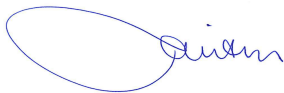


# The Warehouse Group Limited

## Interim Financial Statements

For the 26 weeks ended 31 January 2021

For and on behalf of the Board



---

Joan Withers  
Chair

24 March 2021



---

Dean Hamilton  
Chair of the Audit and Risk Committee

## Consolidated Income Statement

	Note	Unaudited 26 Weeks Ended 31 January 2021 \$ '000	Unaudited 26 Weeks Ended 26 January 2020 \$ '000	Audited 53 Weeks Ended 2 August 2020 \$ '000
<b>Continuing operations</b>				
Retail sales	4	1,808,255	1,683,393	3,172,830
Cost of retail goods sold		(1,152,874)	(1,117,340)	(2,137,950)
<b>Gross profit</b>		655,381	566,053	1,034,880
Other income		2,639	4,892	16,369
Employee expenses		(286,678)	(286,193)	(559,299)
Depreciation and amortisation expenses	4	(73,550)	(75,986)	(154,652)
Other operating expenses		(124,378)	(121,193)	(247,087)
<b>Operating profit from continuing operations</b>	4	173,414	87,573	90,211
Unusual items	5	(79,036)	(21,918)	14,471
<b>Earnings before interest and tax from continuing operations</b>		94,378	65,655	104,682
Net interest expense		(18,886)	(23,681)	(46,710)
<b>Profit before tax from continuing operations</b>		75,492	41,974	57,972
Income tax expense		(21,250)	(12,410)	(14,305)
<b>Net profit for the period from continuing operations</b>		54,242	29,564	43,667
<b>Discontinued operations</b>				
(Loss) / profit from discontinued operations (net of tax)		-	(781)	31
<b>Net profit for the period</b>		54,242	28,783	43,698
<b>Attributable to:</b>				
Shareholders of the parent		54,965	29,155	44,472
Minority interests		(723)	(372)	(774)
<b>Net profit for the period</b>		54,242	28,783	43,698
<b>Profit attributable to shareholders of the parent relates to:</b>				
Profit from continuing operations	5	54,965	29,936	44,441
Loss from discontinued operations		-	(781)	31
<b>Profit attributable to shareholders of the parent</b>		54,965	29,155	44,472
<b>Earnings per share attributable to shareholders of the parent:</b>				
Basic earnings per share		15.9 cents	8.4 cents	12.9 cents
Basic earnings per share - continuing operations		15.9 cents	8.7 cents	12.9 cents

## Consolidated Statement of Comprehensive Income

		Unaudited 26 Weeks Ended 31 January 2021 \$ '000	Unaudited 26 Weeks Ended 26 January 2020 \$ '000	Audited 52 Weeks Ended 2 August 2020 \$ '000
<b>Net profit for the period</b>		54,242	28,783	43,698
<b>Items that may be reclassified subsequently to the Income Statement</b>				
Movement in foreign currency translation reserve		(45)	(28)	(184)
Movement in hedge reserves (net of tax)		(640)	(8,244)	(11,787)
<b>Total comprehensive income for the period</b>		53,557	20,511	31,727
<b>Attributable to:</b>				
Shareholders of the parent		54,280	20,883	32,501
Minority interest		(723)	(372)	(774)
<b>Total comprehensive income</b>		53,557	20,511	31,727
<b>Attributable to:</b>				
Total comprehensive income from continuing operations		53,557	21,292	31,696
Total comprehensive income from discontinued operations		-	(781)	31
<b>Total comprehensive income</b>		53,557	20,511	31,727
<b>Total comprehensive income from continuing operations attributable to:</b>				
Shareholders of the parent		54,280	21,664	32,470
Minority interest		(723)	(372)	(774)
<b>Total comprehensive income</b>		53,557	21,292	31,696

