Retail is a highly competitive sector and we continue to see evidence of retail disruption every day. If our customers cannot buy what they are looking for in our stores or on our sites and apps, they have a number of other places they can turn to instead. Our nationwide network is the critical link between what we offer and what our customers choose to spend their money on. If we fail to understand what our customers want and how they prefer to buy and receive purchases, we are compromising their willingness to come back to us. Our network enables our customers to get the right product in the right place at the right time, at a competitive cost and in a way that serves our customers' needs best.

Materiality

The impacts of COVID-19 and the corresponding acceleration of eCommerce have changed consumer expectations in regard to their shopping experiences and fulfilment expectations. While physical store shopping remains a significant consumer activity, online shopping continues to grow, which puts increased expectations on our supply chain and fulfilment capabilities while inviting greater competition from a broader range of general and specialist retailers, both here and overseas. This represents a considerable and ongoing material risk to our business and one we intend to combat by investing actively in our supply chain, data optimisation, improved digital capabilities, and refreshed stores that our customers enjoy shopping in. In acknowledgement of the future need to repurpose or reformat our physical store network, the Group has prioritised flexibility in our store lease profile over tenure. Transport is outsourced to partners except for our in-home delivery and installation teams.

Future focus areas

Build a world-class omni-channel

- Continue rolling out SWAS
- Invest in store improvements and customer experience upgrades
- Launch a Group-wide booking solution for delivery, in-home consultation and services.

Supply chain

- Achieve real-time inventory accuracy and online "available to sell", positively impacting online performance, trade and customer satisfaction
- Upgrade fulfilment and distribution centres to support further automation and capacity
- Deploy an Order Management System (OMS) to further automate online fulfilment and enhance customer experience.

Enterprise systems, processes and data

- ERP systems build and deploy phases – finance in April 2022 and inventory in September 2022
- WMS North Island Distribution Centre go-live in April 2022
- Optimise inventory and location tools for the North Island Distribution Centre.

Build a world-class omni-channel store and online network

32.6%

Of capital expenditure on asset maintenance (FY20: 22.9%)

252 Stores

Including 227 standalone and 25 SWAS, LY 257 stores - 240 standalone and 17 SWAS

0.4% increase in store foot traffic (FY20: 1.5%)

Based on stores (excluding SWAS stores) which decreased from 240 stores in FY20 to 227 stores in FY21, and excl. COVID-19 lockdown periods in both years

Supply chain network

98.0%

Improved delivery to stores delivered in full on time (DIFOT) (FY20: 97.5%) and vs our target of 98.0%

Store distribution cost to serve decreased 0.6%

(FY20: increased 8.9%)

Delivery only

Customer fulfilment cost to serve decreased 36.2%

(FY20: decreased 8.7%)

88.0% of international purchases

Transacted directly with exporters through our offshore offices. (FY20: 71.5%)

Our people, our customers, our communities and our environment are at the heart of our business

OUR CUSTOMERS

Our expertise in understanding our customers allows us to keep them at the centre of all that we do.

Our expertise and understanding of our customers is focused on three key areas:

- Stock and product management to meet customers' needs and wants
- Making our shopping experiences easy and seamless, both in-store and online
- Delivering rewarding and engaging customer experiences.

Stock and product management to meet customers' needs and wants

The customer is at the centre of every successful business, and through product and services, retail must meet customers needs and wants. Our transition to an agile way of working means our business is now organised as cross-functional tribes that focus on solving specific customer needs such as 'helping everyone to look their best', 'creating happy and healthy homes', 'raising good kids', and 'using technology to enrich our lives'. Our expertise combines our skills across product and customer management to increase value. We continue to use data-driven insights to improve customer experiences and we align these insights with our design cues and market trends for product range and assortment planning.

We continue to improve our processes for assortment decisions which enables us to determine what and how much should be carried in a merchandise category. We are using data to identify the optimum range width, or Stock Keeping Unit (SKUs) affordability. We continue to see the reduction of SKUs across the business, ending the year with 18.5% less SKUs in The Warehouse and 12.6% less SKUs in Warehouse Stationery when compared to the same period in the previous year. We are also reducing product churn as we continue to favour 'beautiful basic' continuity ranging, delivering value through improved quality and everyday low prices. Our stockturn has improved from 4.4 times in FY20 to 5.3 times in FY21.[1]

We have maintained our price optimisation work using data to select and manage price points. Price perceptor products are products that customers innately know the price of and are key to delivering customer value and we are making good progress delivering more baskets with these items. Our forecast accuracy is steadily improving, enabling us to reduce end of season markdown and achieve better margin.

Mastering the sell-through curve is about finding the right balance of ongoing and seasonal stock and lowering our weighted average cost of aged inventory. Last year we recognised the need to standardise, automate and document our demand management processes. We are making good progress on assortment and range planning, and we are striving to ensure all categories use our range planning tool which links to our demand forecasting, planning and sourcing systems. These processes are still relatively manual but will be better supported by the implementation of automated Enterprise Resource Planning (ERP) systems for finance and inventory scheduled for implementation in FY22.

Our Everyday Low Price (EDLP) positioning in our largest brand, The Warehouse, requires accurate forecasting and price optimisation. Improvements in these two disciplines, combined with an overall SKU reduction and a move into more continuity ranges, have helped reduce end of season markdown and better meet customer demand. We have also reduced our aged inventory[2] as a percentage of finished goods inventory across the Group, from 28.1% in FY20 to 16.1% in FY21.

The Group also serves a growing set of businesses, ranging from small-to-medium enterprises to much larger commercial and government organisations. Through our Business team, our commercial and government partners have been able to tap into the full breadth of the Group's products and services.

Making our instore and online shopping experiences easy and seamless

We continue to enhance customer shopping experiences instore and online – developing instore concepts and layouts and refining online offerings to meet customer needs as well as tailoring customer experiences to the way they shop.

The Ormiston Town Centre development has proven a huge success for our cornerstone brands, with the new The Warehouse, Warehouse Stationery (SWAS) and Noel Leeming stores showcasing our latest store layouts, technology and customer experience offerings.

One of our biggest customer-facing digital initiatives this year was the launch of our new mobile-first Group eCommerce platform in March 2021, after completing the transition of The Warehouse website and mobile app. Noel Leeming will become our second brand to migrate later this year. Our new mobile-first platform provides tight interactions with our customer ecosystem across our product, marketing, fulfilment and customer service systems. Noel Leeming grew its one-hour Click & Collect offering to increase Click & Collect sales to 61.8% of online sales. We also launched same-day Click & Collect in The Warehouse in time for Christmas 2020. Click & Collect sales for the Group increased 21.1%, representing 40.4% of total online sales (excluding TheMarket.com).[3]

TheMarket.com continues to grow ahead of plan, with over 2.5 million available products from more than 5,300 of the world's most desirable local and international brands. The range covers major lifestyle categories including fashion, home and living, health and beauty, electronics, sports and outdoors, DIY and garden, pet, entertainment, food and pantry.

Following an exceptionally strong online sales result in FY20, online sales for the Group, including TheMarket.com, increased 5.0% to $393.1m (FY20: $374.5m), and now account for 11.5% of total Group sales. When compared to FY19, a more comparable year due to COVID-19, online sales were up 68.8%. Online traffic for the Group increased 15.2% (FY20: 30.1%) while online conversion for the Group (excluding TheMarket.com) increased 0.5% (FY20: 1.8%) driven by an 11.4% increase in Torpedo7 and 6.2% increase in The Warehouse following the launch of the new Warehouse online platform.

In order to make customer online payments seamless and easy, we also integrated our relationship with ZIP, Finance Now, Visa, and Gem (interest free) to provide a wide range of customer payment solutions on the go, through our websites and on our mobile apps.

Delivering a rewarding and engaging customer experience

We interact with 2 million customers instore and 3 million customers online each week. We remain dedicated to making shopping with The Warehouse Group family of brands as convenient as possible for our customers. Value for money is a priority for The Warehouse customer. We worked closely with our suppliers to improve the quality and sustainability attributes of our products, as well as communicating both the value and the sustainable features of our products through our Sustainable & Affordable campaign.

Customers continue to give us great feedback on our store experiences, and we are pleased that the weighted average net promoter score (NPS) increased by +7.5 points for the Group in the last month of the year to 76.6[4]. We also implemented NPS for TheMarket.com, with an average score for the year of 55.1 for customer orders.[5]

We have been able to grow margin without eroding our value perception as a result of our price optimisation programme. While the Group's sales grew significantly during the year, and at stronger margins across the board, the New Zealand market experienced significant growth in categories the Group doesn't fully participate in, including restaurants (+23.7%), home building supplies (+16.3%), and health goods and services (+16.0%). As a result of this uneven growth across the market, the Group's market share declined -0.2 points to 6.0% of total retail sales (including grocery and food).[6]

Our mobile apps for The Warehouse, Noel Leeming, and TheMarket.com continue to be loved by New Zealanders, with all three ending the year among the top 10 shopping apps based on iOS and Google Play app store rankings in New Zealand. The Warehouse app continues to gain additional customer momentum and usage with app sales growth of 8.7%, now accounting for 34.1% of total online sales.

We now have strong ecosystem foundations in place with an established physical footprint and market-leading digital assets. We have initiated a unified Group loyalty programme – Market Club and Market Club+ which is starting to rollout with TheMarket.com and The Warehouse this calendar year. By consolidating nearly four million unique customer records across our existing loyalty programmes into a single programme, we will be able to deliver more engaging experiences for our customers and suppliers, powered by strong insights and a data-driven understanding of our customers' needs, wants and shopping preferences.

Average basket value ("basket") for the total Group increased during the year, with average in-store basket increasing 4.8% and average online basket increasing 3.3%. These gains were driven by the average in-store basket growing 10.7% in Noel Leeming and 5.5% in The Warehouse, and average online basket growing 11.3% in Warehouse Stationery and 10.1% in Torpedo7.

Significance

Retail is an unforgiving sector, and customers will only choose us first if shopping with us is easier and more convenient than shopping with anyone else. If customers cannot buy what they are looking for, they have other places they can turn to. If we fail to understand what our customers want and how they prefer to buy and receive purchases, we are compromising their willingness to come back to us.

Materiality

Online commerce has changed customer expectations about their shopping experiences. While physical store shopping is still a significant consumer activity, online shopping continues to grow. That means we face greater competition from a broader range of general and specialist retailers both here and overseas. This represents a considerable and ongoing material risk to our business and one we intend to combat by investing actively in our supply chain co-ordination, data optimisation around each customer, improved digital capabilities and attractive stores that our customers enjoy shopping in. In acknowledgement of the future need to repurpose or reformat our physical store network, the Group has prioritised flexibility in our store lease profile over tenure.

Future focus areas

- Launch Market Club and Market Club+ Group-wide loyalty to enhance customer convenience, make them feel valued, and drive brand love
- Be the first choice for customers
- Provide reliable and flexible fulfilment experiences that exceed customer expectations
- Reinforce value leadership in The Warehouse.

1. Stock turn has been calculated in FY21, and restated in FY20, based on average inventory per month which is more aligned to internal management and Board reporting (FY20 was based on the average of opening and closing year-end)
2. Aged inventory is stock in store held for more than 26 weeks
3. Source: TWG eCommerce and Insights
4. Source: Qualtrics and TWG Insights
5. Source: TheMarket.com
6. Source: Datamine
7. Source: TWG Brand Tracker

Stock and product management

5.3x

Average stock turn 5.3 times (FY20: 4.4 times)

18.5% The Warehouse

12.6% Warehouse Stationery

Stock Keeping Unit (SKU) reduction

16.1%

Aged inventory as a percentage of finished goods inventory 16.1% (FY20: 28.1%)

Shopping experience

Total online sales, increased to $393.1m, 11.5% of total Group sales.

Click & Collect sales grew 21.1%

40.4% of online sales across omni-channel brands (FY20: 39.4%)

2.5 million

Available products now feature on TheMarket.com from 5,300 brands

Customer Experience

Weighted average Net Promoter Score

Increased +7.5 points to 76.6

The Warehouse "good value for money" perception

82.0%[7]

vs key competes, and continues to lead our competitive set on this metric

Mobile apps for The Warehouse, Noel Leeming, and TheMarket.com were all Top 10 shopping apps in New Zealand

OUR RELATIONSHIPS

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

In addition to our customers and our team members, we have valuable stakeholder relationships with:

- Our community and government partners
- Our suppliers
- Our investors.

Our community and government partners

The Group has been supporting New Zealand communities since the first The Warehouse store opened in 1982. Guided by our purpose of helping Kiwis live better every day and having a charitable foundation as our second largest shareholder, we have been able to continue to support our communities this year.

The Warehouse Group's community programmes focus on key issues that affect the wellbeing of New Zealanders, including period equity, family violence, and child poverty. By mobilising our charity partnerships, our team members and customers, we help to achieve a better outcome for Aotearoa New Zealand. Some of the key charity partnerships with which we work include Women's Refuge, Variety – the Children's Charity, The Salvation Army and The Period Place.

We raised $4.3 million for New Zealand charities and communities in FY21, bringing the total raised to $75.5 million since 1982. In addition to the charity partnerships mentioned above, the key instore fundraising campaigns in FY21 included Be the Joy, Back to School, Period Equity, Healthy Homes and Toys for Good initiatives.

We were particularly proud of our efforts to promote period equity. We hosted numerous Members of Parliament from various political parties in our stores to build understanding of our work to address period inequity. Initiatives included expanding an instore donation initiative across 26 The Warehouse stores, enabling customers to donate period products which are distributed to people in need via local community groups. We are now providing free period products in all our team bathrooms – across all brands, support offices and distribution centres.

We are also proud of our individual stores which work closely with local community groups. For example, The Warehouse Whakatāne provided 300 lunchboxes to Tāneatua School to assist them with their participation in the Healthy Lunches programme and sponsored The Kindness Cup through The Kindness Collective in multiple schools around New Zealand. The Warehouse Porirua provided thermals and warm essentials to the volunteers caring for the stranded orca, Toa, and The Warehouse Snells Beach donated warm essentials to Middlemore Foundation for children in need.

The Warehouse Group interacted with relevant government ministries, ministers, and officials on issues such as COVID-19, climate change, the future of work, regional community needs, access to period products and ongoing efforts around tackling family violence.

For example, we met with the Minister for Sexual and Family Violence to discuss our updated and enhanced family violence policy, our work in this area, and how we could provide further support to our team members and the public in general.

We actively engaged with Government on issues pertaining to climate action which included our submission to the Climate Change Commission on its draft advice to government for the first three emissions budgets through to 2035. We also engaged with government through our contribution to the industry-led low carbon freight pathway report, and to product waste stewardship regulation via the roll out of our e-waste recycling initiative in partnership with TechCollect NZ. This pilot programme will help inform the best options for an ongoing regulated e-waste product stewardship system in New Zealand.

During the year we participated in the Government's "make summer unstoppable" campaign to support the Government's COVID-19 promotion of the use of QR code scanning to enable COVID-19 tracking. We also liaised with the Ministry of Health about supporting the COVID-19 vaccination programme, becoming part of the COVID-19 workplace vaccination pilot alongside three other large New Zealand companies.

The Warehouse Group's Gateway programmes, including The Warehouse Red Shirts in Schools, Warehouse Stationery's Blue Shirts in Schools and Noel Leeming's Discovering Passionate Experts, reached 856 student enrolments in FY21. These numbers are slightly lower than FY20 due to the continuing effects of COVID-19 lockdowns. During FY22 the Group plans to extend Gateway programmes to our Torpedo7 Bike Hubs. This will further extend opportunities for students to experience working in a wide range of retail settings and help address New Zealand's current bike building skill shortage.

The Group has maintained its role as a key partner in the IBM Pathways in Technology (P-TECH) programme. P-TECH NZ was established in 2019 and is a five-year programme where students complete high school, and earn an advanced diploma in digital technology with engaged mentoring, ready to begin a career by the time they graduate from the programme.

The P-TECH programme directly addresses some of the recommendations of the NZTech 'Digital Skills for our Digital Future' (January 2021) report by building the digital skills pipeline and supporting students' transition to work. The report's foreword states: "We must also do more to foster greater inclusion of different groups within the tech sector – in particular Māori, Pasifika and women - to ensure that the opportunities available for business enterprise and career development can be realised by all." P-TECH specifically targets these three population groups.

We continued to work with Massey University to shape and design the retail element of the Massey University Bachelor of Retail and Business Management degree.

In 2021, the Industry Establishment Board set up the Services Workforce Development Council, on which The Warehouse Group has a representative. We endeavour to use our membership to promote retail as a career as well as our continued partnerships with Retail NZ and various Industry Training Organisations (ITOs), such as ServiceIQ, in order to build a sustainable vocational retail education system in New Zealand.

In FY21, The Warehouse Group distributed $13.3m to The Tindall Foundation in the form of dividends, in line with the Foundation's 21.3% shareholding. The Tindall Foundation is a private philanthropic family foundation, independent of The Warehouse Group, set up by Group founder Sir Stephen Tindall and his wife Lady Margaret Tindall. Working to build a stronger, sustainable Aotearoa New Zealand, the Foundation supports up to 700 organisations a year and has donated over $200m since 1995 to help families, communities and the environment to thrive now and in the future. Beyond monetary donations, the Foundation also provides support, skills, connections and communication that help organisations and communities to achieve their goals.

Community

$4.3m

Fundraised for New Zealand charities and communities in FY21. $75.5m since 1982.

Promote Period Equity

Donation initiatives across 26 The Warehouse stores enabling customers to donate period products

856 student enrolments

in The Warehouse Group's Gateway programmes

- The Warehouse's Red Shirts in Schools
- Warehouse Stationery's Blue Shirts in Schools
- Noel Leeming's Discovering Passionate Experts

Supplier insights

1,744

Suppliers completed e-learning lessons on various labour and environmental management topics

128

in-person, on site or group and virtual supplier training sessions

By 31 July 2025, achieve traceability of all Tier 2[3] Sources for at least 50% of Tier 1[2] Textile Wood & Paper Suppliers

FY21 Progress: Established a register of Tier 2 apparel sources.

Our suppliers

In 2021 we have focused on strengthening our partnerships with our overseas suppliers with the introduction of a balanced vendor scorecard that guides our annual reviews. These reviews allow us to support our vendors in improving their ethical, quality, sustainability and commercial outcomes they deliver to our business. A large part of our business awarding criteria is based on our vendor scorecard, thereby incentivising continual improvement. COVID-19 lockdowns in many regions and worldwide shipping disruptions have affected our suppliers. Our in-country teams have stayed close to these issues and worked through them with our vendors to ensure we prioritise key stock for our customers.

During the year, we extended our ethical sourcing programme by placing more emphasis on supplier development and training and implementing a supplier balanced scorecard, while continuing our regular factory auditing and monitoring activity.

Ethical sourcing

There are explicit requirements for suppliers providing merchandise carrying a brand or private label owned by The Warehouse Group. These include the ongoing disclosure of the identity and location of all primary and secondary manufacturing sites associated with each purchase order, the qualification of these sites (in reference to this policy) as a pre-condition of order placement, and the acceptance of ongoing monitoring and continuous improvement as a condition of business.

In FY21, The Warehouse's private label products were sourced from around 500 factories[1] primarily located in China, Bangladesh, India, Vietnam, Malaysia, and Pakistan, involving about 246,000 workers. 172 new factories (70% of applicants) qualified to enter our supply chain via our oversight of third-party Labour and Environmental Audits.

Our programme at Tier 1[2] supplier level is relatively mature – we can now trace and qualify almost 100% (500 suppliers) of these sources.

Building on this, we have a new ambition. Starting with textile, wood, and paper products we aim to extend our existing ethical sourcing work into Tier 2[3] of these supply chains. By 2025 we aim to trace and qualify the Tier 2 sources for the most valuable 50% of our Tier 1 textile, wood, and paper suppliers. This is an ambitious goal as we do not have direct relationships with suppliers at Tier 2 and the number of factories proliferate at this level of the supply chain.

In 2016, we committed to only stocking products containing palm oil from certified sustainable sources, reinforcing the Group's commitment to the environment and making it easier for our customers to be more sustainable.

Comprehensive disclosures and factory lists pertaining to our ethical sourcing programme can be found in our Ethical Sourcing Report on our website.

Our investors

Through our relationships with investors, we aim to enhance shareholder engagement and provide continuous disclosure on company performance and strategy and investments, with the objective of building shareholder value and delivering consistent and sustainable total shareholder returns.

In our investor reporting, we continue to embrace Integrated Reporting to improve the quality and relevance of information provided to key stakeholders, including providers of financial capital. Using the principles of integrated thinking in decision-making helps our business recognise the different aspects of value that are important in a way that is understandable and consistent across the Group. This year we have expanded our Integrated Reporting to include the Global Reporting Initiatives (GRI) reporting framework. In accordance with this framework, we have assessed material economic, environmental and social matters relevant to the Group and have used this framework to report on our initiatives and our positive and negative impacts in these identified material areas.

Our next step in investor reporting will be adopting the Task Force on Climate Related Financial Disclosures (TCFD) framework, and we continue to monitor developments from the New Zealand External Reporting Board with a view to reporting under TCFD by the 2024 financial year.

We build open relationships with our investors through various initiatives, including investor days. In May we held our first investor day in four years which provided an opportunity to review the Group's transformation over the last four years and current strategy.

We welcome communication with the New Zealand Shareholders' Association, transparent discussions with our shareholders at our Annual Shareholders' Meeting and the Chair of the Board has held a number of meetings during the year with shareholders on key governance issues.

Significance

Our size and scale mean we continue to play a role in New Zealand communities – nationally at a Group level and locally through our stores. We take this role seriously and work across many stakeholder groups to share our voice and work towards positive impacts. Do Good means standing up for our people, our planet and our communities, and we have the opportunity to drive positive change through our ethical sourcing initiatives by working with suppliers who share the same values.

Materiality

Given the broad coverage of The Warehouse Group's stakeholders, we have not attempted to define or explain materiality to our relationships.