## Consolidated Statement of Changes in Equity

(Unaudited)	Note	Share Capital \$ 000	Treasury Stock \$ 000	Hedge Reserves \$ 000	Foreign Currency Translation Reserve \$ 000	Retained Earnings \$ 000	Minority Interest \$ 000	Total Equity \$ 000
<b>For the 26 weeks ended 31 January 2021</b>								
Balance at the beginning of the period		365,517	(5,456)	(13,017)	(170)	30,259	(794)	376,339
Profit for the half year		-	-	-	-	54,965	(723)	54,242
Movement in foreign currency translation reserve		-	-	-	(45)	-	-	(45)
Movement in derivative cash flow hedges		-	-	2,256	-	-	-	2,256
Movement in monetised hedges		-	-	(3,145)	-	-	-	(3,145)
Tax related to movement in hedge reserve		-	-	249	-	-	-	249
Total comprehensive income		-	-	(640)	(45)	54,965	(723)	53,557
Share rights charged to the income statement		-	-	-	-	-	72	72
Minority put option exercised		-	94	-	-	(361)	267	-
Balance at the end of the period		365,517	(5,362)	(13,657)	(215)	84,863	(1,178)	429,968

(Unaudited)		Share Capital \$ 000	Treasury Stock \$ 000	Hedge Reserves \$ 000	Foreign Currency Translation Reserve \$ 000	Retained Earnings \$ 000	Minority Interest \$ 000	Total Equity \$ 000
<b>For the 26 weeks ended 26 January 2020</b>								
Balance at the beginning of the period as previously reported		365,517	(5,456)	(1,230)	14	122,469	719	482,033
Adjustment on adoption of NZIFRS 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 half year		-	-	-	-	29,155	(372)	28,783
Movement in foreign currency translation reserve		-	-	-	(28)	-	-	(28)
Movement in derivative cash flow hedges		-	-	(11,614)	-	-	-	(11,614)
Movement in monetised hedges		-	-	164	-	-	-	164
Tax related to movement in hedge reserve		-	-	3,206	-	-	-	3,206
Total comprehensive income		-	-	(8,244)	(28)	29,155	(372)	20,511
Share rights charged to the income statement		-	-	-	-	-	229	229
Dividends paid		-	-	-	-	(27,747)	(81)	(27,828)
Treasury stock dividends received		-	-	-	-	115	-	115
Balance at the end of the period		365,517	(5,456)	(9,474)	(14)	14,020	457	365,050

(Audited)		Share Capital \$ 000	Treasury Stock \$ 000	Hedge Reserves \$ 000	Foreign Currency Translation Reserve \$ 000	Retained Earnings \$ 000	Minority Interest \$ 000	Total Equity \$ 000
<b>For the 53 weeks ended 2 August 2020</b>								
Balance at the beginning of the period as previously reported		365,517	(5,456)	(1,230)	14	122,469	719	482,033
Adjustment on adoption of NZIFRS 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 year		-	-	-	-	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 monetised hedges		-	-	226	-	-	-	226
Tax related to movement in hedge reserve		-	-	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 exercised		-	-	-	-	922	(922)	-
Dividends paid		-	-	-	-	(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

## Consolidated Balance Sheet

	Note	Unaudited As at 31 January 2021 \$ '000	Unaudited As at 26 January 2020 \$ '000	Audited As at 2 August 2020 \$ '000
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	16	183,585	56,690	168,068
Trade and other receivables	8	86,129	99,766	84,263
Inventories	7	497,740	581,347	393,610
Derivative financial instruments	17	77	2,886	243
<b>Total current assets</b>		<b>767,531</b>	<b>740,689</b>	<b>646,184</b>
<b>Non-current assets</b>				
Property, plant and equipment	11	195,839	212,700	197,131
Right of use assets	13	751,380	813,986	774,175
Intangible assets	12	149,745	133,963	135,566
Deferred taxation		97,211	87,957	101,805
<b>Total non-current assets</b>		<b>1,194,175</b>	<b>1,248,606</b>	<b>1,208,677</b>
<b>Total assets</b>		<b>1,961,706</b>	<b>1,989,295</b>	<b>1,854,861</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Borrowings	16	-	125,262	-
Trade and other payables	9	501,644	440,586	420,805
Derivative financial instruments	17	31,742	8,323	27,091
Taxation payable		4,255	1,374	10,982
Lease liabilities	14	96,287	92,350	106,467
Provisions	10	63,029	51,161	60,991
<b>Total current liabilities</b>		<b>696,957</b>	<b>719,056</b>	<b>626,336</b>
<b>Non-current liabilities</b>				
Derivative financial instruments	17	-	6,866	-
Lease liabilities	14	813,861	877,275	828,321
Provisions	10	20,920	21,048	23,865
<b>Total non-current liabilities</b>		<b>834,781</b>	<b>905,189</b>	<b>852,186</b>
<b>Total liabilities</b>		<b>1,531,738</b>	<b>1,624,245</b>	<b>1,478,522</b>
<b>Net assets</b>		<b>429,968</b>	<b>365,050</b>	<b>376,339</b>
<b>EQUITY</b>				
Contributed equity		360,155	360,061	360,061
Reserves		(13,872)	(9,488)	(13,187)
Retained earnings		84,863	14,020	30,259
<b>Total equity attributable to shareholders</b>		<b>431,146</b>	<b>364,593</b>	<b>377,133</b>
Minority interest		(1,178)	457	(794)
<b>Total equity</b>		<b>429,968</b>	<b>365,050</b>	<b>376,339</b>

## Consolidated Statement of Cash Flows

	Note	Unaudited 26 Weeks Ended 31 January 2021 \$ '000	Unaudited 26 Weeks Ended 26 January 2020 \$ '000	Audited 53 Weeks Ended 2 August 2020 \$ '000
<b>Cash flows from operating activities</b>				
Cash received from customers		1,808,006	1,672,262	3,182,661
COVID-19 Wage subsidy		(67,550)	-	67,768
Payments to suppliers and employees		(1,584,811)	(1,532,918)	(2,775,928)
Income tax paid		(23,139)	(14,806)	(19,879)
Interest paid		(22,467)	(23,496)	(46,616)
<b>Net cash flows from operating activities</b>		<b>110,039</b>	<b>101,042</b>	<b>408,006</b>
<b>Cash flows from investing activities</b>				
Proceeds from sale of property, plant and equipment		104	11,817	12,008
Purchase of property, plant, equipment and software		(39,431)	(30,594)	(64,513)
<b>Net cash flows from investing activities</b>		<b>(39,327)</b>	<b>(18,777)</b>	<b>(52,505)</b>
<b>Cash flows from financing activities</b>				
Repayment of fixed rate senior bond		-	-	(125,000)
Cost of closing out ineffective hedge derivatives		(6,622)	-	-
Lease principal repayments		(48,573)	(47,023)	(83,833)
Treasury stock dividends received		-	115	115
Dividends paid to parent shareholders		-	(27,883)	(27,883)
Dividends paid to minority shareholders		-	(81)	(129)
<b>Net cash flows from financing activities</b>		<b>(55,195)</b>	<b>(74,872)</b>	<b>(236,730)</b>
Net cash flow		15,517	7,393	118,771
Opening cash position		168,068	49,297	49,297
<b>Closing cash position</b>		<b>183,585</b>	<b>56,690</b>	<b>168,068</b>
<b>Reconciliation of Operating Cash Flows</b>				
<b>Profit after tax</b>		<b>54,242</b>	<b>28,783</b>	<b>43,698</b>
<b>Non-cash items</b>				
Depreciation and amortisation expenses	4	73,550	75,986	154,652
Property, plant, equipment and software impairment	11	-	-	14,142
Brand asset impairment	12	-	-	2,545
Share based payment expense		72	229	350
Interest capitalisation		-	217	384
COVID-19 landlord rent relief		-	-	(8,246)
Movement in deferred tax		3,960	(3,451)	(15,907)
Change in fair value of derivatives that are not hedge effective		-	-	6,427
Movement in monetised derivative hedge reserve		(2,264)	118	163
<b>Total non-cash items</b>		<b>75,318</b>	<b>73,099</b>	<b>154,510</b>
<b>Items classified as investing or financing activities</b>				
Net loss on disposal of property, plant and equipment		99	290	1,206
Loss/(gain) on lease terminations		78	(151)	553
Supplementary dividend tax credit		-	136	136
Loss on closing out ineffective hedge derivatives		195	-	-
<b>Total investing and financing adjustments</b>		<b>372</b>	<b>275</b>	<b>1,895</b>
<b>Changes in assets and liabilities</b>				
Trade and other receivables		(1,866)	(20,146)	(4,643)
Inventories		(104,130)	(63,589)	124,148
Trade and other payables		93,737	91,791	75,314
Provisions		(907)	(9,833)	2,815
Income tax		(6,727)	662	10,269
<b>Total changes in assets and liabilities</b>		<b>(19,893)</b>	<b>(1,115)</b>	<b>207,903</b>
<b>Net cash flows from operating activities</b>		<b>110,039</b>	<b>101,042</b>	<b>408,006</b>

## Notes to the Interim Financial Statements

### 1. GENERAL INFORMATION

The Warehouse Group Limited (the Company) and its subsidiaries (together the Group) trade in the New Zealand retail sector. The Company is a limited liability company incorporated and domiciled in New Zealand. The Group is registered under the Companies Act 1993 and is an FMC Reporting Entity under Part 7 of the Financial Markets Conduct Act (FMCA) 2013. The address of its registered office is Level 4, 4 Graham Street, PO Box 2219, Auckland. The Company is listed on the New Zealand Stock Exchange (NZX).