Future focus areas

- Continue to work within our communities and with key stakeholders to deliver a positive impact for the communities we serve
- Partner with suppliers who can help us build our ranges faster, smarter and with more sustainable options
- Drive product development and design through strategic relationships with our suppliers and take the ethical and responsible sourcing actions that our customers now expect
- Grow our culture and organisational performance under an agile working environment to prepare for future developments.

1. Factories with orders over US$50,000 in FY21.
2. Tier 1 supplier means supplier of textile, wood and paper products to TWL and WSL being the final manufacture site where our products are made.
3. Tier 2 supplier means a site that manufactures componentry and processed material inputs such as fabric, buttons and zips, as ordered by sales volume, present in a finished product that is manufactured by a Tier 1 supplier.

OUR PEOPLE

Create a dynamic purpose-driven organisation that is the best place to work, with a high-performance, agile culture focused on the health, safety and wellbeing of our people.

Our initiatives for our people focus on three commitments:

- Be the best place to work
- Build a strong and effective high-performance and agile culture that gets everyone home healthy and safe at the end of their day
- Preparing our people for the future of work.

Be the best place to work

In 2021, as part of our commitment to be the best place to work we launched initiatives to accelerate the development of our people, speed up innovation, expand capabilities, increase productivity, improve the attraction and retention of key talent, and boost real time reskilling/upskilling.

These initiatives included launching a new digital onboarding programme across all our brands for Store Support Office (SSO) roles and we are now refreshing our store onboarding programme.

For our SSO teams we developed agile contribution models for our key functional areas to define future career development and ensure gender pay equity. These contribution models will be supported by agile craft academies we are currently developing. We also embedded performance and remuneration models which align with the contribution model. In addition, we launched a new performance and development process for our SSO team members and are launching new performance and development processes throughout our stores.

We have made significant progress this year in creating learning pathways for all team members to embed streamlined skills development that can be easily transferred between our brands. These include an agile learning pathway to help our team members' transition to our new ways of working.

We implemented an open online learning platform provided by Udemy for Business. This offers over 6,000 digital courses and is available to our SSO team members, Store Leads, Distribution Centre (DC) Leads, and staff in our overseas offices. We also had 34 team members participate in our Toastmasters International Programme which aims to improve confidence, communication, public speaking and leadership skills.

Our Store Leadership Programmes launched last year develop our existing and emerging store leaders and prepare them for tomorrow. Our Group-wide, multi-brand, online Store Learning Pathways streamline learning to ensure the transferability of skills and retail fundamentals including Onboarding (Group and brand specific), Retail 101, Retail Speciality, Customer and Product, Self-development, Managing your Store, and People Leadership.

Our NZ Future Skills Fund (NZFSF) is offered to all exiting team members to enable them to study any programme of work in which they would like to upskill to make them more employable in the future, providing training and reskilling after leaving the Group. Transition assistance programmes are provided to facilitate continued employability and the management of careers for team members whose positions have ended due to retirement or termination of employment.

During the year we communicated our Group anti-corruption policies and procedures to the executive leadership team (ELS) and all our SSO team members, making up 11% of our total employees. We also rolled out employee anti-corruption training programmes for the ELS and all our SSO team members, including privacy, consumer protection and unfair business conduct, fraud awareness, anti-bribery and corruption, insider trading and other related topics.

A total of 156,000 hours has been spent on training our team members during FY21. This equates to approximately 11.7 hours training per person per year and covers a range of programmes that upgrade our current team members as well as transition assistance programmes.

Due to improvements in our onboarding process, we have reduced the numbers of average days to fill roles to 37 days in FY21, compared to 41 days in FY20 and against our target of 60 days.

We are proud of our retail wage commitment - entitling employees at The Warehouse, Warehouse Stationery and Noel Leeming with at least a year's worth of service to receive a minimum of $21.15 an hour, compared to New Zealand's minimum wage of $20.00. All our store staff are entitled to the same retail wage commitment, regardless of gender. At present 15% of our employees/contractors are covered by collective agreements.

Supporting our people during times of need is very important to us – and looking after our teams has been a top priority during the challenging external events of the past year. In addition to COVID-19 uncertainty and alert level changes, we also looked after our teams following a tornado, floods and a tsunami alert. We paid our teams in full during these times even if our stores were closed and provided the support and time our people needed to deal with these events. Store team engagement scores rose during the year, even though there were some roster changes that came into effect in the first quarter.

We are focused on increasing our diversity and inclusion practices and reducing unconscious bias to gender, culture, age, and sexual orientation. We are proud to have maintained the Rainbow Tick and held several fantastic LGTBQI (lesbian, gay, transgender, bisexual, queer and intersexed) events in Auckland and Wellington which were well attended. We continue to work on gender equality and during the year invested over $1m to close the gender pay gap at our store support offices. We also had 182 team members participate in our Lean in Circles programme which aims to counteract gender bias, navigate gender dynamics, provide leadership development for women and work towards gender equality.

During the year we expanded our work to support team members who may be impacted by family violence. We extended our policy to allow for 15 days' leave and three nights' free accommodation. We also implemented a new online training module to raise awareness of family violence to all our team members.

We are proud to celebrate the various cultures across our offices, stores and distribution centres and set up a dedicated Māori culture group which provides insight and helps us to develop a more comprehensive Māori strategy. Our Te Kaa training programme for senior leaders provides foundational knowledge about Māori culture and how to consider Māori culture within the decision-making process.

In FY21, we began running Māori cultural workshops where team members who identify as Māori come together to help us understand what they would like to see the Group be involved in or develop as a business. The outcomes of these initiatives will form the foundation of our Māori cultural strategy which we plan to implement in FY22.

We celebrated Matariki as a time to set new goals, connect with whānau and share kai. As a proudly Aotearoa New Zealand business, we wanted to help our team members and their whānau celebrate a uniquely Kiwi time of year.

By celebrating Māori Language Week, we promote the use of Te Reo. To support this, we plan to provide Te Reo learning for our team members in the coming year.

A future focus for us is neurodiversity. This year we raised awareness of autism and started partnerships with not-for-profit organisations to work together to understand how we can support our neurodiverse team members. This will involve how we can provide better learning for our neurodiverse team members as well as show all team members how critical neurodiversity is in order to help us be more innovative.

In order to promote The Group employment awareness and attractiveness, we are focusing on four key pillars - our people, our community, our planet and our business. We have run a successful technology and digital talent attraction campaign which showed above market average results, we are running a social media attraction campaign for Seasonal Peak, and we have a large focus in FY22 on talent, both for attraction of new talent, as well as for internal career development.

Health and safety

We are committed to maintaining a robust, effective health and safety culture that supports a workplace where everyone gets home safely at the end of their day. It is the Group's objective to continually promote improvements in its health, safety and wellbeing (HSW) systems, practices, and processes that nurtures a culture that welcomes constructive stakeholder feedback and input towards developing and implementing HSW workplace best practices.

We have a structured approach to consulting, reporting and talking about HSW at all levels of the organisation from the Board HSW Committee to Store Safety Huddles. Thorough stakeholder consultation at all levels of the organisation is key to achieving the Group's objectives through the sharing of lead and lag performance data to ensure teams and individuals have the necessary understanding to make informed decisions.

Critical Risk Management

An essential part of the Group's annual HSW plan is the critical risk programme which addresses eight identified high risk activities within the network that have the potential to result in an individual sustaining either a life altering injury or a fatality. While all health and safety risks are actively addressed, violent and aggressive behaviour and traffic management have been assessed as the two most significant risks given the potential for an event to occur, and the resulting consequences.

Better training and equipment for our loss prevention officers, including Situational Incident Management (SIM) training saw serious violent and aggressive behaviour incidents towards our team members reduce by 47.3%, although the number of incidents involving abuse continues to rise which is in line with the experience of all key retailers in New Zealand. We met with the Police Commissioner in relation to violent and aggressive behaviour to discuss the ways we can work together to help keep both our customers and our team safe.

Every site has been assessed for an up-to-date traffic management plan, and an online traffic management training programme has been delivered to every operational site's team member. These actions have reduced the number of these events year-on-year by 60%.

Our health and safety performance this year has seen our Severity 1 events associated with our critical risks decrease by 45.7% (95 events in FY21 compared to 175 in FY20) while seeing an increase in Total Recordable Injuries for the year of 9.4% (524 injuries in FY21 compared to 479 in FY20). Total Recordable Injury Frequency Rate (TRIFR) was 37.2 per million hours worked in FY21, an increase from 30.6 per million hours worked in FY20.

Safety Assurance Reviews

This year we further embedded our internal safety assurance reviews across our store network, with 152 stores being reviewed. These reviews ensure our stores have in place the necessary legal requirements, ACC accredited employer requirements and store level critical risk controls. This programme of work provides the Board and ELS with assurance that the underlying HSW processes are effectively keeping team members, contractors and members of the public safe. After a successful roll out to stores, we will expand the process to include our logistics network in FY22.

Be the best place to work

+17
Employee Net Promoter Score (eNPS) (Aug 2021)
FY20: +11 (Aug 2020)
Against our target of 40 by 2025

32
Female senior leaders (44.4% of senior leadership roles)
FY20: 27 (39% of senior leadership roles)
Against our target of women in senior leadership roles of 50% by 2025

89.0%
Gender pay equity
FY20: 88.0%
Against our target of 100% gender pay equity by 2022

Health and Safety

34.5%
Severity 1 frequency rate reduced
FY21: 9.3 (per million hours worked)
FY20: 14.2 (per million hours worked)
Against a reduction target of 15.0%

89.9%
Same-day injury reporting
FY20: 92%
Against our target of 96% by FY25

94.3%
Incidents closed within 10 Days
FY20: 89%
Against our target of 96% by FY25

Wellbeing

We have continued to support our team members through the uncertainty of the COVID-19 pandemic with extra access to team member support such as counselling, online support programmes and information. Through our participation in the Government COVID-19 workplace vaccination pilot, we also offered all our employees access to COVID-19 vaccinations at their workplace.

This year we rolled out our employee "five ways to health and wellbeing" programme and initiatives - connect, give, take notice, keep learning, be active. This included activities such as mindfulness, yoga sessions, and other current wellbeing programmes, outlets and thought ideas to help and promote our people's health and wellbeing.

In the year ahead we are beginning a partnership with a new employee assistance programme and wellbeing provider which will give team members the opportunity to seek support and help through an online portal that includes an online chat function with support services, as well as phone and face to face support if necessary and a range of self-help options.

Future of work

Our third commitment addresses the future of work - building our skills pipeline, workforce planning and introducing continuous learning and future-ready learning experiences. In addition to our Udemy digital learning course platform, we have established a $2m annual external learning fund to develop our team members, with a commitment to increase to $5m annually by 2025. This funding is designed for team members wanting to upskill or reskill through a short course that is not offered internally.

For those wanting to build their retail career with more intensive professional study in a chosen field, we have launched a Group scholarship programme, with five scholarships awarded to team members so far. We also partner with Massey University to offer specific retail scholarships, in which 18 team members are currently enrolled.

Our partnership with ServiceIQ provides team members with NZQA recognised qualifications, through which 17 store team members completed the New Zealand Certificate in Retail Level 3 during FY21.

Significance

Our team members are at the core of our organisation's success. We believe that by enabling them to thrive in this fast-paced environment and preparing them for the future workplace we will lift employee engagement and achieve sustainable business performance.

To do this, it is critical we focus on our people's wellbeing and everyday experience at work, adopt agile ways of working to empower our people and put our customers first, as well as invest in digital solutions to leverage people data and insights. We are also prioritising attracting top talent, upskilling and reskilling our people to build the skills of the future and shifting to a purpose-driven high-performance culture. We continually develop and strengthen our relationships with industry bodies and government to ensure we remain part of the conversations helping to shape the future of work in New Zealand.

Materiality

True transformation requires a behavioural and mindset change and a meaningful shift to a new way of working. Combined with the current volatility, uncertainty, complexity and ambiguity of the world, the amount of change within the Group has meant we needed to find a more dynamic, constant and mobile engagement tool that enables frequent surveying feedback as well as ensuring a heightened focus on our team members' wellbeing and safety.

In addition, rapidly changing technology, shifting demographics and a growing concern for climate outcomes are shaping the future of work. As customer expectations continue to evolve, we need to make significant improvements to accelerate performance and attract future talent. The next few years will see deliberate and ongoing change as we embed agile ways of working and embrace future of work environments. This is a long-term undertaking and the financial investment in technology, accelerated learning experiences, talent development, and health, safety and wellbeing will be critical to empower, equip and enable our people to bring to life the purpose and vision of the Group.

Future focus areas

- Developing a talent-to-value approach that ensures we place our best talent in our most critical roles and dynamically manage their performance and development
- Develop a purpose-driven high-performance culture
- Be the best place to work to attract and retain critical talent for tomorrow's workforce
- Accelerate learning and development to build an adaptive and future-ready workforce that can thrive in an agile and fast-paced environment.

Future of work

$2m INVESTED

In employee learning fund for training and career development in FY21

Employment brand awareness of 82%
(FY20: 86%)

Employment brand attractiveness of 35%
(FY20: 36%)

336 graduates

Of the TWG Gateway pathways to employment programme in FY21

FINANCIAL CAPITAL

Our initiatives focus on four commitments to ensure efficient utilisation of financial capital to compete and enable growth:

- Financial resilience
- Total shareholder return
- Allocation of capital
- Access to capital

During the 2021 financial year, we have delivered on the key financial capital focus areas we highlighted last year. We have embedded financial processes across the business to enable agile ways of working. We have established a Quarterly Business Review (QBR) process providing transparency of strategic priorities to the wider group and allocating resources to these priorities. The QBR process is informed by an Annual Business Plan (ABP) which reflects near term strategic priorities within our Five-Year Plan. We have continued to invest in the development of our Enterprise Resource Planning (ERP) system and have further developed our risk management framework.

Financial Resilience

For The Warehouse Group, financial resilience means maintaining financial flexibility through strong capital management. In the last two years this has been more important than ever. During the uncertainty of COVID-19 and in times of Level 3 and 4 lockdowns when our stores are unable to open and we have seen significant decreases in revenue, we have maintained our ability to pay our people and keep the business going due to our strong cash position, working capital and cash preservation initiatives. We applied for and received the wage subsidy in FY20 at the height of the uncertainty. As we rebuilt our financial resources we were able to repay this subsidy during FY21.

Total Group Revenue was $3.4b in FY21, an increase of 7.6% on FY20. Our brands have benefitted from a sustained period of strong consumer spending with The Warehouse sales up 5.8% to $1,805m, while Warehouse Stationery sales grew by 2.2% to $275m. Noel Leeming and Torpedo7 both continued their stellar growth trajectory, with Noel Leeming sales increasing 11.7% to $1,128m and Torpedo7 sales increasing 22.2% to $159m in FY21.

Continuing to improve gross profit margin has been a highlight of FY21. Gross profit margin has improved from 32.6% to 36.4% and reflects a range of pricing and inventory management initiatives that are being embedded into the business.

Strong cash flows ensured we closed the FY21 financial year with cash on hand and deposits of $160.5m compared to $168.1m at the end of FY20. The Group revised its liquidity policy in response to last year's COVID-19 pandemic and now operates to a target liquidity range of between $350m to $450m. Unutilised committed bank facilities of $330m plus cash deposits of $160.5m provided liquidity of $490.5m at year end.

The strength of cash flows and cash position allowed the Group to return to paying dividends during FY21. The Group paid a special dividend of 5.0 cents per share (cps) in March 2021 and an interim dividend of 13.0 cps in April 2021.

The Group's largest term commitment is its leased property portfolio. The Group maintains lease profile flexibility by having the majority of store lease renewals within five years and the majority of lease final expiry dates less than 10 years. Our store lease Weighted Average Lease Term (WALT) until next term renewal date as at FY21 year end was 3.9 years, compared to WALT of 4.3 years as at the end of FY20.

Total Shareholder Return

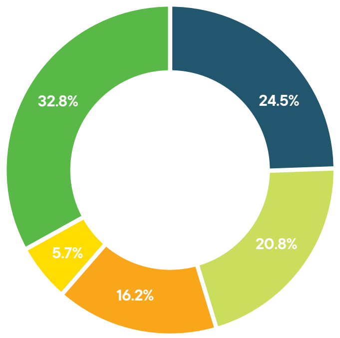
We strive to reward our shareholders with a consistently strong return on investment. While FY20 saw a downturn in all domestic and international financial markets due to COVID-19 uncertainty across the world and all industries, confidence rebounded favourably in FY21. Given the strong capital markets and our successful delivery of strategic initiatives, we saw an increase in the Group's share price of 66.2% in FY21, compared with a decline of 9.6% in FY20. This is benchmarked against an NZX50 capital index return of 5.0% in FY21, compared to an index return of 5.4% in FY20.

The growth in share price, combined with the special and interim dividends paid in FY21, has resulted in Annual Total Shareholder Return (TSR) of 74.9% for FY21 year (FY20: TSR decrease of 6.1%).

As part of the FY21 strategy process, the Group has focused on Return on Invested Capital ("ROIC") as its preferred measure of business performance. ROIC represents the return generated by the operating assets of the business and, relative to Return on Funds Employed, includes the value of Right of Use Assets which largely relate to leased premises of physical stores, distribution centres and fulfilment centres. Major drivers of ROIC are capital turns (asset efficiency) and profit margin (profitability). The Group plans to use these drivers to understand how key initiatives are driving ROIC improvement. The Group is delivering shareholder value where ROIC is greater than its cost of capital. In FY21 ROIC was 17.5% (FY20: 5.1%). This was driven by

Allocation of capital

Core Systems	$20.8m
Digital and Customer	$17.7m
Store Renewals	$13.7m
Supply Chain	$4.9m
Other	$27.9m



Financial capital

74.9%
Total shareholder return

FY20: decrease of 6.1%

$160.5m
Cash on hand

FY20: $168.1m

$490.5m
Liquidity at year end

Compared with target liquidity range of $350m to $450m

Final Dividend 17.5cps
Total Dividend 35.5cps

a material increase in profit margin as evidenced in the strengthened gross profit margins across the Group's brands, as well as cost control initiatives reducing cost of doing business as a percentage of sales.

The final dividend for the 2021 financial year of 17.5 cents per share, bringing total dividends for the 2021 financial year to 35.5 cents per share. The final dividend has been declared on the basis that New Zealand is predominantly at Alert Level 2 or below from the end of October 2021.

Allocation of Capital

As indicated previously, we are committed to investing in our supply chain, our stores and our systems to enable the delivery of our strategy and deliver growth across the Group.

Capital expenditure in FY21 was $85.0m, a significant increase from $63.1m in FY20. While this is less than our guidance range of $100–$120m, this is significantly higher than annual capital expenditure over the past five years, as we invest in operational change and invest in growth areas of the business. We are conscious that we spend capital on the right initiatives and projects which will deliver on our strategic priorities and drive shareholder value.

We continue to balance capital expenditure rigour with the need to strategically move quickly.

The Group's major investments in the year were developing our core systems including ERP finance and inventory systems, Warehouse Management System and cloud-based Master Data Management.

Significant investment was made in customer focused digital initiatives including the Group eCommerce platform for our brand sites, and further development of TheMarket.com.

Store renewals capital expenditure included the new The Warehouse, Warehouse Stationery and Noel Leeming stores at Ormiston, the Noel Leeming Silverdale expansion and the new Torpedo7 store in Napier. In addition to Ormiston, seven further SWAS stores were opened during the year including Masterton, Lyall Bay, Whanganui, Oamaru, Riccarton, Te Awamutu and New Plymouth The Valley.

Capital expenditure increased as a percentage of depreciation from 108.4% in FY20 to 153.9% in FY21 due to our commitment to increased investment in our strategic priorities, growth of the business and platform development.

As we continue to invest in platform development and strategic growth initiatives, we expect capital expenditure in FY22 to be in the range of $115m to $135m and expect capital expenditure to remain at this level for the coming years.

Access to capital

Our financial commitment is to maintain access to diverse capital sources. The Group maintains three primary sources of capital - operating cash flow, debt, and equity. Operating cash flow was $247.3m in FY21 compared to $408.0m in FY20, the movement primarily due to the Group's increase to positive working capital as inventory levels returned to more normal levels, and after accounting for the receipt and repayment of the Government COVID-19 wage subsidy..

Available facilities as at year end included committed bank debt facilities of $330m (undrawn at balance date). We intend to convert a number of our bank facilities into Sustainability Linked Loans. We are committed to our sustainability targets and putting Sustainability Linked Loans in place provides further weight to this commitment.

During the year Foodstuffs sold down their 9% shareholding in the Group. This sell down has substantially increased the Group's free float on the New Zealand Stock Exchange (NZX) to 30% and will improve liquidity, which has been a barrier to some investors. The Warehouse Group has been listed on the NZX for 26 years and is committed to maintaining this as a viable source of capital. Our market capitalisation was $1.2b at FY21 year end, increasing to $1.3b at the date of this report, and it is our ambition to return to being included in the NZX50.

Significance

Financial capital enables the Group to execute on the various initiatives we identify as important for the long-term sustainability of the Group and development of its capital base (financial and non-financial). Our strategy is focused on developing all six capitals within the business. Therefore in some parts of our strategy we are investing in areas of the business where goals are linked to non-financial measures but the ability to develop, implement and achieve them is dependent on the financial resources of the Group.

Growth in financial capital and financial results is not only a key focus of the Group, but also an enabler of delivering results for the betterment of all our stakeholders.

Materiality

'Do Good' is a value within the Group that displays our commitment to our people and our planet and delivering great value to customers with our products. To deliver on that commitment, the Group needs to also have a robust financial capital base. We have focused on achieving a strong balance sheet that provides capital headroom to weather potential downturns and fund investment in value-enhancing initiatives and strategies. Financial discipline is of utmost importance to us and is core to making sure that we are here for good and for all New Zealanders.

Future focus areas

- Continue to develop planning and reporting processes that support and enable agile ways of working and efficient allocation of all capital
- Diversity and tenor of bank facilities to support target liquidity
- Implement the financial component of the finance and inventory ERP system
- Continue building risk management capability and maturity.

OUR ENVIRONMENT

In FY21 we have accelerated the deployment of sustainability throughout our value chain and expanded our efforts to engage our stakeholders on the risks and opportunities of sustainability leadership. We continue to adapt our business to changing consumer behaviours and government regulation which are impacting our business and the retail industry at large. Our efforts continue to build on the programmes we have established over the past few years. They represent our founder's legacy and manifest the Group's purpose of helping Kiwis live better every day.

As New Zealand's largest general merchandise retailer with a footprint that touches every Kiwi, we are harnessing our resources to drive towards a low carbon, circular economy that benefits our business, our people, our communities, and our planet.

Product sustainability

Improving the sustainability attributes in our products is a key focus of our Sustainable & Affordable[1] platform. This means offering more sustainably sourced products with certified ingredients, recyclable or recycled content, and sustainable packaging options.

Our target is to have 50% of our private label[2] sales derived from products with sustainable features and packaging by 2025. In FY21 we carried over 11,500 SKUs with a sustainable attribute, accounting for $176 million in sales.

We have clear policies to guide our buyers and sourcing teams on the design and procurement of products with enhanced sustainability features and packaging, including step-by-step guidance on how to substantiate claims and communicate these responsibly to customers.

We also have policies which address specific commodities that carry known environmental or human rights hazards within the supply chain. At present these include cotton sourcing, sustainable forest management (paper and wood products), responsibly sourced cocoa and palm oil, and a prohibition on certain microplastics and glitter. These policies, our membership of initiatives like Better Cotton Initiative[3] (BCI) and the Forest Stewardship Council, along with certifications such as OEKO-TEX 100, and Rainforest Alliance, help extend our influence to the origin of the supply chain and give our customers confidence that their purchases are making a positive difference.

We sold over 8,400 apparel and home textile products sourced through the Better Cotton Initiative (BCI). This represents around 65% of our annual cotton consumption. BCI production methods are at the origin of our cotton supply chain for many of our textile products such as towels, sheeting, t-shirts, and denim.

In addition to seeking to improve the material characteristics of our product ranges, the ethical audit and supplier screening each of our private label factories must undergo includes a review of their manufacturing practices from an environmental standpoint.

In these audits we review any external environmental accreditation such as ISO 14001, or OEKO-TEX 100, review the factories' environmental management resources such as policies, environmental hazard registers, and records associated with energy and water conservation. We also physically assess the actions taken to monitor wastewater discharge, control air pollutants, dispose of solid waste, enable recycling, and deal with any hazardous wastes. Any environmental shortcomings identified in the audit are remedied within the larger corrective action plan arising from the audit. Factories' environmental audit scores averaged 88% in FY21, and no suppliers were identified as having any major environmental non-conformances.

Waste minimisation

The Group's waste reduction ambitions address two key areas:

1. Targeting zero waste in our own operations by reducing unnecessary, non-recyclable packaging, and minimising our operational waste to landfill.

   The main sources of Group operational waste include waste from our distribution centres, our daily store operations, store renovation, and daily operations in our Store Support Office. By working with our national waste and recycling service providers, we diverted 77.9% of our operational waste from landfills in FY21. Of the waste that was sent to landfills, most went to locations that have recovery facilities to reduce the negative climate impacts of landfill gas.

   While New Zealand does not have commercial incineration facilities for disposal of waste, many landfills have Landfill Gas Recovery Facilities (LGRF) to capture the greenhouse gas generated from the breakdown of organic matters. In FY21, 96.3% of landfill waste from The Warehouse Group was sent to landfills with LGRF. In FY21, The Warehouse Group disposed of 0.046 tonnes of hazardous waste.

   We provide waste minimisation solutions throughout the value chain. At our North Island Distribution Centres, we work directly with a fibre recycler and a plastic wrap recycler, diverting more than 1,300 tonnes of recyclable waste from landfills. At our stores, we work with our national waste and recycling service providers to supply comprehensive waste minimising solutions, including comingle recycling, paper recycling, and cardboard recycling. At our Store Support Office, we provide a wide variety of recycling services to our team members.

   This year, we are pleased to have become an Impact Partner of All Heart New Zealand, a charity that helps corporates redirect and repurpose unwanted and redundant items. Through this partnership, we redirected or repurposed 88,012kg of redundant items from landfills, and gave these items a new life within communities in need.

2. Expanding new post-consumer waste recycling solutions and playing our part in creating a circular economy in New Zealand.

   In FY21 we expanded our collaboration with industry partners to introduce new waste diversion solutions for our customers. At Noel Leeming, 16 stores are providing customers with e-waste recycling solutions, a programme we launched with TechCollect NZ to provide the Ministry for the Environment with insights that inform the design of the upcoming mandatory scheme on product stewardship. In six months, we have collected more than 33 tonnes of e-waste from our customers, showing a robust demand for such solutions. In addition, 29 The Warehouse stores offer soft plastic recycling and three Auckland-based The Warehouse stores have launched a new recycling programme with TerraCycle NZ to help our customers recycle such items like razors and coffee capsules.

Climate action

In December 2020 we were awarded an A- score by the Carbon Disclosure Project, putting us in the highest leadership category and acknowledging that we are implementing current best practices in the fight against climate change.

1. Sustainable & Affordable is The Warehouse's guiding statement and branding device representing our aspiration to become one of New Zealand's most sustainable companies while still delivering great value to our customers.
2. Brands owned by The Warehouse Group sold in The Warehouse and Warehouse Stationery.
3. https://bettercotton.org/

OUR TARGETS AND FY21 PROGRESS

Product sustainability Our key initiatives to ensure sustainability of products, supply and ethical sourcing by 2025 are:

Target	FY21 Progress
50% of our private label[1] sales from products with sustainable features and packaging by 2025	• In **FY21, 11,500** stock keeping units (SKUs) carried a sustainable feature, accounting for over **$176m** in sales • We estimate that in **FY21 15% of private label sales** were derived from products with sustainable features

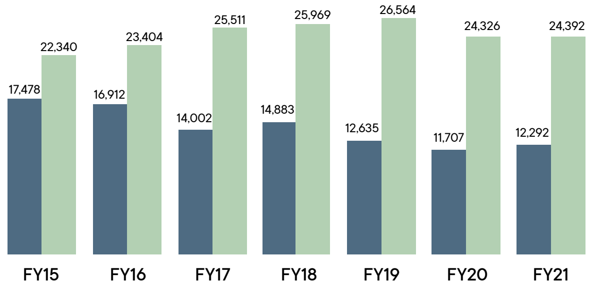
Waste Minimisation Our key initiatives to achieve our 2025 waste minimisation targets are:

Target	FY21 Progress
Zero Waste by increasing operational waste diversion to 90%	**Diverted 77.9%** (10,202.6 tonnes) of operational waste from landfills, an increase of 12.9% year on year.[2] FY20: **76.7%** (9,040.2 tonnes)
Offer consumer waste recycling solutions in 100% of our store catchments	• Collected and recycled **39.8 tonnes of soft plastics,** equivalent to **6.2 million plastic bags or wrappers** • **29** The Warehouse stores offer Soft Plastic Recycling Scheme • **3** The Warehouse stores offer TerraCycle NZ recycling service
Expand e-waste solutions to 100% of our store catchments by end-2022	• **16** Noel Leeming stores offer e-waste recycling service • All Noel Leeming stores offer **RE:MOBILE mobile phone recycling service** • Collected and recycled **33.2 tonnes of e-waste** • Collected and recycled **74.9 tonnes of expanded polystyrene, whiteware and e-waste packaging**

Climate Action Our key initiatives to achieve our 2025 carbon emissions reduction targets are:

Target	FY21 Progress
Reduce absolute Scope 1 and Scope 2 GHG emissions by 42% by 30 June 2030 (from a 2020 baseline)	**Increased 5.0%** compared to FY20[3] **Decreased 2.7%** compared to FY19
100% transition of passenger fleet to EV by 2025	**60%** of the Group's passenger fleet is full EV FY20: **30%**
75% of stores with 100% LED lighting by 2025	**25%** of stores have full LED lighting (Converted 10 stores in FY21). FY20: **20%**
Solar energy generation with community benefits on up to 10 sites or 2MWp of capacity by 2025	• **2 sites** identified for rooftop solar installation in FY22 • **23 sites** shortlisted for further review

Some progress | In progress | Significant progress | Achieved



■ Scope 1 & 2 emissions (tonnes CO^2e)
■ Scope 3 emissions (tonnes CO^2e) – non-trade*

Scope 3 excludes trade supplier emissions

FY21 Total energy consumption within the organisation

Total fuel consumption[4,5]	104,341 GJ
Total electricity consumption	329,304 GJ (91,474,062 kWh)
Total energy consumption	**433,645 GJ**

FY21 Energy intensity ratio[6]

127 GJ / $million of revenue

FY21 Reduction of energy consumption[7]

29,588 GJ reduction = 6.4% reduction on FY19

1. Brands owned by The Warehouse Group sold in The Warehouse and Warehouse Stationery.
2. Operational waste is calculated from an annual report of the Group's waste processing from all our waste and recycling service providers and extracted relevant landfill and recycling data to calculate the total annual waste and landfill waste data for the Group.
3. Scope 1 and 2 emissions increased compared to FY20 due to reduced operations as a result of 7 weeks of COVID-19 lockdown periods during the FY20 financial year.
4. Includes diesel 2,448,632 litres (93,562 GJ), jet fuel 63,865 litres (2,956 GJ), LPG 212,740 kg (5,646 GJ), petrol - premium 33,586 litres (1,188 GJ), and petrol - regular 28,108 litres (989 GJ).
5. Source data from certified TWG 2021 Carbonzero Emissions audit. Conversion factors applied from Ministry for the Environment "Measuring Emissions: A Guide for Organisations: 2020 Detailed Guide".
6. Includes Diesel, LPG, Electricity, Petrol, Jet Kerosene energy consumption used within the organisation.
7. Includes Diesel, LPG, Electricity, Petrol, Jet Kerosene energy consumption used within the organisation compared to FY19 (FY20 as unusual due to reduced operations as a result of 7 weeks of COVID-19 lockdown periods during the FY20 financial year).

Our impact on the environment

Our goal is to accelerate the transition to a zero-carbon future by embedding sustainability in every aspect of our business

The Group's climate action addresses three key areas:

1. **Carbon neutrality** through our ongoing commitment to the Toitū Envirocare carbonzero programme. Since 2019 we have voluntarily offset 100% of our Group carbon emissions each year by investing in gold standard, clean development mechanism projects, supporting the communities in which we operate including India and China. In FY21, the Group also offset 13,000 tonnes of emissions via a New Zealand Permanent Forestry Sink Initiative (PFSI) project.

   Our annual carbon emissions reporting follows the strictest audit standards (carbonzeroCertTM) of our reporting partner, Toitū Envirocare. Our reduction targets are aligned with the New Zealand Climate Leaders Coalition commitments, which reflect the Paris Agreement guidelines. The Group is certified in accordance with ISO 14064-1:2006.

2. **Emissions reduction** through the ongoing implementation of our active emissions reduction programme. This includes the continuation of transitioning our light commercial vehicle fleet to electric vehicles (EV), LED lighting upgrades in our stores, minimising operational waste and directing waste to methane capture landfill facilities. These initiatives have resulted in total energy consumption reduction of 6.4% against FY19.

   In FY21 the Group's Scope 1 and 2 emissions increased by 5.0% and total emissions increased by 1.8%, compared to FY20. This was expected given the comparative period included a seven-week COVID-19 lockdown. In FY21, we saw a reduction in Scope 1 and 2 emissions of 2.7% and total emissions reduction of 6.4% compared to FY19. The Group's Greenhouse Gas (GHG) emissions intensity ratio was 10.74 total gross GHG emissions per revenue ($million) in FY21, a decrease of 5.4% compared to FY20 and 25.3% compared to our baseline year of FY15.

3. **Leadership in climate action** through collaboration with industry including with freight partners and government agencies. In partnership with the Energy Efficiency & Conservation Authority (EECA) we launched our first fleet of home delivery EV trucks in Auckland, Hamilton, Tauranga and Christchurch this year. We are also assessing the viability of long-haul hydrogen fuel transportation and have a roadmap for solar generation on our property rooftops.

These initiatives will deliver meaningful emission reductions for our business and the communities we serve.

The Group also surveyed its private label manufacturers on a wide range of sustainability competencies including any practices and data in relation to GHG emissions and Science Based Targets. The survey is the first step of a wider Supply Chain Engagement programme and will inform our future approach to influencing the reduction of this important source of carbon emissions within our value chain (Scope 3 Carbon Emissions).

Carbon and energy emissions are obtained from Toitū certified emissions data. For further emissions and energy related GRI reporting metrics please refer to The Warehouse Group Emissions Inventory Report on our website.

Significance
We believe that transitioning to a decarbonised, circular economy can spur innovation and deliver significant economic value to New Zealand and our business. Given our size and footprint, we can play a critical role in providing leadership and driving this transition. The urgency of this effort was highlighted in the latest Intergovernmental Panel on Climate Change (IPCC) report[1] calling for immediate action for the world to stay within 1.5°c of warming against the pre-industrial age.

We see growing market demand, shifting consumer behaviours, and looming regulations requiring business to take action and embrace sustainability practices through their entire value chain. These requirements are having an increasingly material impact on the retail sector, with a wider number of customers looking for both sustainable and affordable options. This trend is also crystallising in large procurement contracts, where commercial customers and government agencies are increasingly selecting suppliers based on sustainability performance. We believe our leadership and in-house expertise is positioning us well to benefit from these shifts.

For example, the Group was recently selected as a new supplier to the Government Office Supplies Panel run by the Ministry of Business, Innovation and Employment (MBIE). Our curated range is designed to encourage the purchasing of more sustainable products by government agencies in support of MBIE's broader outcomes and objectives, including low carbon, sustainable packaging, certified ingredients, products and recycling solutions.

Materiality
A survey by Colmar Brunton in April 2021 commissioned by Retail New Zealand looked at Kiwi shopping habits and asked consumers to spontaneously identify retailers taking the lead in sustainability. The Warehouse was ranked first with 26% of respondents choosing us ahead of our competitors, collecting between 10% and 14% of respondents' votes. This survey also shows that 85% of Kiwis are prepared to change the retailers they buy from or the products they buy, in order to be more sustainable, a move from which The Warehouse Group is positioned to benefit.

Given our size and footprint, we believe the Group can play a critical role in driving the early uptake of emerging sustainable solutions. We will continue to take a leadership position in driving change as we have done with the move to our Sustainable & Affordable platform, the electrification of our corporate fleet, the expansion of our fast-charging EV stations at our stores to support the development of a national grid, our participation in defining a low emissions heavy transportation pathway, and the ongoing development of new post-consumer recycling solutions.

Future focus areas
We recognise sustainability as a strategic priority that involves significant business risks and opportunities and requires increased governance, employees' fluency, and technical capabilities. Over the next 12 months, we intend to further improve our performance in the following future focus areas:

- Build our sustainable sourcing capacity and provide more sustainable options to our customers to deliver 50% of our private label sales from products with sustainable features and packaging
- Develop further waste diversion and circular economy solutions to minimise the impact of key consumer waste streams on our environment
- Deliver against our Scope 1 and 2 emissions, Science Based Targets and update our 2030 reduction pathway
- Work with Toll, Hiringa and other freight partners to trial renewable fuels, including hydrogen
- Develop a programme of work to understand, measure and reduce our Scope 3 carbon emissions
- Continue to build and update a robust set of sustainability policies and standards to deliver consistent sustainability outcomes for our business.

1. https://www.ipcc.ch/sr15/

Financial Statements

For the 52 week period ended 1 August 2021

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 blue 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 28 September 2021.

Joan Withers
Board Chair
28 September 2021

Dean Hamilton
Audit and Risk Committee Chair
28 September 2021

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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 52 week period ended 1 August 2021

	Note	(52 weeks) 2021 $000	(53 weeks) 2020 $000
Continuing operations			
Retail sales	2.1	3,414,601	3,172,830
Cost of retail goods sold	8.1	(2,173,245)	(2,137,950)
Gross profit		1,241,356	1,034,880
Other income	3.1	7,050	16,369
Employee expense	3.2	(573,734)	(559,299)
Depreciation and amortisation expense	2.2	(149,303)	(154,652)
Other operating expenses	3.3	(244,255)	(247,087)
Operating profit from continuing operations	2.1	281,114	90,211
Unusual items	5.0	(86,955)	14,471
Earnings before interest and tax from continuing operations		194,159	104,682
Net interest expense	3.5	(37,458)	(46,710)
Profit before tax from continuing operations		156,701	57,972
Income tax expense	4.1	(40,491)	(14,305)
Net profit for the period from continuing operations		116,210	43,667
Discontinued operations			
Gain from discontinued operations (net of tax)		-	31
Net profit for the period		116,210	43,698
Attributable to:			
Shareholders of the parent		117,651	44,472
Minority interests	11.5	(1,441)	(774)
		116,210	43,698
Profit attributable to shareholders of the parent relates to:			
Profit from continuing operations		117,651	44,441
Gain from discontinued operations		-	31
		117,651	44,472
Earnings per share attributable to shareholders of the parent			
Basic earnings per share	6.0	34.1 cents	12.9 cents
Basic earnings per share - continuing operations	6.0	34.1 cents	12.9 cents

Consolidated Statement of Comprehensive Income

For the 52 week period ended 1 August 2021

	Note	(52 weeks) 2021 $000	(53 weeks) 2020 $000
Net profit for the period		116,210	43,698
Items that may be reclassified subsequently to the income statement			
Movement in foreign currency translation reserve		55	(184)
Movement in derivative cash flow hedges		26,651	(16,598)
Movement in de-designated derivative hedges		-	226
Tax relating to movement in hedge reserve		(7,463)	4,585
Other comprehensive income		19,243	(11,971)
Total comprehensive income		135,453	31,727
Attributable to:			
Shareholders of the parent		136,894	32,501
Minority interest	11.5	(1,441)	(774)
Total comprehensive income		135,453	31,727
Attributable to:			
Total comprehensive income from continuing operations		135,453	31,696
Total comprehensive gain from discontinued operations		-	31
Total comprehensive income		135,453	31,727
Total comprehensive income from continuing operations attributable to:			
Shareholders of the parent		136,894	32,470
Minority interest	11.5	(1,441)	(774)
Total comprehensive income		135,453	31,696

Consolidated Balance Sheet

As at 1 August 2021

	Note	2021 $000	2020 $000
ASSETS			
Current assets			
Cash and cash equivalents	11.1	160,526	168,068
Trade and other receivables	8.2	79,277	84,263
Inventories	8.1	457,151	393,610
Derivative financial instruments	12.2	8,837	243
Total current assets		705,791	646,184
Non current assets			
Derivative financial instruments	12.2	1,310	-
Property, plant and equipment	9.1	194,619	197,131
Intangible assets	9.2	166,991	135,566
Right of use assets	10.1	736,524	774,175
Deferred taxation	4.3	86,120	101,805
Total non current assets		1,185,564	1,208,677
Total assets	2.4	1,891,355	1,854,861
LIABILITIES			
Current liabilities			
Trade and other payables	8.3	436,579	420,805
Derivative financial instruments	12.2	4,353	27,091
Taxation payable	4.2	10,878	10,982
Lease liabilities	10.3	97,812	106,467
Provisions	8.4	74,515	60,991
Total current liabilities		624,137	626,336
Non current liabilities			
Lease liabilities	10.3	794,379	828,321
Provisions	8.4	23,371	23,865
Total non current liabilities		817,750	852,186
Total liabilities	2.4	1,441,887	1,478,522
Net assets		449,468	376,339
EQUITY			
Contributed equity	11.3	360,235	360,061
Reserves	11.4	6,056	(13,187)
Retained earnings		85,871	30,259
Total equity attributable to shareholders		452,162	377,133
Minority interest	11.5	(2,694)	(794)
Total equity		449,468	376,339

Consolidated Statement of Cash Flows

For the 52 week period ended 1 August 2021

	Note	(52 weeks) 2021	(53 weeks) 2020
		$000	$000
Cash flows from operating activities			
Cash received from customers		3,425,114	3,182,879
COVID-19 wage subsidy		(67,550)	67,550
Payments to suppliers and employees		(3,040,261)	(2,775,928)
Income tax paid		(32,132)	(19,879)
Interest paid		(37,910)	(46,616)
Net cash flows from operating activities		247,261	408,006
Cash flows from investing activities			
Proceeds from sale of property, plant & equipment and computer software		190	12,008
Purchase of property, plant & equipment and computer software		(83,180)	(64,513)
Purchase of minority interest		(239)	-
Net cash flows from investing activities		(83,229)	(52,505)
Cash flows from financing activities			
Repayment of fixed rate senior bond	3.5	-	(125,000)
Early termination of interest rate swaps		(9,767)	-
Lease principal repayments		(99,383)	(83,833)
Treasury stock dividends received		254	115
Dividends paid to parent shareholders		(62,678)	(27,883)
Dividends paid to minority shareholders		-	(129)
Net cash flows from financing activities		(171,574)	(236,730)
Net cash (outflow)/inflow		(7,542)	118,771
Opening cash position		168,068	49,297
Closing cash position	11.1	160,526	168,068

Reconciliation of Operating Cash Flows

For the 52 week period ended 1 August 2021

	Note	(52 weeks) 2021	(53 weeks) 2020
		$000	$000
Net profit		116,210	43,698
Non cash items			
Depreciation and amortisation expense	2.2	149,303	154,652
Intangible asset impairment	9.2	-	8,028
Property, plant and equipment impairment	9.1	-	8,659
Right of use asset impairment	10.1	1,582	1,576
Share based payment expense	3.2	93	350
Interest capitalisation		-	384
COVID-19 landlord rent relief	10.2	-	(8,246)
Movement in deferred tax	4.3	8,219	(15,907)
Interest rate hedge derivatives write-off	5.0	3,340	6,427
Movement in de-designated derivative hedges		-	163
Total non cash items		162,537	156,086
Items classified as investing or financing activities			
Loss on disposal of property, plant and equipment		637	1,206
Gain on lease terminations	2.5	(1,237)	(1,023)
Supplementary dividend tax credit	4.2	246	136
Total investing and financing adjustments		(354)	319
Changes in assets and liabilities			
Trade and other receivables		4,986	(4,643)
Inventories		(63,541)	124,148
Trade and other payables		14,497	75,314
Provisions		13,030	2,815
Income tax		(104)	10,269
Total changes in assets and liabilities		(31,132)	207,903
Net cash flows from operating activities		247,261	408,006

Consolidated Statement of Changes in Equity

For the 52 week period ended 1 August 2021

	Note	Share Capital	Treasury Shares	Hedge Reserves	Foreign Currency Translation Reserve	Retained Earnings	Minority Interest	Total Equity
		$000	$000	$000	$000	$000	$000	$000
For the 52 week period ended 1 August 2021								
Balance at the beginning of the period		365,517	(5,456)	(13,017)	(170)	30,259	(794)	376,339
Profit for the period		-	-	-	-	117,651	(1,441)	116,210
Movement in foreign currency translation reserve		-	-	-	55	-	-	55
Movement in derivative cash flow hedges		-	-	26,651	-	-	-	26,651
Tax relating to movement in hedge reserve	4.3	-	-	(7,463)	-	-	-	(7,463)
Total comprehensive income		-	-	19,188	55	117,651	(1,441)	135,453
Contributions by and distributions to owners								
Share rights charged to the income statement		-	-	-	-	-	93	93
Share rights vested		-	-	-	-	1,697	(1,697)	-
Minority put options exercised		-	174	-	-	(1,558)	1,145	(239)
Dividends paid	7.1, 11.5	-	-	-	-	(62,432)	-	(62,432)
Treasury stock dividends received		-	-	-	-	254	-	254
Balance at the end of the period		365,517	(5,282)	6,171	(115)	85,871	(2,694)	449,468
		(note: 11.3)	(note: 11.3)	(note: 11.4)	(note: 11.4)		(note: 11.5)	
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		-	-	-	-	(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
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, 11.5	-	-	-	-	(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: 11.3)	(note: 11.3)	(note: 11.4)	(note: 11.4)		(note: 11.5)	

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 a for-profit entity. The financial statements also comply with International Financial Reporting Standards (IFRS).