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The interim financial statements of the Group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (GAAP). They comply with New Zealand Equivalent to the International Accounting Standard 34 *Interim Financial Reporting* (NZIAS 34) and International Accounting Standard 34 *Interim Financial Reporting* (IAS 34) and consequently, do not include all the information required for full financial statements. These Group interim financial statements should be read in conjunction with the annual report for the 53 weeks ended 2 August 2020.

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

#### Accounting standards

The accounting policies that materially affect the measurement of the interim financial statements have been applied on a consistent basis with those used in the audited financial statements for the 53 weeks ended 2 August 2020 and the unaudited interim financial statements for the 26 weeks ended 26 January 2020.

#### Non-GAAP financial information

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

#### Critical accounting judgements, estimates and assumptions

The preparation of the interim financial statements requires the Group to make judgements, estimates and assumptions that effect the reported amounts of assets and liabilities at balance date and the reported amounts of revenues and expenses during the half year. The same significant judgements, estimates and assumptions that are summarised in the audited financial statements for the 53 weeks ended 2 August 2020 were applied in the preparation of these interim financial statements.

#### Seasonality

The Group's revenue and profitability follow a seasonal pattern with higher sales and operating profits typically achieved in the first half of the financial year as a result of additional sales generated during the Christmas trading period.

#### Approval of Interim Financial Statements

These consolidated interim financial statements were approved for issue by the Board of Directors on 24 March 2021. Unless as otherwise stated, the interim financial statements have been reviewed by our Auditors, but are not audited.

### 3. SIGNIFICANT TRANSACTIONS AND EVENTS IN THE PERIOD

#### Impact of COVID-19

The impact of the ongoing COVID-19 pandemic during the half year had a number of positive impacts on the retail sector. In contrast to market expectations, post 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 amongst a number of other contributing factors. These positive factors in combination with Group's transformation initiatives resulted in a sales uplift of 7.4% compared to the previous half year.

Another consequence of the pandemic was the disruption to international supply chains causing stock shortages, which meant there was lower than normal discounting activity across the sector and for the Group this resulted in a strong sell through of seasonal stock. The Group ended Christmas understocked rather than overstocked. The outcome of these two influences in combination with the Group's own working capital and margin improvement transformation initiatives meant inventory was 14.4% lower than the previous half year and gross profit margin at 36.2% was 260 basis points higher the previous half year.

The risk of a resurgence of COVID-19 creates a continued level of uncertainty, however based on the Group's previous experience and subsequent measures taken to increase balance sheet resilience the Group considers it is appropriately positioned to respond to different levels of lockdown.

#### COVID-19 Wage subsidy

In December 2020, due to strong trading through the current half year and 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 the prior full year result to classify 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 for the year ended 2 August 2020. The prior year reclassification also reduced the Group's adjusted net profit (refer note 5) from \$80.7 million to \$32.1 million for the year ended 2 August 2020.

#### 1-day reclassification

The 1-day business was moved from Torpedo7 to TheMarket as a result of an organisational change and is now reported as part of TheMarket segment (refer note 4) with the comparative segment information similarly reclassified to reflect the change.

#### Group structure

The Group structure was unchanged during the half year, except for 1-Day where the operating business was transferred from Torpedo7 Limited to the previously dormant 1-Day Limited shell company and the Group's interest in TheMarket.com increased from 89.3% to 90.7% when a put option was exercised in accordance with TheMarket.com share right plan. Details of the share right plan can be found in last year's annual report.