1.3 Basis of preparation

The measurement basis adopted in the preparation of these financial statements is 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 does not provide any accounting policy choice, the Group has applied the requirements of NZ IFRS but a detailed accounting policy has not been specifically included.

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

		Percentage Ownership	
Name of Entity	Principal Activity	2021	2020
The Warehouse Limited	Retail	100	100
Noel Leeming Group Limited	Retail	100	100
Torpedo7 Limited	Retail	100	100
1-day Limited	Online retail	100	100
TheMarket.Com Limited	Online Market-place	88	89
Eldamos Investments Limited	Property	100	100
The Warehouse Nominees Limited	Investment	100	100

1.4 Reporting period

These financial statements are for the 52 week period 3 August 2020 to 1 August 2021. The comparative period is for the 53 week period 29 July 2019 to 2 August 2020. The Group operates on a weekly trading and reporting cycle which means most financial years represent a 52 week period, a 53 week catch-up year occurs once every 5 to 6 years as happened last 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 1 August 2021.

Group structure

TheMarket.com

The Group structure was unchanged during the year, except for the Group's interest in TheMarket.com which decreased from 89.3% to 88.5%. In accordance with an employee share right plan (refer note 11.4) a final tranche of shares vested to plan participants in March 2021 increasing their minority shareholdings in TheMarket.com by 5.3%. Participants also exercised put options in accordance with the same plan which reduced (4.5%) their shareholdings.

1-day reclassification

The 1-day business was moved from Torpedo7 to TheMarket.com as a result of an organisational change and is now reported as part of TheMarket.com segment (refer note 2) with the comparative segment information reclassified to reflect the change. Subsequent to balance date the Group legally amalgamated 1-day Limited with TheMarket.com Limited.

Diners Club (NZ) – discontinued operation

The Group's discontinued Diners Club (NZ) business which ceased operating in April 2020 was placed into a formal solvent liquidation following balance date.

Impact of COVID-19

The impact of the ongoing COVID-19 pandemic during the first half year had a number of positive impacts on the retail sector. In contrast to market expectations, post 2020 year end the retail sector continued to experience high customer demand, above what was expected from pent up demand post lockdown, buoyed by government support packages and spend benefit from the cancellation of overseas holidays among a number of other contributing factors. The strong demand meant that the Group did not need to carry out the level of clearance and promotional activity that had been anticipated, which allowed certain judgemental inventory provisions estimated in the previous period to be reversed (refer note 8.1). These positive factors in combination with the Group's transformation initiatives, contributed to a record half year result for the Group with operating profit up 98% to $173.4 million compared to the previous half year.

The increased profit during the half year enabled the Group to pay a special dividend of 5.0 cps in March 2021 and an interim dividend of 13.0 cps in April 2021 (refer note 7).

This strong trading performance has continued through into the second half of the year and has ensured the Group maintained a sound balance sheet. Since balance date, the Delta variant of COVID-19 has been detected in New Zealand and a Level 4 lockdown was put in place. The Group made policy changes during the year regarding its liquidity and dividend policies which were designed to enhance the Group's balance sheet resilience and provide the Group with options to withstand periods without revenue when the Group's stores are closed to customers.

1.5 Significant transactions and events in the financial year (Continued)

Liquidity Policy

The Group revised its liquidity policy in response to last year's COVID pandemic and now operates to a preferred liquidity range of between $350 million to $450 million (refer note 11.1). The Group had cash on hand of $160.5 million (2020: $168.1 million) at balance date that provided liquidity of $490.5 million (2020: $498.1 million).

Dividend Policy

The Group also changed its dividend policy (refer note 7) to incorporate the Group's liquidity position as a relevant factor in the calculation of dividend distributions. The new policy is to distribute at least 70% of the Group's full year adjusted net profit, at the discretion of the Board and subject to trading performance, market conditions and liquidity requirements (previously the distribution range was set between 75% to 85%).

COVID-19 wage subsidy

In December 2020, due to strong trading through the weeks leading up to Christmas, the Group made the voluntary decision to repay the Government COVID-19 wage subsidy it received of $67.6 million. The Group classified the repayment of the wage subsidy as an unusual item as it did not relate to the Group's normal trading activities and similarly restated last year's result to classify the initial receipt of the subsidy in March 2020 as an unusual item. The reclassification has the effect of reducing 'other income' and decreasing the 'unusual item' expense on the Income Statement by $67.6 million for last year. The reclassification also reduced the Group's adjusted net profit (refer note 5) from $80.7 million to $32.1 million for last year.

Agile Restructuring Costs

The Group concluded its move to an agile way of working, incurring redundancy and professional services costs during the year of $16.1 million (refer note 5).

1.6 Changes in accounting policies, interpretations and agenda decisions

Cloud Computing Arrangements

The Group has capitalised costs incurred in configuring and customising supplier's software in cloud computing arrangements as intangible software assets, as the Group considered that it would benefit from the costs to implement the cloud-based software over the expected terms of the cloud computing arrangements.

In March 2021, the International Financial Reporting Interpretation Committee (IFRIC) issued an agenda decision clarifying the accounting treatment for software implementation costs in cloud computing arrangements. IFRIC concluded that costs incurred in configuring or customising software in cloud computing arrangements can be recognised as intangible assets only if the activities create an intangible asset that the Group controls. Costs that do not result in intangible assets are expensed as incurred, unless they are paid to the suppliers of the cloud-based software to significantly customise the cloud-based software for the Group, in which case the costs paid upfront are recorded as prepayments and amortised over the expected terms of the cloud computing arrangements. Making this change will require a retrospective restatement of prior period financial statements in the year in which the revised accounting policy is adopted.

This is a complex area and the Group is in the process of evaluating and reassessing the nature of the software costs incurred and to understand the Group's contractual rights in relation to customisation and configuration expenditure. This will enable the Group to determine how these costs should be treated for accounting purposes as outlined in the March 2021 IFRIC agenda decision. The Group's review has identified more than 70 different cloud-based software arrangements, which have an approximate combined carrying value at balance date of between $45 million to $55 million. At the time of finalising the 2021 financial statements the review process is still continuing.

It is expected to take many more months for the Group to properly evaluate its cloud-based software arrangements and identify which costs have been appropriately capitalised from those that should be recognised as an expense or prepayment. Whilst not impacting actual cash flows the change could reduce intangible assets and associated amortisation, increase operating expenses, and reclassify the relevant spend from an investing to an operating cash flow. The change may also result in the recognition of prepayments or an adjustment to opening retained earnings. We expect to have a clear understanding of the situation in the following financial year.

1.7 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) Lease liabilities and right of use assets (notes 10.1 and 10.2)

(c) Derivative financial instruments (note 12.2)

(d) Intangible assets (note 9.2)

1.8 Non-GAAP financial information

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

1.9 Subsequent Events

Since year end New Zealand went into a country wide Alert Level 4 COVID-19 lockdown on 18 August 2021 and while the rest of the country shifted to Alert Level 2 on 8 September 2021, Auckland remains at Alert Level 3. Level 3 and 4 lockdown restrictions severely reduce the Group's ability to trade and the Group's sales for the first 8 weeks were down 22% compared to the same period last year. The Group's cash on hand has reduced significantly since balance date as a result of the decreased sales but the Group's bank debt facilities (refer note 11.2) remain undrawn. The Group expects to recover some of these lost sales once lock down restrictions are eased throughout the country and has declared a final dividend of 17.5 cents per share (refer note 7.0) to be paid in December 2021 on the basis that New Zealand is predominantly at Alert Level 2 or below from the end of October 2021

2.0 SEGMENT INFORMATION

2.1 Operating performance	Note	Revenue 2021	Revenue 2020	Operating Profit 2021	Operating Profit 2020	Retail Operating Margin 2021	Retail Operating Margin 2020
		$ 000	$ 000	$ 000	$ 000	%	%
The Warehouse		1,804,861	1,706,036	187,621	54,903	10.4	3.2
Warehouse Stationery		274,646	268,845	34,325	17,513	12.5	6.5
Warehouse Segment		2,079,507	1,974,881	221,946	72,416	10.7	3.7
Noel Leeming		1,128,184	1,009,975	64,879	34,160	5.8	3.4
Torpedo7		158,706	129,901	3,287	(17,708)	2.1	(13.6)
TheMarket.com[1]		54,455	62,520	(20,704)	(14,820)		
Other Group operations		7,141	6,673	(28,803)	(24,796)		
Inter-segment eliminations		(13,392)	(11,120)	-	-		
Group		3,414,601	3,172,830	240,605	49,252	7.0	1.6
Adjustments for NZ IFRS 16	2.5			40,509	40,959		
Operating profit from continuing operations				281,114	90,211		
Unusual items	5.0			(86,955)	14,471		
Earnings before interest and tax from continuing operations				194,159	104,682		

1. TheMarket includes 1-day sales of $49.8 million (2020: $61.1 million) and an operating loss of $4.5 million (2020: nil).

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 market-place 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 implementing NZ IFRS 16 (Leases - refer note 10), which is consistent with the Group's internal reporting.

Each of the four main retail segments represent a distinct retail brand that operate throughout New Zealand. Customers can purchase product from the retail chains either online or through the Group's physical retail store network. The Group's store network currently has 90 (2020: 92) The Warehouse stores, 70 (2020: 71) Warehouse Stationery stores, 71 (2020: 74) Noel Leeming stores and 21 (2020: 20) Torpedo7 stores. The Warehouse predominantly sells general merchandise and apparel, Noel Leeming sells technology and appliance products, Torpedo7 sells sporting equipment and the Warehouse Stationery sells stationery products.

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 Depreciation and amortisation	Note	PPE & Software 2021	PPE & Software 2020	Right of Use Assets 2021	Right of Use Assets 2020	Total 2021	Total 2020
		$ 000	$ 000	$ 000	$ 000	$ 000	$ 000
The Warehouse segment		40,595	44,340	67,675	70,414	108,270	114,754
Noel Leeming		8,446	8,624	18,246	18,990	26,692	27,614
Torpedo7		2,131	1,846	6,966	6,503	9,097	8,349
TheMarket.com		2,598	1,924	850	150	3,448	2,074
Other Group operations		1,441	1,502	355	359	1,796	1,861
Depreciation and amortisation expense		55,211	58,236	94,092	96,416	149,303	154,652
Comprising							
Property, plant and equipment (PPE)	9.1	41,396	45,366				
Computer Software	9.2	13,815	12,870				
		55,211	58,236				

2.3 Asset impairment and capital expenditure	Note	Asset Impairment 2021	Asset Impairment 2020	Capital Expenditure 2021	Capital Expenditure 2020
		$ 000	$ 000	$ 000	$ 000
The Warehouse segment		1,582	11,581	64,703	47,829
Noel Leeming		-	1,599	11,812	8,349
Torpedo7		-	5,083	2,722	3,138
TheMarket.com		-	-	5,462	3,362
Other Group operations		-	-	256	444
		1,582	18,263	84,955	63,122
Reclassified as an unusual item		-	(6,912)	-	-
Asset impairment and capital expenditure		1,582	11,351	84,955	63,122
Comprising					
Property, plant and equipment	9.1	-	8,659	39,715	32,162
Intangible assets	9.2	-	8,028	45,240	30,960
Right of use assets	10.1	1,582	1,576	-	-
		1,582	18,263	84,955	63,122

Last year's asset impairment expense reclassified as an unusual item related to the impairment of the Torpedo 7 brand name ($2.5 million) and asset impairments ($4.4 million) related to store closures included as part of the agile restructure costs (refer note 5.0).

2.4 Balance sheet information	Note	Total Assets 2021	Total Assets 2020	Total Liabilities 2021	Total Liabilities 2020
		$ 000	$ 000	$ 000	$ 000
The Warehouse segment		477,210	425,015	353,595	319,992
Noel Leeming		189,241	169,297	149,077	161,367
Torpedo7		52,281	39,627	20,761	16,656
TheMarket.com		21,288	18,761	9,009	6,704
Other Group operations		85,062	84,914	2,023	942
Operating assets/liabilities		825,082	737,614	534,465	505,661
Unallocated assets/liabilities					
Cash and borrowings		160,526	168,068	-	-
Derivative financial instruments	12.2	10,147	243	4,353	27,091
Right of use assets/Lease liabilities		736,524	774,175	892,191	934,788
Intangible goodwill and brands	9.2	72,956	72,956	-	-
Taxation assets/liabilities	4.2, 4.3	86,120	101,805	10,878	10,982
Total Group		1,891,355	1,854,861	1,441,887	1,478,522

2.5 Adjustment for NZ IFRS 16 (Leases)	Note	Total Assets 2021	Total Assets 2020
		$ 000	$ 000
Pre NZ IFRS 16 Rent		134,946	136,352
Right of use asset amortisation	10.1	(94,092)	(96,416)
Lease impairments		(1,582)	-
Gain on lease terminations		1,237	1,023
Impact on operating profit	2.1	40,509	40,959
Lease liability interest	3.5	(38,497)	(41,113)
Impact on net profit before tax (excluding unusual items)		2,012	(154)

3.0 INCOME AND EXPENSES

3.1 Other income	Note	2021	2020
		$000	$000
COVID-19 landlord rent relief	10.2	-	8,246
Tenancy rents received		2,251	2,734
Other		4,799	5,389
Other income		7,050	16,369

3.2 Employee expense	2021	2020
	$000	$000
Wages and salaries	534,477	549,522
Directors' fees	787	703
Performance based compensation	38,377	8,724
Equity settled share based payments expense	93	350
Employee expense	573,734	559,299

3.3 Other operating expenses	Note	2021	2020
		$000	$000
Other operating expenses include:			
Provision for bad and doubtful debts		767	3,221
Loss on disposal of plant and equipment		637	1,294
Asset impairments	2.3	1,582	11,351
Donations		499	134
Net foreign currency exchange (gain)/loss		105	(16)

3.4 Auditors' fees	2021	2020
	$000	$000
Auditing the Group financial statements	697	620
Reviewing the half year financial statements	97	93
Other services	82	46
Total fees paid to PricewaterhouseCoopers	876	759

Audit fees

Fees paid to PricewaterhouseCoopers for other services related to treasury market analysis, executive remuneration analysis, director remuneration benchmarking, tax audit of an overseas subsidiary and agreed upon procedures at the Annual Shareholders' Meeting and over negative pledge calculations. 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.

3.5 Net interest expense	Note	2021	2020
		$000	$000
Interest on deposits and use of money interest received		(1,048)	(713)
Interest on bank borrowings		9	127
Interest on fixed rate senior bond		-	6,210
Interest on leases	10.2	38,497	41,113
		37,458	46,737
Less interest attributable to discontinued operations		-	(27)
Net interest expense from continuing operations		37,458	46,710

Fixed rate senior bond

The Group issued a $125 million, 5-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.

Notes to the Financial Statements - Financial Performance
For the 52 week period ended 1 August 2021

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	2021	2020
		$000	$000
Profit before tax from continuing operations		156,701	57,972
Gain before tax from discontinued operations		-	43
Profit before tax		156,701	58,015
Taxation calculated at 28%		43,876	16,244
Adjusted for the tax effect of:			
Non deductible expenditure		504	693
Income tax relating to prior year property disposals and building depreciation	5.0	(3,295)	(2,025)
Income tax over provided in prior year		(594)	(595)
Income tax expense		40,491	14,317
Adjust for income tax expense attributable to losses from discontinued operations		-	(12)
Income tax expense attributable to continuing operations		40,491	14,305
Income tax expense comprises:			
Current year income tax payable	4.2	32,272	30,224
Deferred taxation	4.3	8,219	(15,907)
Income tax expense		40,491	14,317

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	2021	2020
		$000	$000
Opening balance		(10,982)	(713)
Foreign exchange movement		(2)	3
Current year income tax payable	4.1	(32,272)	(30,224)
Net taxation paid		32,132	19,879
Transfer from cash flow hedge reserve		-	(63)
Supplementary dividend tax credit		246	136
Closing balance		(10,878)	(10,982)

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 asset	Note	Inventory	Leases	Property, Plant Equipment and Software	Employee Provisions	Derivatives	Other	Total
For the 52 week period ended 1 August 2021		$000	$000	$000	$000	$000	$000	$000
Opening balance		15,713	42,211	9,226	19,348	6,744	8,563	101,805
Charged/(credited) to the income statement	4.1	(2,772)	(563)	(2,045)	(1,865)	(1,681)	707	(8,219)
Net charged to other comprehensive income		-	-	-	-	(7,463)	(3)	(7,466)
Closing balance		12,941	41,648	7,181	17,483	(2,400)	9,267	86,120
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		-	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

5.0 ADJUSTED NET PROFIT

Adjusted net profit reconciliation	Note	2021	2020
		$000	$000
Adjusted net profit		175,515	32,108
Add back: Unusual items			
Gain on property disposals		-	88
Restructuring costs - Rise		-	(22,006)
Restructuring costs - Agile		(16,065)	(22,189)
Interest rate hedge derivatives write-off	12.5	(3,340)	(6,427)
Brand impairment (Torpedo7)	9.2	-	(2,545)
COVID-19 wage subsidy		(67,550)	67,550
Unusual items before taxation and NZ IFRS 16 adjustments		(86,955)	14,471
Adjustments for NZ IFRS 16	2.5	2,012	(154)
Income tax on the unusual items above		23,784	(4,009)
Income tax relating to prior year property disposals and building depreciation	4.1	3,295	2,025
Unusual items after taxation		(57,864)	12,333
Net profit from continuing operations attributable to shareholders of the parent		117,651	44,441

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. The Group's also uses adjusted net profit as the basis for determining dividend distributions. 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 implementation of NZ IFRS 16 (Leases - refer note 10.0) the non-cash impact relating to the new lease accounting standard is also excluded from adjusted net profit. The repayment of the COVID-19 wage subsidy during the year is considered a non-trading item, together with the corresponding receipt in the prior year and are classified as unusual items.

Unusual items

Restructuring costs - Agile

In February 2020 the Group commenced an 18-month plan to move the Group to an agile way of working with the aim of improving productivity by shifting the Group from a traditional hierarchical organisation structure to a flatter structure. The plan included rationalising the Group's store network by combining The Warehouse and Warehouse Stationery stores within one location and closing underperforming stores. The Group incurred redundancy costs of $5.6 million (2020: $13.7 million) and asset impairment costs last year connected with the store closures (2020: $4.4 million) as part of the transition process. The Group partnered with the same consultancy firm which helped with the "Rise' transformation program to assist with the agile transition and incurred consultancy fees which were linked to the achievement of specified outcomes.

COVID-19 wage subsidy

In December 2020, the Group made the voluntary decision to repay the Government COVID-19 wage subsidy it received in March 2020.

Income tax

The Group has recently resolved an uncertain tax position regarding the tax treatment of a gain arising from the sale of surplus land in 2019, resulting in a reduction in the current tax liability and tax expense of $3.3 million.

Last year depreciation on buildings was reintroduced for tax purposes allowing the Group to claim a tax deduction during the current year on its buildings based on a straight-line basis depreciation rate set at 1.5%. This increased the tax base of the Group's buildings by $7.2 million last year and 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.

6.0 EARNINGS PER SHARE

Earnings per share calculation	Note	2021	2020
Net profit attributable to shareholders of the parent ($000s)		117,651	44,472
Net profit from continuing operations attributable to shareholders of the parent ($000s)		117,651	44,441
Adjusted net profit ($000s)	5.0	175,515	32,108
Basic			
Weighted average number of ordinary shares (net of treasury shares) on issue (000s)		345,301	345,286
Basic earnings per share (cents)		34.1	12.9
Basic earnings per share from continuing operations (cents)		34.1	12.9
Adjusted basic earnings per share (cents)		50.8	9.3

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.

The Group has not calculated a dilutive earnings per share as it has no dilutive potential ordinary shares which entitle a holder to ordinary shares in the Group. Minority shareholders in TheMarket.com hold put options (refer note 11.5) which are not dilutive but entitle the minority shareholders to receive ordinary shares in the Group if they exercise the options based on a settlement value equivalent to the fair value of the minority shareholding sold.

7.0 DIVIDENDS

7.1 Dividends paid	2021	2020	2021	2020
	$000	$000	CENTS PER SHARE	CENTS PER SHARE
Prior year final dividend	-	27,747	-	8.0
Special dividend	17,342	-	5.0	-
Interim dividend	45,090	-	13.0	-
Total dividends paid	62,432	27,747	18.0	8.0

Dividend policy

The Group did not declare a final dividend and cancelled its interim dividend relating to the last financial year due to the uncertainties around the impact of the COVID-19 pandemic. The Group's financial position has since improved as a result of a stronger than expected trading performance throughout this year's Christmas trading period, prompting the Board to declare a special dividend in February 2021. The Board would typically only declare two dividends annually, the first in respect of the half year (interim dividend) and the second in respect of the full year results (final dividend).

Following the uncertainty of last year's trading conditions and being wary of the necessity to have a strong balance sheet the Board reviewed the dividend policy, which included benchmarking the Group's dividend policy against the policies of other listed retailers. As a result of this review the Board approved a new dividend policy in March 2021. The new policy is to distribute at least 70% of the Group's full year adjusted net profit, at the discretion of the Board and subject to trading performance, market conditions and liquidity requirements (previously the distribution range was set between 75% to 85%).

In accordance with this new policy the Board declared a fully imputed final dividend of 17.5 cents per ordinary share on 28 September 2021 to be paid on 3 December 2021 to all shareholders on the Group's share register at the close of business on 18 November 2021. The final dividend was declared on the basis that New Zealand is predominantly at Alert Level 2 or below from the end of October 2021..

7.2 Dividend policy reconciliation	Note	2021	2020	2021	2020
		$000	$000	CENTS PER SHARE	CENTS PER SHARE
Special dividend		17,342	-	5.0	-
Interim dividend		45,090	-	13.0	-
Final dividend (declared after balance date)		60,698	-	17.5	-
Total dividends declared in respect of the current financial year		123,130	-	35.5	-
Group adjusted net profit	5.0	175,515	32,108		
Pay-out ratio (%)		70.2 %	0.0 %		

7.3 Imputation credit account	2021	2020
	$000	$000
Imputation credits at balance date available for future distribution	142,492	133,689

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

8.0 WORKING CAPITAL

8.1 Inventory	2021	2020
	$000	$000
Finished goods	413,352	382,380
Inventory provisions	(21,966)	(36,943)
Retail stock	391,386	345,437
Goods in transit from overseas	65,765	48,173
Inventory	457,151	393,610

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

Significant judgements and estimates

Assessing provisions for inventory obsolescence, net realisable value and shrinkage involves making estimates and judgements in relation to future selling prices and expected shrinkage rates between the most recent store stock counts and balance date. Shrinkage is a reduction in inventory due to shoplifting, employee theft, 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	2021	2020
	$000	$000
Trade receivables	36,193	40,035
Prepayments	12,528	14,764
Rebate accruals and other debtors	30,556	29,464
Trade and other receivables	79,277	84,263

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	2021	2020
	$000	$000
Local trade creditors and accruals	266,486	285,226
Foreign currency trade creditors	93,524	55,810
Goods in transit creditors	17,883	19,669
Capital expenditure creditors	3,018	1,250
Goods and services tax	10,155	14,329
Reward schemes, Lay-bys, Christmas Club deposits and gift vouchers	22,036	20,503
Payroll accruals	23,477	24,018
Trade and other payables	436,579	420,805

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

8.4 Provisions	Current		Non-current		Total	
	2021	2020	2021	2020	2021	2020
	$000	$000	$000	$000	$000	$000
Employee entitlements	67,603	53,568	15,667	16,048	83,270	69,616
Make good provision	1,471	834	7,704	7,817	9,175	8,651
Sales return provision	5,441	6,589	-	-	5,441	6,589
Total provisions	74,515	60,991	23,371	23,865	97,886	84,856

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 sale return rates.

9.0 NON CURRENT ASSETS

9.1 Property, plant and equipment		Land and Buildings		Plant and Equipment		Work in Progress		Total	
	Note	2021	2020	2021	2020	2021	2020	2021	2020
		$000	$000	$000	$000	$000	$000	$000	$000
Cost		93,527	93,498	638,450	651,544	10,785	9,702	742,762	754,744
Accumulated depreciation		(14,193)	(13,086)	(531,438)	(520,497)	-	-	(545,631)	(533,583)
Opening carrying amount		79,334	80,412	107,012	131,047	10,785	9,702	197,131	221,161
Additions	2.2	-	229	39,111	30,850	604	1,083	39,715	32,162
Disposals		-	(200)	(831)	(1,967)	-	-	(831)	(2,167)
Impairment	2.2	-	-	-	(8,659)	-	-	-	(8,659)
Depreciation	2.2	(1,100)	(1,107)	(40,296)	(44,259)	-	-	(41,396)	(45,366)
Closing carrying amount		78,234	79,334	104,996	107,012	11,389	10,785	194,619	197,131
Cost		93,527	93,527	657,409	638,450	11,389	10,785	762,325	742,762
Impairment & accumulated depreciation		(15,293)	(14,193)	(552,413)	(531,438)	-	-	(567,706)	(545,631)
Closing carrying amount		78,234	79,334	104,996	107,012	11,389	10,785	194,619	197,131

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

Property, plant and equipment are depreciated on a straight line basis to allocate the cost, less any residual value, over their useful life. The estimated useful 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.

9.2 Intangible assets	Note	Goodwill 2021	Goodwill 2020	Brand Names 2021	Brand Names 2020	Computer Software 2021	Computer Software 2020	Total 2021	Total 2020
		$000	$000	$000	$000	$000	$000	$000	$000
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)
Opening carrying amount		57,456	57,456	15,500	18,045	62,610	50,011	135,566	125,512
Additions	2.2	-	-	-	-	45,240	30,960	45,240	30,960
Disposals		-	-	-	-	-	(8)	-	(8)
Impairment		-	-	-	(2,545)	-	(5,483)	-	(8,028)
Amortisation	2.2	-	-	-	-	(13,815)	(12,870)	(13,815)	(12,870)
Closing carrying amount		57,456	57,456	15,500	15,500	94,035	62,610	166,991	135,566
Cost		94,380	94,380	23,523	23,523	196,336	151,597	314,239	269,500
Impairment & accumulated amortisation		(36,924)	(36,924)	(8,023)	(8,023)	(102,301)	(88,987)	(147,248)	(133,934)
Closing carrying amount		57,456	57,456	15,500	15,500	94,035	62,610	166,991	135,566

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

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

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

Computer software
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
Last year the Group made the decision to fully write off the brand name held by Torpedo7 of $2.545 million after several years of underperformance relative to plan.

Goodwill and brand impairment testing
The Group performs an annual impairment test of its brand and goodwill intangible assets which involves comparing the recoverable amount of the assets to the carrying values. The recoverable amounts are calculated using the 'fair value less costs to sell' method. The discounted cash flow valuation method is based on projections regarding future operating performance. The Group considers a wide range of factors including the Group's financial budgets, strategic plans, external benchmarks and historical performance to formulate the future cash flow projections. The Group also engages external advisors to determine appropriate discount rates and long term growth rates, integral to the valuations. The valuations are then scaled 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 and form the basis for impairment testing. Cash generating units represent the lowest level within the Group at which the assets are monitored for internal management purposes. Details of the carrying amounts of goodwill and brand assets and the allocation to cash generating units along with the key assumptions used in the impairment tests to extrapolate cash flows beyond the 5 year projection period, are set out in the table below.

Impairment testing	Noel Leeming 2021	Noel Leeming 2020	The Warehouse 2021	The Warehouse 2020
	$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				
Operating margin (%)	5.0	4.0	8.0	6.0
Terminal growth rate (%)	1.5	1.3	1.5	1.3
Pre-tax discount rate (%)	14.3	13.5	13.2	11.8
Post-tax discount rate (%)	10.3	9.7	9.5	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 Warehouse business at 11.3% (2020: 7.0%). The annual impairment testing for both Noel Leeming and The Warehouse cash generating units indicated ample headroom and that the carrying amounts of the attributed goodwill and brand assets were not impaired.

10.0 LEASE LIABILITIES AND RIGHT OF USE ASSETS

10.1 Right of use assets	Note	Cost 2021	Cost 2020	Accumulated Depreciation 2021	Accumulated Depreciation 2020	Carrying Amount 2021	Carrying Amount 2020
		$000	$000	$000	$000	$000	$000
Opening balance	10.4	1,498,007	1,510,584	(723,832)	(676,093)	774,175	834,491
Additions		55,494	66,202	-	-	55,494	66,202
Depreciation		-	-	(94,092)	(96,416)	(94,092)	(96,416)
Reassessment of lease terms	10.2	5,271	(21,960)	-	-	5,271	(21,960)
Lease impairments		-	-	(1,582)	(1,576)	(1,582)	(1,576)
Lease surrenders and terminations		(53,635)	(56,819)	50,893	50,253	(2,742)	(6,566)
Closing carrying amount		1,505,137	1,498,007	(768,613)	(723,832)	736,524	774,175

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

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

The Group leases various warehouses, retail stores, equipment and vehicles. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Property leases represent around 98% of the carrying value of the Group's 'right of use assets'. The property leases are typically made for an initial period of 6 to 10 years and usually include extension options. Extension options provide the Group with operational flexibility in terms of managing the Group's retail intensity within different catchment areas. The majority of extension and termination options held are exercisable only by the Group and not by the landlords.

10.2 Lease liabilities	Note	2021	2020
		$000	$000
Opening balance		934,788	990,213
Additions		55,494	66,202
Interest for the period	3.5	38,497	41,113
Reassessment of lease terms	10.1	5,271	(21,960)
COVID-19 Landlord rent relief	3.1	-	(8,246)
Lease repayments		(137,880)	(124,946)
Lease surrenders and terminations		(3,979)	(7,588)
Closing balance		892,191	934,788

COVID-19 landlord rent relief
Last year 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.

10.3 Lease liability maturity analysis	Gross Lease Payments 2021	Gross Lease Payments 2020	Interest 2021	Interest 2020	Carrying Amount 2021	Carrying Amount 2020
	$000	$000	$000	$000	$000	$000
Within one year	133,653	143,950	(35,841)	(37,483)	97,812	106,467
One to two years	125,275	116,756	(32,157)	(33,871)	93,118	82,885
Two to five years	330,591	329,939	(75,942)	(80,767)	254,649	249,172
Beyond five years	524,906	591,554	(78,294)	(95,290)	446,612	496,264
Total lease liability	1,114,425	1,182,199	(222,234)	(247,411)	892,191	934,788
Current lease liability					97,812	106,467
Non-current lease liability					794,379	828,321
Total lease liability					892,191	934,788

Significant judgements and estimates
The calculation of lease liabilities and right of use values requires the Group to use estimates and judgements to determine the incremental borrowing rate and the appropriate lease term. The Group engages an independent valuation expert to establish the incremental borrowing rates applied during the year. The average incremental borrowing rate used to calculate the value of lease liabilities at balance date was 4.32% (2020: 4.28%).

The Group uses judgement to assess lease terms at the inception of a lease or when a significant event or significant change in circumstances within the control of Group affects the prospect that a right of renewal contained in a lease will be exercised. The Group's shift to an Agile operating model triggered an ongoing review programme to reassess the viability of under performing stores within the store network, resulting in some leases being terminated earlier than previously planned.

11.0 EQUITY

11.1 Capital management

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

The Group has made a number of changes to its capital management policies to strengthen the Group's balance sheet in response to the COVID-19 pandemic including introducing a liquidity buffer requirement. The liquidity buffer is used to cover operating expenses during a period where there are no sales or cash inflows after allowing for expected cash preservation initiatives. The required liquidity buffer policy range is currently set at between $350 million to $450 million. The Group held cash deposits of $160.5 million (2020: $168.1 million) at balance date and unutilised committed bank debt facilities that provided liquidity of $490.5 million (2020: $498.1 million).

The Group reviews its capital structure annually, unless there is a material change requiring an earlier response and may make adjustments by means including changes to the Group's dividend pay-out ratio, issue of new shares, debt issuance, sale of assets or a combination of these. The Group dividend policy was revised during the year (refer note 7.0) and is now based on distributing at least 70% of the adjusted net profit back to shareholders.

Externally imposed capital requirements

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

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

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

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

11.2 Bank facilities	2021	2020
	$000	$000
Unused bank debt facilities	330,000	330,000
Letters of credit facilities	14,500	18,000
Letters of credit	(1,243)	(2,249)
Unused letter of credit facilities	13,257	15,751
Total unused bank facilities	343,257	345,751

11.3 Contributed equity	Contributed equity		Ordinary shares	
	2021	2020	2021	2020
	$000	$000	000	000
Share capital	365,517	365,517	346,843	346,843
Treasury shares	(5,282)	(5,456)	(1,489)	(1,557)
Contributed equity	360,235	360,061	345,354	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	
	2021	2020	2021	2020
	$000	$000	000	000
Opening balance	5,456	5,456	1,557	1,557
Ordinary shares issued to settle share rights plan obligations	(174)	-	(68)	-
Closing balance	5,282	5,456	1,489	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.

11.4 Reserves	2021	2020
	$000	$000
Cash flow hedge reserve	6,171	(13,017)
Foreign currency translation reserve	(115)	(170)
Total reserves	6,056	(13,187)

Cash flow hedge reserve

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

Foreign currency translation

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.

11.5 Minority interest	2021	2020
	$000	$000
Opening balance	(794)	719
Adjustment on adoption of NZ IFRS 16	-	(38)
Net loss attributable to minority interest	(1,441)	(774)
Share rights charged to the income statement	93	350
Share rights vested	(1,697)	(922)
Minority put options exercised	1,145	-
Dividends paid to minority shareholders	-	(129)
Closing balance	(2,694)	(794)

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 shares 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 are 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% (2020: 50%) minority shareholding held in ChocolateWorks and a 11.5% (2020: 10.7%) shareholding in TheMarket.Com (TMC).

TheMarket.com share rights plan

Share rights were provided as a performance incentive to key executives in TMC, an online marketplace start-up venture. In accordance with the share rights plan participants were collectively transferred a total of 160,000 TMC shares in three equal tranches over the period commencing June 2019 and concluding in March 2021. The vested shares rights were independently valued at $5.00, $6.37 and $11.53 per share at the date of vesting in June 2019, March 2020 and March 2021 respectively.

The share rights plan granted the participants put options over a proportion of their vested TMC shares, which could be exercised to fund the participants tax obligations arising under the plan; and a further full put option over the participant's entire TMC shareholding, exercisable during the 3 years following March 2021. 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). During the year, participants exercised tax put options representing 23,710 TMC shares which were settled from treasury shares and a full put option representing 20,810 TMC shares, settled in cash due to restrictions mandated by the Group's share trading policy. No put options were exercised last year.

12.0 FINANCIAL RISK MANAGEMENT

12.1 Financial risk factors

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

The Group enters into 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.

12.2 Derivative financial instruments	Currency Contracts		Interest Rate Swaps		Total	
	2021	2020	2021	2020	2021	2020
	$000	$000	$000	$000	$000	$000
Current assets	8,837	243	-	-	8,837	243
Current liabilities	(4,353)	(17,624)	-	(9,467)	(4,353)	(27,091)
Non-current assets	1,310	-	-	-	1,310	-
Total Derivative financial instruments	5,794	(17,381)	-	(9,467)	5,794	(26,848)
Classified as:						
Cash flow hedges	8,572	(15,040)	-	(3,040)	8,572	(18,080)
Fair value hedges	(2,778)	(2,341)	-	-	(2,778)	(2,341)
Fair value of derivatives that are not hedge effective	-	-	-	(6,427)	-	(6,427)
Total Derivative financial instruments	5,794	(17,381)	-	(9,467)	5,794	(26,848)

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

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

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

Fair value hedge

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

Derivatives that do not qualify for hedge accounting

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

Significant judgements and estimates

Valuation

The Group's derivatives are not traded in an active market which means quoted prices are not available to determine the fair value. To determine the fair value the Group uses valuation techniques which rely on observable market data. 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 18 months overseas purchases to test if the hedged transactions are still highly probable to occur. The method of testing adopted is based on matching the critical terms of the hedged transaction to those of the derivative. The results of this testing demonstrated an expectation of high hedge effectiveness.

The time horizon was extended to 4 years when the Group tested the hedge effectiveness of its monetised interest rate swaps against projected debt levels. The Group considers a wide range of factors including the Group's financial budgets, strategic plans, external benchmarks and historical performance to formulate these projections. The results of the hedge effectiveness tests indicated the Group's monetised interest rate swaps which were considered to be effective hedges last year were no longer effective based on the revised debt projections (refer note 12.5).

12.3 Liquidity risk

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

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

Liabilities/(Assets)		0 - 6 Months		7 - 12 Months		13 - 18 Months		Total	
	Note	2021	2020	2021	2020	2021	2020	2021	2020
		$000	$000	$000	$000	$000	$000	$000	$000
Trade and other payables	8.3	436,579	420,805	-	-	-	-	436,579	420,805
Derivatives - gross settled (currency forward contracts)									
- outflow	12.5	228,007	227,593	154,501	166,522	27,578	-	410,086	394,115
- inflow		(226,957)	(219,723)	(159,357)	(156,910)	(28,713)	-	(415,027)	(376,633)
Derivatives - Interest rate swaps	12.2	-	9,467	-	-	-	-	-	9,467
Financial Liabilities and derivatives		437,629	438,142	(4,856)	9,612	(1,135)	-	431,638	447,754

12.4 Credit risk

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

The Group places its cash and short-term investments and derivatives with high credit quality financial institutions approved by the Board and in accordance with specified treasury policy limits. The Group's treasury policy requires bank counter-parties to have a minimum Standard & Poor's credit rating of at least A (2020: 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. As the Group transacts with a diversity of counterparties it does not have any significant exposure to any individual customers, industry or economic sector.

12.5 Market risk

Foreign exchange risk

The Group purchases inventory directly from overseas suppliers, primarily priced in US dollars. In order to protect against exchange rate movements and manage the inventory costing process, the Group enters into forward exchange contracts to purchase foreign currencies. These contracts hedge highly probable forecast purchases and are timed to mature when the payments are scheduled to be settled. Management work to a Board approved Treasury Policy to manage this foreign exchange risk. An independent review of this policy was recently performed to determine if changes to the overseas payment cycle from extending overseas creditor payment terms last year could affect the way the Group hedges foreign currency purchases. As a result of the review some policy limits were amended in June 2021. The new policy parameters for hedging forecast currency exposures are:

- to hedge 80% to 100% of US dollar commitments expected in the next 0 to 4 months (previously 40% to 100% for the next 0 to 6 months)
- to hedge 50% to 90% of US dollar commitments expected in the next 5 to 12 months (previously 0% to 85% for the next 7 to 12 months)
- where exposures to other currencies arise, the Group hedges these risks once a firm commitment is in place
- specific approval is required to hedge foreign currency commitments extending beyond a 12-month time horizon

Currency position at balance date	Carrying value		Notional amount (NZD)		Average exchange rate		12 month hedge level	
	2021	2020	2021	2020	2021	2020	2021	2020
	$000	$000	$000	$000	CENTS	CENTS	PERCENTAGE	PERCENTAGE
Currency forward contracts								
Buy US dollars/Sell New Zealand dollars	5,794	(17,381)	410,086	394,115	0.7049	0.6334	70.9	74.1

The spot rate used to determine the mark-to-market carrying value of the US dollar forward contracts at balance date was $0.6966 (2020: $0.6628).The following sensitivity table, based on currency contracts and foreign currency trade creditors in existence at balance date, shows the positive/(negative) impact of reasonably possible exchange rate movements on after tax profit and equity, with all other variables held constant.

			+ 10 percent		- 10 percent	
Foreign currency sensitivity table	Note	Amount	Profit	Equity	Profit	Equity
At 1 August 2021		$000	$000	$000	$000	$000
Foreign currency trade creditors	8.3	(93,524)	6,121	6,121	(7,482)	(7,482)
Derivative financial instruments						
Currency forward contracts - cash flow hedges	12.2	8,572	-	(21,011)	-	25,688
Currency forward contracts - fair value hedges	12.2	(2,778)	(6,119)	(6,119)	7,480	7,480
Total increase/(decrease)			2	(21,009)	(2)	25,686
At 2 August 2020						
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	12.2	(15,040)	-	(20,997)	-	25,668
Currency forward contracts - fair value hedges	12.2	(2,341)	(3,697)	(3,697)	4,519	4,519
Total increase/(decrease)			(44)	(21,041)	54	25,722

Interest rate risk

When the Group had borrowings it used interest swaps to manage its exposure to interest rate volatility arising from the debt. Following a strong trading performance coming out of last year's COVID-19 lockdown, the Group was able to fully repay its borrowings and has continued to maintain cash surpluses. The Group's forecast debt projections indicated that the Group would have no core borrowings for the next two years and on that basis the interest rate swaps were monetised in August 2020. There was an additional cost ($0.3 million) to close out the interest rate swaps above the carrying value ($9.5 million - refer note 12.2) recorded last year.

A portion of the longer dated monetised interest rate swaps ($3.0 million) were still considered to be hedge effective at that time, however a continuation of the Group's strong trading performance caused the Group to reassess its debt projections. The reassessment indicated that these monetised interest rate swaps did not provide an effective hedge and accordingly an expense of $3.3 million (2020: $6.4 million - refer note 5.0) was recognised for the monetised interest rate swaps which did not qualify for hedge accounting.

13.0 KEY MANAGEMENT

Key management includes the Directors of the Company and those employees deemed to have disclosure obligations under subpart 6 of the Financial Markets Conduct Act 2013, being the Group Chief Executive Officer and his 9 (2020: 10) 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	2021	2020
	$000	$000
J Withers (Chair)	166	160
A J Balfour	98	82
W K Easton	79	76
D R Hamilton (appointed April 2020)	96	14
J W M Journee	86	83
J M Raue	101	95
R E Taulelei (appointed February 2021)	38	-
R J Tindall (appointed November 2020)	56	-
K R Smith (retired November 2020)	39	111
Sir Stephen Tindall (retired November 2020)	28	82
Total	787	703

J W M Journee received an additional fee of $13,750 (2020: $13,200) and R J Tindall received an additional fee of $13,750 (2020: $12,512) in their capacities as directors of a Group subsidiary company (TheMarket.Com Limited). Last year the Directors reduced their fees by 20 percent in April and May 2020 during the COVID 19 lock-down period.