## Notes to the Interim Financial Statements - continued

### 4. SEGMENT INFORMATION

Operating performance	Note	REVENUE			OPERATING PROFIT		
		(Unaudited)	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)	(Audited)
		26 Weeks Ended 31 January 2021	26 Weeks Ended 26 January 2020	53 Weeks Ended 2 August 2020	26 Weeks Ended 31 January 2021	26 Weeks Ended 26 January 2020	53 Weeks Ended 2 August 2020
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	
The Warehouse		967,300	938,784	1,706,036	122,616	59,810	54,903
Warehouse Stationery		136,578	133,828	268,845	17,154	9,304	17,513
<b>Warehouse segment</b>		<b>1,103,878</b>	<b>1,072,612</b>	<b>1,974,881</b>	<b>139,770</b>	<b>69,114</b>	<b>72,416</b>
Noel Leeming		593,176	512,778	1,009,975	33,069	21,429	34,160
Torpedo7		84,855	65,783	129,901	5,221	(4,226)	(17,708)
TheMarket		29,292	33,023	62,520	(9,237)	(7,664)	(14,820)
Other Group operations		3,977	3,721	6,673	(15,799)	(10,757)	(24,796)
Inter-segment eliminations		(6,923)	(4,524)	(11,120)			
<b>Group</b>		<b>1,808,255</b>	<b>1,683,393</b>	<b>3,172,830</b>	<b>153,024</b>	<b>67,896</b>	<b>49,252</b>
Adjustment for NZIFRS 16 (Leases)	15				20,390	19,677	40,959
<b>Operating profit from continuing operations</b>					<b>173,414</b>	<b>87,573</b>	<b>90,211</b>
Unusual items	5				(79,036)	(21,918)	14,471
<b>Earnings before interest and tax from continuing operations</b>					<b>94,378</b>	<b>65,655</b>	<b>104,682</b>
<b>Operating margin</b>							
The Warehouse (%)					12.7	6.4	3.2
Warehouse Stationery (%)					12.6	7.0	6.5
Noel Leeming (%)					5.6	4.2	3.4
Torpedo7 (%)					6.2	(6.4)	(13.6)
<b>Total Retail Group (%)</b>					<b>8.5</b>	<b>4.0</b>	<b>1.6</b>

#### Operating segments

The Group has four operating segments trading in the New Zealand retail sector and an online market-place (includes 1-day - refer note 3). These segments form the basis of internal reporting used by senior management and the Board of Directors to monitor and assess performance and assist with strategy decisions. The Group has disclosed its segment operating profit performance that excludes the impacts of NZIFRS 16 Leases, which is consistent with internal reporting and the way the Group monitors financial performance.

Each of the four main retail segments represent a distinct retail brand that operate throughout New Zealand. Customers can purchase product from the retail chains either online or through the Group's physical retail store network. At period end the Group's physical store network consists of 90 The Warehouse stores, 71 Warehouse Stationery stores, 73 Noel Leeming stores and 20 Torpedo7 stores. The Warehouse predominantly sells general merchandise and apparel, Noel Leeming sells technology and appliance products, Torpedo7 sells outdoor and sporting equipment and the Warehouse Stationery sells stationery products.

Other Group operations include a property company, a chocolate factory and the residual cost of unallocated support office functions.

Capital expenditure and depreciation	Note	DEPRECIATION & AMORTISATION			CAPITAL EXPENDITURE		
		(Unaudited)	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)	(Audited)
		26 Weeks Ended 31 January 2021	26 Weeks Ended 26 January 2020	53 Weeks Ended 2 August 2020	26 Weeks Ended 31 January 2021	26 Weeks Ended 26 January 2020	53 Weeks Ended 2 August 2020
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	
Warehouse segment		20,000	22,056	44,340	30,033	22,328	47,829
Noel Leeming		4,032	4,395	8,624	6,317	4,037	8,349
Torpedo7		1,059	866	1,846	891	1,808	3,138
TheMarket		1,104	852	1,924	2,638	1,550	3,362
Other Group operations		705	725	1,502	109	219	444
Property, plant, equipment and software	11	26,900	28,894	58,236	39,988	29,942	63,122
Right of use assets	13	46,650	47,092	96,416			
<b>Total</b>		<b>73,550</b>	<b>75,986</b>	<b>154,652</b>			

Impairment and right of use asset depreciation		RIGHT OF USE ASSET DEPRECIATION			NON-CURRENT ASSET IMPAIRMENT		
		(Unaudited)	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)	(Audited)
		26 Weeks Ended 31 January 2021	26 Weeks Ended 26 January 2020	53 Weeks Ended 2 August 2020	26 Weeks Ended 31 January 2021	26 Weeks Ended 26 January 2020	53 Weeks Ended 2 August 2020
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	
Warehouse segment		33,488	34,368	70,414	625	-	11,347
Noel Leeming		9,154	9,417	18,990	-	-	257
Torpedo7		3,435	3,079	6,503	-	-	5,083
TheMarket		396	53	150	-	-	-
Other Group operations		177	175	359	-	-	-
<b>Total</b>		<b>46,650</b>	<b>47,092</b>	<b>96,416</b>	<b>625</b>	<b>-</b>	<b>16,687</b>

(Note 13)

#### Non-current asset impairments (2 August 2020)

The non-current asset impairments relate to intangible assets (\$2.545 million – Torpedo7 brand) and property, plant, equipment and computer software (\$14.142 million).