Key management	Note	2021	2020
		$000	$000
Base salary		7,271	8,361
Annual performance based compensation		3,858	-
Three year performance based compensation		3,325	2,536
Share-based compensation	11.5	35	131
Termination benefits		322	630
Total		14,811	11,658

The Group cancelled last year's annual incentive plan as part of measures taken to reduce operating costs in response to the uncertain trading out-look at the commencement of the COVID 19 lock-down.

14.0 COMMITMENTS

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

Capital commitments	2021	2020
	$000	$000
Within one year	28,759	4,762

15.0 CONTINGENT LIABILITIES

	2021	2020
	$000	$000
Bank letters of credit issued to secure future purchasing requirements	1,243	2,249
Less included as a goods in transit creditor	-	(593)
	1,243	1,656
Bank guarantees provided to landlords and the New Zealand Stock Exchange Limited	456	456
Total contingent liabilities	1,699	2,112

16.0 RELATED PARTIES

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

Independent Auditor's Report

To the shareholders of The Warehouse Group Limited

pwc

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 1 August 2021, its financial performance and its cash flows for the 52 week period then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

What we have audited

The Group's financial statements comprise:

- the consolidated balance sheet as at 1 August 2021;
- the consolidated income statement for the 52 week period then ended;
- the consolidated statement of comprehensive income for the 52 week period then ended;
- the consolidated statement of changes in equity for the 52 week period then ended;
- the consolidated statement of cash flows for the 52 week period then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

Our firm carries out other services for the Group in the areas of treasury related market analysis, executive remuneration analysis, directors remuneration benchmarking, agreed upon procedures at the Annual Shareholders' Meeting and over the calculations of the Negative Pledge 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 52 week period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Description of the key audit matter

Inventory costing and valuation

As at 1 August 2021, the carrying value of the Group's inventory was $457.2 million (2020: $393.6 million) with associated inventory provisions of $22.0 million (2020: $36.9 million).

The Group uses a weighted average method to calculate the cost of inventory and includes expenditure incurred to purchase the inventory and transport it to its current location.

In order to measure inventory at the lower of cost and net realisable value, a provision is deducted from the cost of inventory and is determined based on various factors including historical data, current trends and product information from buyers.

Determining the appropriate level of provisions involves judgement including management's expectations of future sales levels and estimation of selling price adjustments. The inventory provision in the current period decreased from the prior period to reflect management's best estimate of net realisable value based on the expected future economic conditions in an environment that continues to be impacted by COVID-19.

Due to the significance of the inventory balance and the judgements involved in estimating inventory provisions, this is an area of focus for the audit.

Refer to notes 1.5 and 8.1 of the financial statements which describe the accounting policy on inventory and the judgements and estimates applied by management to determine the inventory provision.

How our audit addressed the key audit matter

Our procedures to audit the cost of inventory included the following on a sample basis:

- tested the accuracy of the weighted average cost calculation by reperforming the calculation;
- validated the cost of inventory to supplier and freight invoices and supplier rebate contracts; and
- attended cycle counts to observe that finished goods have been counted and any stocktake variances have been appropriately recorded.

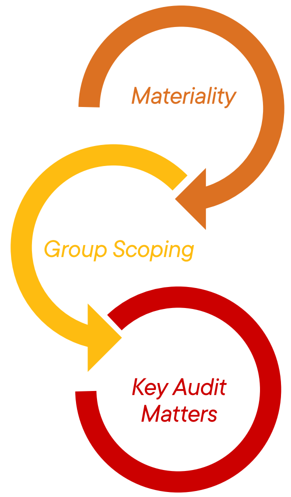
On inventory provisions, we performed the following:

- gained an understanding of inventory processes and assessed the design and implementation of relevant inventory controls, particularly controls over the cyclical counting process;
- 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;
- reviewed management's retrospective review of inventory provisions in the prior period versus inventory write offs in the current period;
- tested the net realisable value of finished goods on a sample basis 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 whether provisions were recorded for aged stock in accordance with Group policy on a sample basis;
- obtained an understanding of specific inventory provisions calculated for certain inventory categories;
- performed a reasonableness test of the shrinkage provision by comparing against the actual shrinkage for the period;
- compared all inventory provisions for each inventory category as a percentage of the gross carrying amount versus the prior 53 week period and understood the rationale for material or unexpected changes. To assess the reasonableness of certain categories, we compared the movements in inventory and inventory provisions against the 29 July 2019 period as the prior period was impacted by the COVID-19 pandemic; and
- reviewed the financial statements disclosures against the requirements in the accounting standard.

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

Our audit approach

Overview



Overall group materiality: $8.6 million, which represents 5% of a three-period weighted average profit before tax from continuing operations adjusted for restructuring costs, the COVID-19 wage subsidy repayment, brand impairments and gains on property disposals. A higher weighting was applied to the current period.

We chose this approach as it reduces the impact of one-off results which do not reflect the long term performance of the business.

Full scope audits were performed for two of the five trading entities in the Group based on their financial significance and representing 94% of the Group's retail sales for the period;

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

As reported above, we have one key audit matter, being:

- Inventory costing and valuation

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

How we tailored our group audit scope

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

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

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of the Directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

Who we report to

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

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

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
28 September 2021

Auckland

Annual 5 Year Summary

	(52 weeks) 2021	(53 weeks) 2020	(52 weeks) 2019	(52 weeks) 2018	(52 weeks) 2017
	$000	$000	$000	$000	$000
Summary Income Statements					
The Warehouse	1,804,861	1,706,036	1,705,687	1,695,839	1,738,751
Warehouse Stationery	274,646	268,845	268,592	263,766	278,181
Noel Leeming	1,128,184	1,009,975	924,648	880,453	810,705
Torpedo7[7]	158,706	129,901	114,259	106,460	94,655
TheMarket[7]	54,455	62,520	58,215	56,942	63,071
Other group operations	7,141	6,673	8,508	9,655	8,603
Inter-segment eliminations	(13,392)	(11,120)	(8,552)	(18,544)	(13,195)
Retail sales	3,414,601	3,172,830	3,071,357	2,994,571	2,980,771
The Warehouse	187,621	54,903	85,075	71,440	84,531
Warehouse Stationery	34,325	17,513	16,669	10,590	15,743
Noel Leeming	64,879	34,160	38,103	31,163	19,264
Torpedo7[7]	3,287	(17,708)	(8,878)	(4,106)	(1,599)
TheMarket[7]	(20,704)	(14,820)	(4,145)	1,526	4,274
Other group operations	(28,803)	(24,796)	(14,446)	(19,171)	(14,376)
Retail operating profit[1]	240,605	49,252	112,378	91,442	107,837
Adjustments for NZ IFRS 16[1]	40,509	40,959	-	-	-
Gain on disposal of property	-	88	11,761	218	11,455
Restructuring costs	(16,065)	(44,195)	(15,718)	(8,731)	(12,060)
Goodwill and brand asset impairment	-	(2,545)	(5,478)	(25,622)	-
COVID-19 Wage Subsidy	(67,550)	67,550	-	-	-
Changes in fair value of financial instruments	(3,340)	(6,427)	-	-	-
Earnings before interest and tax	194,159	104,682	102,943	57,307	107,232
Net interest expense[2]	(37,458)	(46,710)	(8,879)	(9,165)	(12,527)
Profit before tax	156,701	57,972	94,064	48,142	94,705
Income tax expense	(40,491)	(14,305)	(26,621)	(20,636)	(23,691)
Profit after tax	116,210	43,667	67,443	27,506	71,014
Discontinued operations (net of tax)	-	31	(1,928)	(4,386)	(50,283)
Minority interests	1,441	774	(133)	(242)	(302)
Profit attributable to shareholders	117,651	44,472	65,382	22,878	20,429
Adjusted profit reconciliation					
Unusual items (detailed above)	86,955	(14,471)	9,435	34,135	605
Adjustment for NZ IFRS 16[1]	(2,012)	154	-	-	-
Income tax relating to unusual items	(27,079)	1,984	(2,642)	(2,384)	(3,132)
Discontinued operations (net of tax)	-	(31)	1,928	4,386	50,283
Adjusted net profit	175,515	32,108	74,103	59,015	68,185
The Warehouse					
Operating margin (%)	10.4	3.2	5.0	4.2	4.9
Sales growth (%)	5.8	-	0.6	(2.5)	(0.2)
Number of stores	90	92	93	93	92
Store footprint (square metres)	487,553	498,955	501,537	505,645	501,807
Warehouse Stationery					
Operating margin (%)	12.5	6.5	6.2	4.0	5.7
Sales growth (%)	2.2	0.1	1.8	(5.2)	(0.3)
Number of stores	70	71	70	70	69
Store footprint (square metres)	63,684	67,239	70,550	71,491	73,216
Noel Leeming					
Operating margin (%)	5.8	3.4	4.1	3.5	2.4
Sales growth (%)	11.7	9.2	5.0	8.6	7.8
Number of stores	71	74	77	74	77
Store footprint (square metres)	83,672	77,281	80,273	76,055	73,591
Dividend distributions					
Special (cents per share)	5.0	-	-	-	-
Interim (cents per share)	13.0	-	9.0	10.0	10.0
Final (cents per share)	-	-	8.0	6.0	6.0
Ordinary dividends declared (cents per share)	18.0	-	17.0	16.0	16.0
Basic earnings per share (cents)	34.1	12.9	18.9	6.6	5.9
Basic adjusted earnings per share (cents)	50.8	9.3	21.5	17.1	19.8

	2021	2020	2019	2018	2017
	$000	$000	$000	$000	$000
Summary Balance Sheets					
Inventories	457,151	393,610	517,758	523,840	487,274
Trade and other receivables	79,277	84,263	90,670	79,758	75,632
Creditors and provisions	(534,465)	(505,661)	(434,616)	(367,002)	(336,451)
Working capital	1,963	(27,788)	173,812	236,596	226,455
Fixed assets	288,654	259,741	271,172	272,944	273,300
Held for sale	-	-	-	3,674	71,699
Funds employed	290,617	231,953	444,984	513,214	571,454
Taxation assets[5]	75,242	90,823	37,762	32,030	45,870
Derivative financial instruments	5,794	(26,848)	(46)	16,400	(19,265)
Right of use assets[3]	736,524	774,175	-	-	-
Goodwill and Brand Names	72,956	72,956	75,501	80,979	106,601
Capital employed	1,181,133	1,143,059	558,201	642,623	704,660
Net debt	(160,526)	(168,068)	76,168	162,339	218,271
Lease liability[4]	892,191	934,788	-	-	-
Equity attributable to shareholders	452,162	377,133	481,314	479,405	485,522
Minority interest	(2,694)	(794)	719	879	867
Sources of funds	1,181,133	1,143,059	558,201	642,623	704,660
SUMMARY CASH FLOW					
Trading EBITDA	430,417	244,863	172,991	151,072	166,213
Change in trade working capital	(31,028)	197,634	77,249	(5,853)	21,661
Income tax paid	(32,132)	(19,879)	(26,540)	(14,082)	(27,454)
Net interest paid	(37,910)	(46,616)	(8,657)	(9,307)	(16,008)
COVID-19 Wage subsidy	(67,550)	67,550	-	-	-
Restructuring costs	(16,065)	(38,712)	(15,718)	(8,731)	(12,397)
Other items	1,529	3,166	(1,332)	(5,185)	(3,927)
Operating cash flow[6]	247,261	408,006	197,993	107,914	128,088
Capital expenditure	(83,180)	(64,513)	(61,326)	(70,229)	(70,575)
Proceeds from divestments	190	12,008	3,710	74,680	79,714
Lease principal repayments[6]	(99,383)	(83,833)	-	-	-
Net dividends paid	(62,170)	(27,782)	(52,264)	(55,785)	(52,466)
Other items	(10,260)	350	(1,942)	(648)	(3,052)
Net cash flow	(7,542)	244,236	86,171	55,932	81,709
Opening debt	168,068	(76,168)	(162,339)	(218,271)	(299,980)
Closing debt	160,526	168,068	(76,168)	(162,339)	(218,271)

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

In the 2020 financial year the Group adopted NZ IFRS 16 "Leases" which recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under NZIAS 17. This makes the comparability between financial years prior to the adoption of NZ IFRS 16 difficult. NZ IFRS 16 required the Group to recognise a 'lease liability' reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts and resulted in a significant increase in the Group's deferred tax asset. The income statement was impacted by the recognition of additional interest and depreciation expenses and the removal of the previous rental expense.

1. Adjusted to exclude the impact of NZ IFRS 16
2. Includes NZIFRS 16 lease liability interest expense from 2020
3. Right of use assets relate to adoption of NZ IFRS 16 from 2020
4. Lease liabilities relate to adoption of NZ IFRS 16 from 2020
5. Deferred taxation assets include impact of adopting NZ IFRS 16
6. Prior to the adoption of NZ IFRS 16 lease principal repayments were classified as operating cash flows
7. Prior years have been restated to move the 1-day business from the Torpedo7 segment to TheMarket.com segment as a result of an organisational change.

GOVERNANCE REPORT

At The Warehouse Group we are committed to high standards of corporate governance.

We 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.

In this section we introduce you to our Leadership Squad, our Board of Directors, Governance Statement, Remuneration Policy and report, Director's and other disclosures, information for security holders, sustainability index and a directory to help you contact us.

This statement gives an overview of the policies and processes that are in place throughout The Warehouse Group Limited (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 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 28 September 2021 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/about-us/corporate-governance

LEADERSHIP SQUAD

Front: Tania Benyon, Stewart Smith, Michelle Anderson (L to R)
Middle: Nicholas Falconer, Jonathan Waecker, Nick Grayston, Jonathan Oram
Back: Richard Parker, Justus Wilde, Edwin Gear
Absent: Simon West

Our Leadership Squad (LS) ensures our business is positioned for continued success and able to take advantage of future opportunities, while mitigating challenges as they arise.

They leverage a 'collective leadership model', which moves past hierarchical command and control structures to lead through sponsorship of business areas and enabling team members to perform at their best. This model focuses on working together to lead the business forward in an ever-changing environment, with most areas of our business having two Leadership Squad co-sponsors.

Nick Grayston Chief Executive Officer Nick's role as leader of the business means he is focused on building a profitable business, driving operational improvement and leading a high-performing team, all by putting our customers at the heart of everything that we do.

Jonathan Oram Chief Financial Officer Jonathan's responsibilities include business advisory, financial reporting and planning, risk and compliance and governance across the Group.

Tania Benyon Chief Product Officer Tania is responsible for sourcing and building the best assortment of products for customers across our The Warehouse, Warehouse Stationery and Noel Leeming brands, and ensuring these are delivered in the most efficient and timely fashion.

Jonathan Waecker Chief Customer Officer Jonathan is responsible for attracting, engaging and retaining customers through marketing, communications, customer experience, insights, data science, and eCommerce activities, leading brand strategy and customer engagement across the Group.

Michelle Anderson Chief Digital Officer Michelle is responsible for leading the development and execution of digital customer experiences and data strategy across the Group as well as Customer Care.

Edwin Gear Chief Information Officer Edwin is responsible for leading the information services team, ensuring systems security and business continuity while leading technology transformation into the future.

Richard Parker Chief Human Resources Officer Richard is responsible for attracting and retaining world-class retail talent and with ensuring that the Group is the best place to work in New Zealand for all our team members.

Stewart Smith General Manager Strategic Projects Stew is responsible for guiding the business in key strategic growth domains and new venture developments.

Nicholas Falconer Chief of Staff Nicholas is responsible for helping to guide the business strategy, drive performance, and implement the agile business structure.

Justus Wilde CEO TheMarket.com Justus is the CEO of our digital marketplace platform and is responsible for leading and building this platform as the digital future of shopping.

Simon West CEO Torpedo7 Simon is the CEO of our outdoor adventure brand Torpedo7 and is responsible for leading that business with a focus on building a profitable business and driving operational turn around.

OUR BOARD

Joan Withers
MBA, CFInstD

Chair & Independent Non-Executive Director

Joan has been a professional director for more than 20 years and spent over 25 years working in the media industry, previously holding CEO positions at The Radio Network and Fairfax Media. In addition to her Chair role with The Warehouse Group, Joan is also a director of ANZ Bank NZ Limited, Origin Energy Limited and Sky Network Television Limited. Joan has previously held Chair positions at Television New Zealand Limited and Auckland International Airport.

Joan is a Trustee of the Sweet Louise Foundation and is Chair of a steering committee working to increase the percentage of South Auckland Māori and Pacific Island students taking up roles in the health sector.

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

OTHER DIRECTORSHIPS
- Sky Network Television Limited
- ANZ Bank NZ Limited
- Sweet Louise Foundation
- Origin Energy Limited

Robert (Robbie) Tindall
BA, BSc

Non-Executive Director

Robbie was elected as a Director of the Group in November 2020, having previously been Sir Stephen Tindall's alternate and attending meetings since his appointment in 2011.

Robbie studied Arts and Science at the University of Auckland before spending eight years at The Warehouse in various merchandise and buying roles. Today he works for K One W One Limited, a family investment company working alongside – and investing in – some of New Zealand's most exciting technology and innovation companies as they grow and seek to go global. Robbie is also a Trustee of The Tindall Foundation.

INTERNAL
- Disclosure Committee
- Corporate Governance and Nomination Committee
- People and Remuneration Committee
- Health, Safety and Wellbeing Committee
- TheMarket.com Board

OTHER DIRECTORSHIPS
- K One W One Limited
- The Tindall Foundation
- Foundation Services Limited

John Journee
BCom, CFInstD, MAICD

Independent Non-Executive Director

John has had an extensive retail career, which includes executive experience across sectors that span general merchandise, fashion apparel, FMCG, consumer electronics, telecommunications, hospitality and electricity retailing.

Over his 30-year career he has spent 15 years with The Warehouse Group, starting as a joint-venture partner in 1990 and progressing through senior roles in operations, marketing, merchandise, international sourcing and business development. John has also had CEO roles with Noel Leeming and foodservice distributor Southern Hospitality.

INTERNAL
- Audit and Risk Committee
- Health, Safety and Wellbeing Committee
- TheMarket.com Board
- Environmental and Social Sustainability Committee

OTHER DIRECTORSHIPS
- Vanishing Point Limited
- Farmlands Society
- Colonial Motor Company Limited
- Quantiful Limited (Member, Advisory Board)
- West Auckland Trust Services Limited

Corporate Governance

Julia Raue
CMinstD, GAICD

Independent Non-Executive Director

Julia has extensive digital, customer, data, information technology, strategy and business transformation experience across a number of sectors including airline, telecommunications, local government and not-for-profit in New Zealand and Australia.

She has a strong track record of delivering award-winning innovative customer-facing products and services. Julia has been a professional director for six years. Previously, Julia was the Chief Information Officer of Air New Zealand, and she was awarded the New Zealand CIO of the Year award in 2009.

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

OTHER DIRECTORSHIPS
- Z Energy Limited
- Jade Software Corporation Limited
- Southern Cross Healthcare Limited
- Trustee - Southern Cross Health Trust
- Trustee – Global Women NZ

Antony (Tony) Balfour
BCom

Independent Non-Executive Director

Tony has extensive global retail and eCommerce experience with a strong track record in a diverse range of industries.

Most recently, he was General Manager (Markets) for Icebreaker Clothing with responsibility for the company's global business units in New Zealand, Australia, USA, Canada, Europe and Asia as well as the launch of the company's rapidly growing eCommerce and retail business units. His prior experience includes senior roles in Monster.com and Seek.com, both successful online recruitment platforms; and nine years in global senior roles with Nike, including General Manager of Asia Pacific.

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

OTHER DIRECTORSHIPS
- Les Mills International Limited
- Wayfare Limited
- BLIS Technologies Limited
- Pioneer Energy Limited

William (Will) Easton

Independent Non-Executive Director

Will is a seasoned business leader and has an extensive track record of driving growth across emerging markets and technologies. He is currently Managing Director of Facebook for Australia and New Zealand and was previously Vice President at Facebook for Asia Pacific Emerging Markets. Other roles in his portfolio include Regional Director at Google for Mobile and Social in the Asia Pacific region and Director of Sales at Microsoft in the Consumer Products Division.

Will has a passion for the retail industry and has worked closely with retailers throughout his career. He started his career with Coca-Cola as a Retail Sales Manager and believes that there are more opportunities than risks in retail, provided retailers focus on improving organisational designs.

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

OTHER DIRECTORSHIPS
- Facebook Pty Limited
- Meandu Australia Pty Limited

Dean Hamilton
BCA

Independent
Non-Executive Director

Dean has significant CEO and financial markets experience. Most recently he was CEO of Silver Fern Farms Limited where he successfully led the business through a period of significant change and improvement in financial performance, staff and supplier engagement, sustainability and consumer trust in brand.

His prior experience includes 12 years at global investment bank Deutsche Bank, working in both Australia and New Zealand where he advised a wide range of companies on M&A, capital management, corporate restructuring and capital raising.

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

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

Rachel Taulelei
Ngāti Raukawa ki te Tonga, Ngāti Rārua
LLB

Independent
Non-Executive Director

Rachel is a prominent business leader and a strong advocate for the Māori economy, values-based business models, and our food and beverage industry.

Her commitment to kaitiakitanga has been evident throughout her career, as founder of sustainable seafood company Yellow Brick Road in 2006, to her time as CEO of Māori-owned food and beverage company Kono, and now in her current role as co-founder of business design and brand strategy firm Oho.

She has held a number of governance roles, with a particular expertise in primary industries. She presently chairs the APEC Business Advisory Council and the Wellington Regional Stadium Trust, serves as a member on the board of the Young Enterprise Trust, and acts as an advisor to venture capital firm Movac.