## Notes to the Interim Financial Statements - continued

### 4. SEGMENT INFORMATION - (Continued)

Balance sheet information	Note	TOTAL ASSETS			TOTAL LIABILITIES		
		(Unaudited) As at 31 January 2021 \$ 000	(Unaudited) As at 26 January 2020 \$ 000	(Audited) As at 2 August 2020 \$ 000	(Unaudited) As at 31 January 2021 \$ 000	(Unaudited) As at 26 January 2020 \$ 000	(Audited) As at 2 August 2020 \$ 000
Warehouse segment		504,396	582,274	425,015	384,163	319,992	
Noel Leeming		203,682	200,948	169,297	176,272	161,367	
Torpedo7		43,115	60,105	39,627	16,685	16,656	
TheMarket		21,099	22,936	18,761	7,605	6,704	
Other Group operations		84,205	86,012	84,914	868	942	
<b>Operating assets / liabilities</b>		<b>856,497</b>	<b>952,275</b>	<b>737,614</b>	<b>585,593</b>	<b>505,661</b>	
<b>Unallocated assets / liabilities</b>							
Cash and borrowings	16	183,585	56,690	168,068	-	-	
Derivative financial instruments	17	77	2,886	243	31,742	27,091	
Right of use assets / Lease liabilities	13, 14	751,380	813,986	774,175	910,148	934,788	
Intangible goodwill and brands		72,956	75,501	72,956	-	-	
Taxation		97,211	87,957	101,805	4,255	10,982	
<b>Total</b>		<b>1,961,706</b>	<b>1,989,295</b>	<b>1,854,861</b>	<b>1,531,738</b>	<b>1,478,522</b>	

### 5. ADJUSTED NET PROFIT

Adjusted net profit reconciliation	Note	(Unaudited) 26 Weeks Ended 31 January 2021 \$ 000	(Unaudited) 26 Weeks Ended 26 January 2020 \$ 000	(Audited) 53 Weeks Ended 2 August 2020 \$ 000
<b>Adjusted net profit</b>		<b>111,013</b>	<b>46,215</b>	<b>32,108</b>
<b>Less: Unusual items</b>				
Gain on property disposal		-	88	88
Restructuring costs - Rise		-	(22,006)	(22,006)
Restructuring costs - Agile		(11,291)	-	(22,189)
Brand impairment (Torpedo7)		-	-	(2,545)
Ineffective hedge derivatives	17	(195)	-	(6,427)
COVID-19 wage subsidy		(67,550)	-	67,550
<b>Unusual items</b>		<b>(79,036)</b>	<b>(21,918)</b>	<b>14,471</b>
Adjustment for NZIFRS 16 (Leases)	15	1,191	(692)	(154)
Income tax relating to above unusual items		21,797	6,331	(4,009)
Income tax relating to building depreciation		-	-	2,025
<b>Unusual items after taxation</b>		<b>(56,048)</b>	<b>(16,279)</b>	<b>12,333</b>
<b>Net profit from continuing operations attributable to shareholders of the parent</b>		<b>54,965</b>	<b>29,936</b>	<b>44,441</b>

Certain transactions can make the comparison of profits between years difficult. The Group uses adjusted net profit as a key indicator of performance and considers it a better measure of underlying business performance. Adjusted net profit makes allowance for the after tax effect of unusual items which are not directly connected with the Group's normal trading activities. The Group defines unusual items as any gains or losses from property disposals, goodwill and brand impairment, costs relating to business acquisitions or disposals, ineffective hedge derivatives and costs connected with restructuring the Group. Following the adoption of NZIFRS 16 the non-cash impact relating to the lease accounting standard are also excluded from adjusted net profit. The repayment of the COVID-19 wage subsidy during the half year is considered a non-trading item, together with the corresponding receipt in the prior year and are classified as unusual items (refer note 3).