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

OTHER DIRECTORSHIPS
- **New Zealand APEC Business Advisory Council (Chair)**
- **Wellington Regional Stadium Trust (Chair)**
- **Young Enterprise Trust**
- **Advisor - Movac**
- **Limited Partner, Movac Fund 5 LP**

Caroline Rainsford
BCom

Future Director
Appointed: August 2021

Caroline is currently the Country Director for Google NZ, where she is responsible for driving the overall revenue and business strategy for New Zealand, and in partnering with Government, policy teams and New Zealand business leaders she is focused on helping New Zealand businesses grow and transform in the digital age.

Prior to joining Google in 2017, Caroline was the Marketing and Product Director for the Latitude NZ (previously GE Capital) business as well as the Brand Director for the Australian and New Zealand region. Her earlier career included roles with Philips Royal Electronics in the Middle East, Turkey and Africa.

Caroline holds a Bachelor of Commerce (Hons) from the University of Auckland.

Renee Mateparae
BEng

Future Director
Tenure ended: 1 September 2021

Renee has extensive experience in business transformation, corporate strategy and technology innovation. Renee is the Technology Lead for Spark NZ with responsibility for technology innovation across Spark. She has also played a key leadership role in the organisation's transition to agile.

Renee's experience includes roles with Air New Zealand and Macquarie Group. Renee holds a Bachelor of Engineering (Hons) and a Postgraduate Diploma in Business Administration from Massey University.

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. This requires consideration of and regular engagement with all the stakeholders that are critical to our success (shareholders, employees, customers, suppliers, communities and society at large) as determined by the Company and the Board using their business judgment. We fulfill this purpose in a way that is consistent with the Board and Management's fiduciary duties and the stewardship of shareholders.

The Board Charter, last approved in May 2020 and available in the Corporate Governance section of the website, sets out how the Board will achieve its purpose. The Charter is reviewed at least every two years. The Board's responsibilities contained in the Charter are covered in the below table.

Management and administration of the Company is undertaken by the Group CEO, who is assisted by the Leadership Squad, in accordance with the strategy, plans and delegations approved by the Board. The Board has implemented appropriate procedures to enable management to undertake its delegated duties and for performance to be assessed. More information can be found in the Remuneration section on page 97.

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

The Board

The Board comprises eight directors: Joan Withers (Chair), Dean Hamilton, John Journee, Tony Balfour, Robbie Tindall, Julia Raue, Will Easton and Rachel Taulelei. Renee Mateparae was the Future Director and her tenure ended on 1 September 2021. Caroline Rainsford has been appointed as the new Future Director. Director profiles are available on pages 84 to 86.

Chair

Joan Withers is Chair of The Warehouse Group Board, first appointed in 2016, and is an independent, non-executive director whose responsibilities include:

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

The Warehouse Group Board Charter states 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 and the NZX Listing Rules. 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.

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.

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.

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 these 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.

Of the Board's eight Directors, Joan Withers (Chair), Dean Hamilton, Antony (Tony) Balfour, John Journee, Julia Raue, William (Will) Easton and Rachel Taulelei are considered to be independent non-executive Directors. Robert (Robbie) Tindall is not deemed to be independent by virtue of associated shareholdings 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 SKILLS MATRIX

Governance plays a critical role in business and stakeholders deserve the highest standards of corporate governance from their boards.

Our Board skills and diversity self-assessment found that the Board holds many strong attributes with a diverse mix of skills among the Directors. This will help drive the Group to achieve our strategy through great execution, brand marketing and customer experience.

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

Primary skills   Secondary skills

Future Directors Programme

Continuing the Company's commitment to supporting the next generation of governance talent in New Zealand, the Board appointed Ms Caroline Rainsford in August 2021 as part of the Future Directors initiative administered by the Institute of Directors in New Zealand. Ms Rainsford attended her first Board meeting on 31 August 2021 and her appointment will continue through to February 2023.

The Company thanks Renee Mateparae, whose tenure as Future Director ended on 1 September 2021, for her contribution and enthusiasm while serving in this position.

Board Structure, Skills and Composition

The current Board comprises 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 84 to 86. A comprehensive matrix of Director skills is on the preceding page.

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.

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.

Name of Director	Originally Appointed	Last Reappointed/ Elected
Joan Withers	23 September 2016	22 November 2019
Julia Raue	23 September 2016	22 November 2019
Antony (Tony) Balfour	15 October 2012	23 November 2018
John Journee	17 October 2013	23 November 2018
William (Will) Easton	3 October 2018	23 November 2018
Dean Hamilton	20 April 2020	27 November 2020
Robbie Tindall	27 November 2020	27 November 2020
Rachel Taulelei	12 February 2021	

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.

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 • Will Easton • Robbie Tindall • Rachel Taulelei	At least twice a year.
Corporate Governance and Nominations Committee	Ensure a high level of corporate governance through continuous monitoring of international corporate governance best practice as promulgated by the relevant authoritative bodies. Ensure that the Board is populated with an appropriate mix of skills and experience who collectively provide the diversity of thought and judgement required.	Comprised of a majority of independent directors. Current members: • Joan Withers (Chair) • Tony Balfour • Dean Hamilton • Robbie Tindall	At least once a year.
Disclosure Committee	Support the Company in meeting its disclosure obligations as set out in the NZX Listing Rules, the Companies Act 1993 and any other applicable regulations by overseeing the Company's compliance with this Policy.	Comprised of the Board Chair, Chair of the Audit and Risk Committee, independent directors, Group Chief Executive Officer, Chief Financial Officer and Disclosure Officer. Current members: • Dean Hamilton (Chair) • Joan Withers • Robbie Tindall • Group CEO, CFO and Company Secretary	Held as required.
Audit and Risk Committee	Assist the Board to fulfil its risk and audit responsibilities.	Comprised of at least three independent directors. The Chair will be independent and may not be the Chair of the Company. Current members: • Dean Hamilton (Chair) • Joan Withers • John Journee • Julia Raue	At least three times each year.
Health, Safety and Wellbeing Committee	Assist the Board to govern health, safety and wellbeing.	Comprised of all Directors. Chair: • Julia Raue	At the discretion of the Committee Chair.
Environmental and Social Sustainability Committee	Assist the Board to govern the Company's environmental, social and sustainability responsibilities.	Comprised of a majority of independent directors and the Group Chief Executive Officer. • Rachel Taulelei (Chair) • Tony Balfour • John Journee • Joan Withers • Julia Raue • Group CEO	At least four times each year.

BOARD COMMITTEES

The table below outlines the number of meetings of the Board and Board Committees during the year ended 1 August 2021 and director attendance at these meetings.

	Board	Audit and Risk Committee	People and Remuneration Committee	Corporate Governance and Nomination Committee	Health, Safety and Wellbeing Committee	Disclosure Committee	Environmental and Social Sustainability Committee[7]
Number of Meetings	18	6	4	2	2	7	0
Joan Withers	18	6	4	2	2	7	
Tony Balfour	14	2[1]	4	2	1	1[1]	
John Journee	17	6	2[1]		2		
Keith Smith[4]	7	2	2	1		1	
Sir Stephen Tindall[2]							
Robbie Tindall	18	3[1]	4	1	2	7	
Will Easton	16						
Dean Hamilton	16	6			1	6	
Julia Raue	16	5	1[5]		1		
Rachel Taulelei[3]	8	1[1]	2[6]		1		

[1] Non-committee member in attendance

[2] Leave of Absence – August 2020 to November 2020. Retired from the Board in November 2020

[3] Joined Board in February 2021

[4] Retired from Board in November 2020

[5] Julia Raue was a People and Remuneration Committee member for 3 months

[6] Rachel Taulelei attended People and Remuneration Committee once as a non-member and once as a committee member

[7] Environmental and Social Sustainability Committee formed in June 2021. The first meeting was held after year end.

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 above.

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 (such as interest rate, foreign exchange and liquidity risk).

Material Risks Identified

Information on material risks the business faces and how they are managed, are outlined on page 31.

Risk Management Roles and Responsibilities

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

Risk Monitoring and Evaluation

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

Health and Safety

The Company's approach and process on health and safety initiatives can be found on pages 40 to 42.

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.

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 1 August 2021 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 93.

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 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 2021 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 auditors' 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 & Young and the Company's own 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 under way.

The role of internal audit is to:

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

ENGAGING WITH OUR INVESTORS

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 has an investor relations programme which includes communication through:

- periodic and continuous disclosure to the 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. ASMs, analyst and investor briefings and roadshows provide an important opportunity for this dialogue. Shareholders also have the opportunity to submit questions and comments through investors@thewarehouse.co.nz

Website

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

Annual Shareholders' Meeting (ASM)

The ASM provides an opportunity for Directors, the Group 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 again this year around COVID-19, and we anticipate this will also maximise participation. The 2021 ASM will be held on 26 November 2021. 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 1993 and NZX Listing Rules, the Company refers any significant matters to shareholders for approval at the ASM, and shareholders are given the opportunity to vote by proxy ahead of the meeting or by polling if attending the meeting in person or virtually.

Electronic Communication

The Company moved to electronic reporting in 2016, noting a key component of the Company's strategy is cost effectiveness and minimising the Company's impact on the environment. Shareholders can request a hard copy of the Annual Report to be mailed to them free of charge by contacting Computershare, our share registrar. We would 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: enquiry@computershare.co.nz

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.

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 on the Corporate Governance section of the website.

REPORTING AND DISCLOSURE

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

The Board is committed to providing full and timely financial and non-financial information that is accurate, balanced, meaningful and consistent. As a listed company, keeping the market informed is a key component to ensuring 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 and is committed to providing balanced, clear and objective financial reporting.

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

Management accountability for the integrity of the Company's financial reporting is reinforced by certification from the 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 1 August 2021, and that operational results are in accordance with relevant accounting standards.

Non-Financial Reporting

The Warehouse Group'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 philosophy, achievements, material environmental, economic and social risks are outlined in our Integrated Report.

Use of Information by Directors

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

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 can only happen in an environment where diversity and inclusion are embraced. That is why we're committed to continuously identifying ways we can improve diversity and inclusivity.

<table>
<tr><th>Areas of focus</th><th>Objective</th><th>Target</th><th>Actual</th></tr>
<tr><td>Gender</td><td>Improve representation of women at senior levels of business</td><td>50% of senior leadership roles held by women by 2022</td><td>
<table>
<tr><th></th><th>2020</th><th></th><th>2021</th><th></th></tr>
<tr><th>Female representation</th><th>Female</th><th>Total</th><th>Female</th><th>Total</th></tr>
<tr><td>Board</td><td>2</td><td>7</td><td>3</td><td>8</td></tr>
<tr><td>Executive</td><td>2</td><td>11</td><td>2</td><td>12</td></tr>
<tr><td>Direct report to executive team</td><td>25</td><td>58</td><td>30</td><td>60</td></tr>
<tr><td>Other*
*331 were non-disclosed</td><td>-</td><td>-</td><td>6,214</td><td>11,069</td></tr>
</table>
</td></tr>
<tr><td></td><td>Close gender pay gaps TWG to achieve 100% pay equity by 2022</td><td colspan="2">A new agile remuneration model was developed in FY21 for our Store Support Office (SSO) team members which is a framework that determines a team member's pay in line with the contribution and value they deliver to the business. The model requires that employees are paid a specific amount (pay point) based on their level in the contribution model. The simplicity and transparency of the contribution model and the pay points assigned to each level significantly reduces any pay differences based on gender or other irrelevant factors.
Our current gender pay gap for SSO is 1% which we hope to reduce to 0% in FY22.</td></tr>
<tr><td>Age</td><td></td><td></td><td>
<table>
<tr><th>Age representation</th><th>Under 30 years old</th><th></th><th>30–50 years old</th><th></th><th>Over 50 years old</th><th></th></tr>
<tr><th></th><th>#</th><th>%</th><th>#</th><th>%</th><th>#</th><th>%</th></tr>
<tr><td>Board</td><td>-</td><td>-</td><td>3</td><td>38%</td><td>5</td><td>62%</td></tr>
<tr><td>Executive</td><td>-</td><td>-</td><td>7</td><td>58%</td><td>5</td><td>42%</td></tr>
<tr><td>Direct report to executive team*
*1 individual non-disclosed</td><td>1</td><td>2%</td><td>48</td><td>82%</td><td>10</td><td>17%</td></tr>
<tr><td>Other*
*132 were non-disclosed</td><td>5,466</td><td>50%</td><td>3,682</td><td>33%</td><td>1,789</td><td>16%</td></tr>
</table>
</td></tr>
<tr><td>Māori Culture</td><td>Build our Māori cultural competency</td><td>To earn and strengthen our position as a New Zealand employer and community partner by encouraging and enriching inclusion of Māori cultural and language practices throughout Aotearoa.</td><td>In FY21 we focused on celebrating Matariki and Māori Language Week,
Te Kaa training for leaders, creation of community groups, and bilingual signage and packaging.
In FY22 we will be launching our TupaToa internships, increasing the frequency of te reo on in store radio and amongst our leadership group as well as recognising Matariki and Māori Language Week.</td></tr>
<tr><td>Diversity and Inclusion</td><td>Develop and celebrate our diversity</td><td>Senior Managers complete unconscious bias training and managing diversity in the workplace workshops
Launch Diversity and Inclusion survey to build D&I understanding
D&I communities to be established across the Group to support initiatives close to our team members hearts
Launch Diversity and Inclusion Survey in FY22</td><td>Maintained Rainbow Tick Accreditation
Relaunched Lean in for Women Leaders which includes training around gender bias
Celebrations: Auckland Big Gay Out and Pride in Wellington, International Women's Day, Wellbeing Week with focus on mental health, Gumboot Day
Partnership with Brain Badge and Altogether Autism to champion thinking different.</td></tr>
<tr><td></td><td rowspan="2">Continue to support our people through inclusive policies</td><td colspan="2">Continue to support our Gender Transition Policy and Family Violence Policy (In 2021 we reviewed our Family Violence Policy and increased it to 15 days' paid leave and 3 free nights' accommodation)</td></tr>
<tr><td></td><td colspan="2">Support parental leave policies such as Ease Back to Work to encourage mothers to return to work</td></tr>
</table>

For FY21 we were focused on gender equity as well as creating a feeling of belonging and designing work for wellbeing to live and perform at our best.

For FY22 we will be focused on fostering an environment of inclusion for all types of diversity so that everyone feels like they belong. We aim to foster an environment where everyone feels safe to be themselves and bring their best selves to work.

REMUNERATION REPORT

1. CEO remuneration 2021 ($ 000s)

	Base			Pay for Performance			
	Salary	Taxable Benefits	Subtotal	STI	LTI	Subtotal	Total Remuneration
Nick Grayston	1,461	69	1,530	-	848	848	2,378

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

Year	Group CEO	Total Earnings Paid	Base	Taxable Benefits	STI	STI as % of Maximum	LTI
2021	Nick Grayston	2,378	1,461	69	-	-	848
2020	Nick Grayston	2,862	1,461	97	-	-	1,304
2019	Nick Grayston	1,972	1,435	66	471	48%	-
2018	Nick Grayston	2,237	1,415	54	768	96%	-
2017	Nick Grayston	1,773	1,415	25	333	31%	-

Explanation of the above items

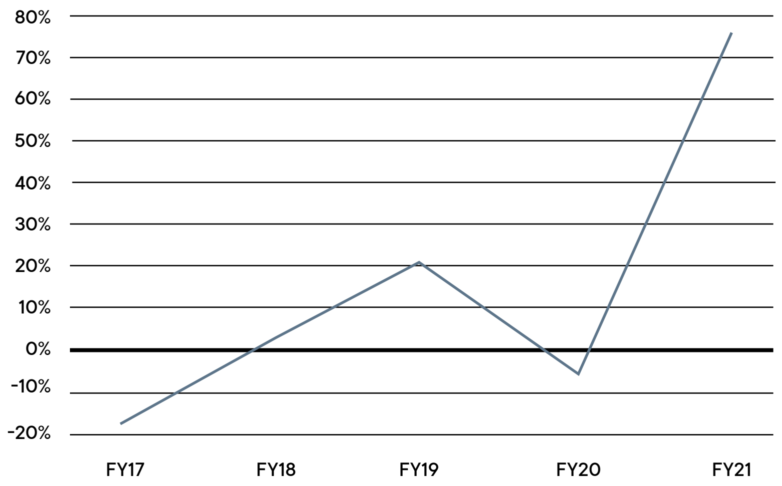
1. The 2021 Long Term Incentive (LTI) value relates to FY18–FY20 but was paid in FY21. The FY19–FY21 LTI and FY21 STI, set out in section 3 below, will be paid in FY22.
2. The actual remuneration paid includes holiday pay paid as per NZ legislation.
3. Nick Grayston joined the Group in November 2015.
4. Taxable benefits are the value of employer KiwiSaver contributions.

3. Breakdown of pay for performance (2021)

	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).	120%
	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.	120%
Long-term Incentive (LTI) FY19–FY21	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% for achievement of 125% of target.*	150%

*As set out in section 6 the performance target for the CEO's LTI grants was changed in FY21 to be absolute TSR against the Company's cost of equity plus 1% over a three-year performance period and is now capped at 125%.

4. 5 year summary of Total Shareholder Return performance



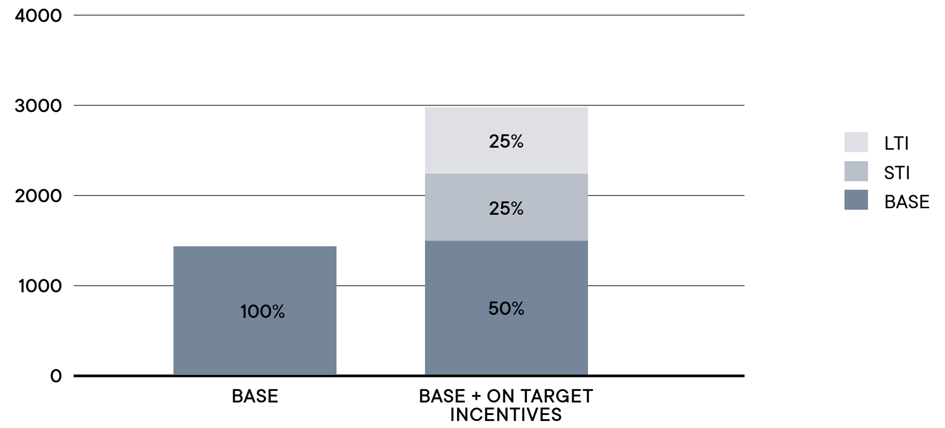
TOTAL SHAREHOLDER RETURN (TSR)

Financial Year 2021 (FY21)	**74.9%**
Financial Year 2020 (FY20)	**–6.1%**
Financial Year 2019 (FY19)	**20.2%**
Financial Year 2018 (FY18)	**3.3%**
Financial Year 2017 (FY17)	**-18.9%**

Statutory Disclosures

REMUNERATION REPORT (CONTINUED)

5. Potential CEO remuneration (2022)



	Base Package 2022			Pay for Performance at Target 2022			
$ 000	Salary	Taxable Benefits	Subtotal	STI	LTI	Subtotal	Total Remuneration
Nick Grayston	1,512	45	1,557	756	756	1,512	3,069

Explanation: Base salary is set at $1.512 million for the financial year. STI is 50% of base salary for On Target performance. The gate for payment is 90% of 2022 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/or shares, 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. CEO LTI Grants

Year Invited	% of Salary	Settlement	Performance Period	Measure
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.
FY22	50%	Cash/Shares	August 2021 to July 2024	Absolute TSR^ against the Company's cost of equity plus 1% over a three-year performance period.

^ TSR measure ensures Mangement's long-term incentives are more closely aligned to shareholder outcomes.

7. Required disclosures per guidelines

Description	Performance Measures
1. TSR Methodology	Total Shareholder Return has been calculated as the movement in the share price during the period plus any dividends paid.
2. Board Discretion	The Board of Directors has not exercised discretion with regard to CEO's incentive pay for performance for 2021. Any payments made or forecasted are in line with contractual or scheme criteria.
3. Omissions	No information has been omitted relating to CEO remuneration.
4. Any Other Items	There are no other items payable to the CEO that are not disclosed.
5. Benefits	There are no benefits attributable to the CEO due to any loans made.
6. Withholdings	No part of the CEO remuneration has been withheld for any purpose.
7. Related Parties	No related parties are involved with the CEO remuneration.

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 11.5 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
100 - 110	146
110 - 120	105
120 - 130	90
130 - 140	82
140 - 150	58
150 - 160	36
160 - 170	30
170 - 180	26
180 - 190	18
190 - 200	20
200 - 210	21
210 - 220	15
220 - 230	12
230 - 240	9
240 - 250	5
250 - 260	5

Remuneration ($ 000)	Number of Team Members
260 - 270	7
270 - 280	9
280 - 290	4
290 - 300	5
300 - 310	2
320 - 330	1
330 - 340	1
340 - 350	1
350 - 360	2
360 - 370	2
370 - 380	1
380 - 390	1
400 - 410	2
410 - 420	1
440 - 450	1
450 - 460	1

Remuneration ($ 000)	Number of Team Members
480 - 490	1
510 - 520	3
530 - 540	2
550 - 560	1
560 - 570	1
630 - 640	1
640 - 650	1
670 - 680	1
800 - 810	1
850 - 860	1
870 - 880	1
970 - 980	1
1,110 - 1,120	1
1,270 - 1,280	1
2,370 - 2,380	1

DIRECTORS' REMUNERATION

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 (if applicable) do not receive additional fees for membership of other Board committees.

Board/Committee Name	Position	as at 1 Dec 2013 Fees (Per Annum)	Fees changed as at 1 Jan 2021 Fees (Per Annum)
Board of Directors	Chair	$166,000[1]	$166,000[1]
	Deputy Chair	$115,000[1]	-
	Member	$78,525	$78,525
Audit and Risk Committee	Chair	$15,000	$25,000
	Member	$7,500	$7,500
People and Remuneration Committee	Chair	$12,000	$20,000
	Member	$6,000	$6,000
Health, Safety and Wellbeing Committee	Chair	$12,000	$15,000
	Member	-	-
Corporate Governance and Nomination Committee	Chair	-	-
	Member	-	-
Disclosure Committee	Chair	-	-
	Member	-	-
Environmental and Social Sustainability Committee	Chair	-	-
	Member	-	-

1. Includes attendances at committee meetings

ACTUAL DIRECTOR REMUNERATION 2020/21

The fees paid to non-executive Directors for services in their capacity as directors during the year ended 1 August 2021 totalling $787,707 were paid as follows:

Name of Director	Board Fees	Audit and Risk Committee	People and Remuneration Committee	Corporate Governance and Nomination Committee	Disclosure Committee	Health, Safety and Wellbeing Committee	Environmental and Social Sustainability Committee[6]	Other Committees	Shares and Other Payments or Benefits	Total Individual Remuneration
Joan Withers (Chair)	$166,000 (Chair)	- (member)	- (member)	- (Chair)	- (member)	- (member)	- (member)	-	-	$166,000
Tony Balfour	$78,525	-	$19,890 (Chair)[1&2]	- (member)	-	- (member)	- (member)	-	-	$98,415
William Easton	$78,525	-	-	-	-	- (member)	-	-	-	$78,525
Dean Hamilton	$78,525	$17,708 (member/ Chair)[1,3]	-	- (member)	- (member)	- (member)	-	-	-	$96,233
Julia Raue	$78,525	$7,500 (member)	$1,500 (member)[7]	-	-	$13,750 (Chair)[1]	- (member)	-	-	$101,275
Rachel Tulelei (appointed February 2021)	$36,376	-	$2,000 (member)	-	-	- (member)	- (Chair)	-	-	$38,376
John Journee[5]	$78,525	$7,500 (member)	-	-	-	- (member)	- (member)	-	-	$86,025
Robbie Tindall[4] (appointed November 2020)	$52,350	-	$4,000 (member)	- (member)	- (member)	- (member)	-	-	-	$56,350
Stephen Tindall[4] (retired November 2020)	$26,175	-	$2,000 (member)	-	- (member)	- (member)	-	-	-	$28,175
Keith Smith (Deputy Chair) (retired November 2020)	$38,333 (Deputy Chair)	- (Chair)	- (member)	- (Chair)	- (Chair)	- (member)	-	-	-	$38,333

1. Committee Chair fees increased from 1 Jan 2021.
2. Underpayment of Remuneration Chair Fees due FY19 & FY20 paid in FY21.
3. Appointed as Audit Committee Chair from December 2020.
4. Director fees on-paid to Robbie Tindall, Alternate Director. Robbie also received a fee of $13,750, as a director of subsidiary company TheMarket.com Limited.
5. John Journee received an additional fee of $13,750 as a director of subsidiary company TheMarket.com Limited.
6. Environment and Social Sustainability Committee formed in June 2021.
7. Member of People and Remuneration Committee for 3 months only.

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 as at 1 August 2021:

ANTONY (TONY) BALFOUR

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

WILLIAM (WILL) EASTON

Managing Director, Facebook Pty Ltd
Director, Meandu Australia Pty 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
Director, West Auckland Trust Services Limited

JULIA RAUE

Director, Jade Software Corporation Limited
Director, Southern Cross Health Society
Director, Southern Cross Pet Insurance Limited
Director, Z Energy Limited
Director, Rowdy Consulting Limited
Member, NZ Rugby Appointments and Remuneration Committee
Trustee, Global Women NZ

JOAN WITHERS

Director, ANZ Bank New Zealand Limited
Director, On Being Bold Limited
Director, Sky Network Television Limited
Member, Appointments Panel Fonterra farmer elected directors
Trustee, Sweet Louise Foundation
Director, Origin Energy Limited

DEAN HAMILTON

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

ROBERT (ROBBIE) TINDALL

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

RACHEL TAULELEI

CEO, Kono
Chair, APEC Business Advisory Council
Chair, Wellington Regional Stadium Trust
Trustee, Young Enterprise Trust
Governor, Queen Margaret College
Advisory Board Member, Movac
Director, RLaw Limited
Limited Partner, Movac Fund 5 LP

DIRECTORS' SHAREHOLDINGS AS AT 1 AUGUST 2021

At 1 August 2021 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
	2021	2020	2021	2020	2021	2020
D Hamilton			1,493,057			
J Journee	172,000	172,000				
J Raue	15,000					
R J Tindall	4,800	4,800			93,721,184	93,721,184
J Withers	68,419	46,889	1,493,057	1,561,294		
A Balfour			1,015,875			

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 2020	21,530	On market purchase of shares at an average price of $2.31 per share
J Raue	March 2021	15,000	On market purchase of shares at an average price of $3.77 per share

TWENTY LARGEST REGISTERED SHAREHOLDERS AS AT 1 AUGUST 2021

	Number of Ordinary Shares	Percentage of Ordinary Shares
Sir Stephen Robert Tindall	93,687,096	27.01
The Tindall Foundation Inc	73,920,496	21.31
James Pascoe Limited	69,333,940	19.99
Accident Compensation Corporation - NZCSD <ACCI40>	8,159,499	2.35
Citibank Nominees (New Zealand) Limited - NZCSD <CNOM90>	6,865,254	1.98
Forsyth Barr Custodians Limited <1-CUSTODY>	5,569,042	1.61
National Nominees Limited - NZCSD <NNLZ90>	5,247,731	1.51
Custodial Services Limited <A/C 4>	4,400,825	1.27
Sir Stephen Robert Tindall + John Richard Avery + Brian Mayo-Smith <SR Tindall Family A/C>	3,778,149	1.09
Robert George Tindall + Sir Stephen Robert Tindall + Pupuke Trustee Limited <Tindall A/C>	3,455,103	1.00
BNP Paribas Nominees (NZ) Limited - NZCSD <BPSS40>	3,211,267	0.93
BNP Paribas Nominees (NZ) Limited - NZCSD	3,175,883	0.92
Hobson Wealth Custodian Limited <Resident Cash Account>	2,086,002	0.60
New Zealand Depository Nominee Limited <A/C 1 Cash Account>	1,188,696	0.34
HSBC Nominees (New Zealand) Limited - NZCSD <HKBN90>	1,170,357	0.34
FNZ Custodians Limited	799,291	0.23
Forsyth Barr Custodians Limited <ACCOUNT 1 E>	767,697	0.22
Sir Stephen Robert Tindall + John Richard Avery + Brian Mayo-Smith <MERANI A/C>	752,798	0.22
The Warehouse Management Trustee Company Limited <Re Unissued Shares>	667,174	0.19
James Raymond Holdings Limited	600,000	0.17
	288,836,300	83.28%

[1] New Zealand Central Securities Depository Limited (NZCSD) is a depository system which allows electronic trading of members. As at 1 August 2021 total holdings in NZCSD were 29,821,646 or 8.59% of shares on issue.

DISTRIBUTION OF SHAREHOLDERS AND HOLDINGS AS AT 1 AUGUST 2021

Size of Shareholding	Number of Shareholders	Percentage	Number of Shares	Percentage
1 - 1,000	3,663	36.86%	1,677,796	0.48%
1,001 - 5,000	3,990	40.16%	8,797,252	2.54%
5,001 - 10,000	1,071	10.78%	7,022,586	2.02%
10,001 - 100,000	1,121	11.28%	24,527,955	7.08%
100,000 and over	91	0.92%	304,817,531	87.88%
	9,936	100%	346,843,120	100%
Geographic Distribution				
Auckland and Northland	3,827	38.52%	302,995,871	87.37%
Waikato and Central North Island	2,017	20.30%	12,871,727	3.71%
Lower North Island and Wellington	1,424	14.33%	11,687,281	3.37%
Canterbury, Marlborough and Westland	1,077	10.84%	6,363,246	1.83%
Otago and Southland	693	6.97%	10,832,747	3.12%
Australia	763	7.68%	1,265,032	0.36%
Other Overseas	135	1.36%	827,216	0.24%
	9,936	100%	346,843,120	100%

SUBSTANTIAL PRODUCT HOLDERS

According to notices given to the Company under the Financial Markets Conduct Act 2013, as at 1 August 2021, 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
Sir Stephen Tindall	84,141,524	19 March 2004
The Tindall Foundation	66,323,220	19 March 2004

Statutory Disclosures

SUBSIDIARY COMPANY DIRECTORS

The following people held office as directors of subsidiary companies at 1 August 2021. Those who retired during the year are indicated with an (R).

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

STOCK EXCHANGE LISTING

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

ORDINARY SHARES

The total number of voting securities of the Company on issue on 1 August 2021 was 346,843,120 fully paid ordinary shares.

Holders of each class of equity security as at 1 August 2021

Class of equity security	Number of Holders	Number of Shares or Rights
Ordinary shares	9,936	346,843,120

RIGHTS ATTACHING TO SHARES

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

ON-MARKET SHARE BUY-BACKS

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

ESCROW

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

DONATIONS

In accordance with section 211(1)(h) of the Companies Act 1993, the Company records that it donated $499,390 (2020 $134,000) to various charities during the year. In line with Board policy, no political contributions were made during the year.

DIVIDENDS ON ORDINARY SHARES

The Warehouse Group Limited has paid dividends on its ordinary shares almost every year since listing on the New Zealand Exchange in 1994, with the exception of 2020 due to the COVID-19 disruption to business. The Group's current dividend policy was approved by the Board in March 2021. The Group's dividend policy is to distribute at least 70% of the Group's full year adjusted net profit, at the discretion of the Board and subject to trading performance, market conditions and liquidity requirements.

On 28 September 2021 the Directors declared a fully imputed final dividend of 17.5 cents per share bringing the total dividend for the year to 35.5 cents per share. The final dividend has been declared on the basis that New Zealand is predominantly at Alert Level 2 or below from the end of October 2021. The dividends will be fully imputed at a rate of 28.0% and will be paid on 3 December 2021 to all shareholders on the share register at the close of business on 18 November 2021.

Dividends	2021	2020	2019	2018	2017
Interim	13.0	0.0	9.0	10.0	10.0
Special	5.0	-	-	-	-
Final	17.5	0.0	8.0	6.0	6.0
Total	35.5	0.0	17.0	16.0	16.0

AUDITOR

PricewaterhouseCoopers have continued to act as auditors of the company and have undertaken the audit of the financial statements for the year ended 1 August 2021.

DISCIPLINARY ACTION

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

NZX WAIVERS

Details of all waivers granted and published by NZX within or relied upon by the Company in the 12 months immediately preceding The Warehouse Group Limited's balance date are available on the Company's website *www.thewarehousegroup.co.nz.*

INITIATIVES AND ASSOCIATIONS

Listed below are the external economic, environmental or social initiatives to which The Warehouse Group subscribes, and the main associations and national or international advocacy organisations of which The Warehouse Group are members.

	Initiatives	Associations
Environmental	• Paris Agreement • Climate Leaders Coalition 2019 Statement • Toitū Carbonzero • Low Emissions Heavy Freight Working Group • Carbon Disclosure Project – Climate Change • Soft Plastics Recycling Scheme	• Climate Leaders Coalition (CLC) • Science Based Targets Initiative (SBTI) • Sustainable Business Council (SBC) • Energy Efficiency and Conservation Authority (EECA) • WasteMinz • Retail Network NZ
Human Resource and People	• Retailers Against Racism pledge • P-TECH	• Tupu Toa • HRNZ • ShopCare • Lean In NZ
Product Sourcing and Development	• Anti-Modern Slavery • Her project	• New Zealand Business Roundtable in China (NZBRiC) • Better Cotton Initiative (BCI) • Forest Stewardship Council (FSC) • Business for Social Responsibility (BSR)
Other	• Building industry inclusion on the content of Vocational Education • Provision of Vocational Education training • Migration to WDC and Te Pukenga prior to wind-up • Working with MBIE on Future of Work	• Retail NZ • TEC / Services Workforce Development Council • Te Pukenga • ServiceIQ / ITO • New Zealand Business and Parliamentary Trust • Business NZ • NZ Marketing Association • Digital Boost Pledge Collaborative

GLOBAL REPORTING INITIATIVES (GRI) MATERIALITY ASSESSMENT

The Warehouse Group's vision is to build new Zealand's most sustainable, convenient and customer first company.

For the past two years we have reported under the Integrated Reporting International Framework and produced an Integrated Annual Report. This year we have taken a further step into how we determine what Environmental, Social and Governance (ESG) topics are material to The Warehouse Group and how we report on these ESG initiatives and achievements, as well as relevant economic impacts, through adopting the Global Reporting Initiatives (GRI) reporting framework.

Through an internal stakeholder mapping exercise, we have identified key stakeholder groups which we prioritise our engagements with. These include groups which our business has a significant impact on, and those which have a high interest in or considerable influence on the success of our business. We have undertaken in-depth, independent interviews with a variety of stakeholders including customers, employees, suppliers, shareholders and business customers. This review provides a materiality assessment of economic, environmental, social and governance issues, enabling us to identify and prioritise issues which substantively influence stakeholders' assessments and decisions or have a significant economic, environmental or social impact.

Value at Stake reflects the impact on the economy, environment, and/or society which can lead to consequences for the organisation's business model, reputation, or ability to achieve its objectives.

The following materiality matrix discloses the ranking of importance of these ESG issues.

This report has been prepared in accordance with the GRI Standards: Core option. The report has been internally reviewed, supported by evidence, signed off by Management, and approved by the Board. Unless otherwise stated, the Group has not sought external assurance in the preparation of this report.

Carbon and energy emissions are obtained from Toitū Envirocare certified emissions data. Please refer to The Warehouse Group Emissions Inventory Report or find it on our website.

Importance to stakeholders		Value at Stake – economic, environmental and social impacts: Low	Value at Stake – economic, environmental and social impacts: High
	High	• GHG emissions • Waste and hazardous materials management • Business ethics* • Child labour and exploitive labour • Physical impacts of climate change and product carbon footprint	• Product packaging and waste • Product quality and safety • Future workforce • Materials sourcing and efficiency • Supply chain management* • Access and affordability
	Low	• Water and wastewater management • Ecological impacts • Customer welfare • Selling practice and product labelling • Air quality • Sustainability oversight* • Critical incident risk management* • Systematic risk management* • Business model resilience*	• Human rights, responsible sourcing, and community relations • Employee health and safety • Customer privacy* • Data security* • Energy management • Employee engagements, diversity and inclusion • Labour practices and employee training • Product design and lifestyle management • Competitive behaviour*

* These topics are governance related topics which are not specifically covered under GRI economic, environmental and social topics and boundaries.

GENERAL DISCLOSURES

Indicator	Disclosure	Reference in this Annual Report	Omission or External Reference
102–1	Name of the organisation	The Warehouse Group Limited	
102–2	Activities, brands, products, and services	Pages 18–23	
102–3	Location of headquarters	Page 107	
102–4	Location of operations	Pages 18–23, 107	
102–5	Ownership and legal form	Page 56	
102–6	Markets served	Pages 18–23	
102–7	Scale of the organisation	Number of employees - pages 8, 13, 93 Number of operations – pages 18–23 Net sales – page 52 Total capitalisation – pages 45, 53 Quantity of products provided – Page 58	
102–8	Information on employees and other workers	Pages 40–42, 93	Information on employees is not broken down by employment type or employment contract. An insignificant portion of the Group's activities is performed by workers who are not employees or who are seasonal workers.
102–9	Supply chain	Pages 32, 39	
102–10	Significant changes to the organisation and its supply chain	None	
102–11	Precautionary principle or approach	Pages 31, 87–91	
102–12	External initiatives	Page 102	
102–13	Membership of associations	Page 102	
102–14	Statement from senior decision-maker	Pages 8–13	
102–16	Values, principles, standards, and norms of behaviour	Pages 14–15	
102–18	Governance structure	Pages 84–90	
102–40	List of stakeholder groups	Pages 36–42, 99, 103	
102–41	Collective bargaining agreements	Page 40	
102–42	Identifying and selecting stakeholders	Page 103	
102–43	Approach to stakeholder engagement	Page 103	
102–44	Key topics and concerns raised	Pages 36, 39, 40–42, 103	
102–45	Entities included in the consolidated financial statements	Page 56	
102–46	Defining report content and topic boundaries	Page 103	
102–47	List of material topics	Page 103	
102–48	Restatements of information	None	
102–49	Changes in reporting	None	
102–50	Reporting period	3 August 2020 to 1 August 2021	
102–51	Date of most recent report	This is the first GRI Report	
102–52	Reporting cycle	Annual	
102–53	Contact point for questions regarding the report	investors@thewarehouse.co.nz	
102–54	Claims of reporting in accordance with the GRI Standards	GRI Standards (Core option)	
102–55	GRI content index	Pages 103–106	
102–56	External assurance	GRI Standards 102–5, 102–45 are covered by external Audit Report, pages 73–77. No external assurance is obtained on other GRI information.	Carbon and energy emissions are obtained from Toitū Envirocare certified emissions data. Refer to The Warehouse Group Emissions Inventory Report or on our website.

ECONOMIC

Indicator	Disclosure	Reference in this Annual Report	Omission or External Reference
Market Presence (2016)			
103	Management Approach	Pages 40–41	
202–1	Ratio of standard entry level wage by gender compared to local minimum wage	Pages 40–41, 93	
Anti-corruption (2016)			
103	Management Approach	Pages 31, 40, 92	
205–2	Communication and training about anti-corruption policies and procedures	Page 40	Board members did not receive anti-corruption policies and procedures or training in the current year, but this is planned to be addressed in FY22.
Anti-competitive Behaviour (2016)			
103	Management Approach	Pages 31, 90, 92	
206–1	Legal actions for anti-competitive behaviour, anti-trust and monopoly practices	We are not aware of any legal cases against the organisation regarding anti-competitive behaviour and violations of anti-trust and monopoly legislation during the reporting period.	

ENVIRONMENTAL

Indicator	Disclosure	Reference in this Annual Report	Omission or External Reference
Energy (2016)			
103	Management Approach	Pages 26–27, 28–29, 89	
302–1	Energy consumption within the organisation	Page 47	For further disclosures please refer to The Warehouse Group Emissions Inventory Report or on our website.
302–3	Energy intensity	Page 47	
302–4	Reduction of energy consumption	Page 47	
Emissions (2016)			
103	Management Approach	Pages 26–27, 28–29, 89	
305–1	Direct (scope 1) GHG emissions	Pages 47–48	For further disclosures please refer to The Warehouse Group Emissions Inventory Report or on our website.
305–2	Energy indirect (Scope 2) GHG emissions	Pages 47–48	
305–3	Other indirect (Scope 3) GHG emissions	Pages 47–48	
305–4	GHG emissions intensity	Page 48	
305–5	Reduction of GHG emissions	Pages 47–48	
Waste (2020)			
103	Management Approach	Pages 26–27, 28–29, 89	
306–1	Waste generation and significant waste-related impacts	Pages 46–47	For further disclosures please refer to The Warehouse Group Emissions Inventory Report or on our website.
306–2	Management of significant waste-related impacts	Pages 46–47	
306–3	Waste generated	Pages 46–47	
306–4	Waste diverted from disposal	Pages 46–47	
306–5	Waste directed to disposal	Pages 46–47	
Environmental Compliance (2016)			
103	Management Approach	Pages 26–27, 28–29, 89	
307–1	Non-compliance with environmental laws and regulations	We are not aware of any incidents related to non-compliance with environmental laws and regulations during the reporting period.	
308–1	New suppliers that were screened using environmental criteria	Page 46	
308–2	Negative environmental impacts in the supply chain and actions taken	Page 46	Ethical Sourcing Report or find on our website.

Global Reporting Initiative (GRI) Content Index

SOCIAL

Indicator	Disclosure	Reference in this Annual Report	Omission or External Reference
Occupational Health and Safety (2018)			
103	Management Approach	Pages 41, 87, 89	
403–6	Promotion of worker health	Page 42	
403–9	Work-related injuries	Page 41	
Training and Education (2016)			
103	Management Approach	Pages 28–29, 40	
404–1	Average hours of training per year per employee	Page 40	Information on training hours per year by gender and employee category is not yet available. We will endeavour to work on this reporting in the future.
404–2	Programmes for upgrading employee skills and transition assistance programmes	Page 40	
Diversity and Equal Opportunity (2016)			
103	Management Approach	Pages 28–29, 40–41, 87, 89, 91	
405–1	Diversity of governance bodies and employees	Page 93	
405–2	Ratio of basic salary and remuneration of women to men	Page 93	Information on salary and remuneration by employee category is not yet available. We will endeavour to work on this reporting in the future.
Ethical Operations and Sourcing			
103	Management Approach	Pages 39, 92	
	The following GRI standards are referred to in The Warehouse Group Ethical Sourcing Policy and the 2021 Ethical Sourcing Report	Ethical Sourcing Policy or find on our website.	Ethical Sourcing Report or find on our website.
407–1 (2016)	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Pages 4, 5	Page 20
408–1 (2016)	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Page 3	Page 19
409–1 (2016)	Operations and suppliers at significant risk for incidents of child labour	Page 3	Pages 13, 14, 19
414–1 (2016)	New suppliers that were screened using social criteria	Ethical Sourcing Policy, Page 2 2021 Annual Report, Page 47	Pages 5, 22
414–2 (2016)	Negative social impacts in the supply chain and actions taken	-	Pages 6, 8, 12, 22

The Warehouse Group Ethical Sourcing Policy and the 2021 Ethical Sourcing public report were not drafted in reference to the GRI Standards or Reporting framework. As such the above index should be taken as a general indication of alignment within our policy and reporting to a GRI standard, not as indication of compliance with the standard or its detailed reporting requirements. Readers seeking a deeper understanding of our ethical sourcing programme and its impact are encouraged to read the Ethical Sourcing Policy and Ethical Sourcing Report as referenced above.

Directory

Board of Directors
Joan Withers (Chair)
Dean Hamilton
Robbie Tindall
Tony Balfour
John Journee
Will Easton
Julia Raue
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New Zealand Incorporation: 9429038766633

Auditor
PricewaterhouseCoopers
Private Bag 92162
Auckland 1142, New Zealand

Group Chief Executive Officer
Nick Grayston

Group Chief Financial Officer
Jonathan Oram

Company Secretary
Erin Vercoe

Stock Exchange Listing
NZX trading code: WHS

Share Registrar
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Facsimile: +64 9 488 8787
Email: enquiry@computershare.co.nz
Website: www.computershare.co.nz/investorcentre

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.


THE
WAREHOUSE
GROUP