#### Restructuring costs

The Group has continued its transition to an Agile way of working as detailed in last year's financial statements. The costs incurred in the current half year relate to fees paid to a consultancy firm assisting the Group throughout the first 18 months of the Agile transition and additional redundancy costs connected with the Group's restructure announced last year. The Group has a commitment to incur further consultancy fees (maximum \$3.0 million) upon the achievement of specified milestones and targets.

#### 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.



## Notes to the Interim Financial Statements - continued

### 6. DIVIDENDS

Dividends paid	CENTS PER SHARE			DIVIDENDS PAID		
	(Unaudited) 26 Weeks Ended 31 January 2021	(Unaudited) 26 Weeks Ended 26 January 2020	(Audited) 53 Weeks Ended 2 August 2020	(Unaudited) 26 Weeks Ended 31 January 2021 \$ '000	(Unaudited) 26 Weeks Ended 26 January 2020 \$ '000	(Audited) 53 Weeks Ended 2 August 2020 \$ '000
Prior year final dividend	-	8.0	8.0	-	27,747	27,747
<b>Total dividends paid</b>	-	8.0	8.0	-	27,747	27,747

The Group did not declare a final dividend and cancelled its interim dividend relating to the 2020 financial year.

#### Subsequent events

As a result of a stronger than expected trading performance and following the decision not to pay any dividends for the 2020 financial year the Board declared a fully imputed special dividend of 5.0 cents per ordinary share. The special dividend was paid on 4 March 2021 to all shareholders on the Group's share register at the close of business on 17 February 2021.

The Directors approved a new dividend policy in March 2021 after completing a review of the previous policy which included benchmarking that policy against the policies of other listed retailers. 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 interim dividend of 13.0 cents per ordinary share on 24 March 2021 to be paid on 22 April 2021 to all shareholders on the Group's share register at the close of business on 7 April 2021.

### 7. INVENTORIES

Inventories	(Unaudited) As at 31 January 2021 \$ '000	(Unaudited) As at 26 January 2020 \$ '000	(Audited) As at 2 August 2020 \$ '000
Finished goods	452,249	542,626	382,380
Inventory provisions	(27,162)	(27,259)	(36,943)
Retail stock	425,087	515,367	345,437
Goods in transit from overseas	72,653	65,980	48,173
<b>Inventory</b>	<b>497,740</b>	<b>581,347</b>	<b>393,610</b>

### 8. TRADE AND OTHER RECEIVABLES

Trade and other receivables	(Unaudited) As at 31 January 2021 \$ '000	(Unaudited) As at 26 January 2020 \$ '000	(Audited) As at 2 August 2020 \$ '000
Trade receivables	43,215	55,860	40,035
Prepayments	13,122	17,371	14,764
Rebate accruals and other debtors	29,792	26,535	29,464
<b>Total trade and other receivables</b>	<b>86,129</b>	<b>99,766</b>	<b>84,263</b>

### 9. TRADE AND OTHER PAYABLES

Trade and other payables	(Unaudited) As at 31 January 2021 \$ '000	(Unaudited) As at 26 January 2020 \$ '000	(Audited) As at 2 August 2020 \$ '000
Local trade creditors and accruals	307,257	225,667	285,226
Overseas trade creditors	146,591	167,245	75,479
Capital expenditure creditors	1,807	1,989	1,250
Goods and services tax	5,365	18,725	14,329
Reward schemes, lay-bys, Christmas club deposits and gift vouchers	20,798	17,612	20,503
Payroll accruals	19,826	9,348	24,018
<b>Total trade and other payables</b>	<b>501,644</b>	<b>440,586</b>	<b>420,805</b>

## Notes to the Interim Financial Statements - continued

### 10. PROVISIONS

Provisions		(Unaudited)	(Unaudited)	(Audited)
		As at 31 January 2021	As at 26 January 2020	As at 2 August 2020
		\$ '000	\$ '000	\$ '000
Current liabilities		63,029	51,161	60,991
Non-current liabilities		20,920	21,048	23,865
<b>Total provisions</b>		<b>83,949</b>	<b>72,209</b>	<b>84,856</b>
<b>Provisions consist of:</b>				
Employee entitlements		69,561	58,828	69,616
Make good provision		8,718	7,832	8,651
Sales returns provision		5,670	5,549	6,589
<b>Total provisions</b>		<b>83,949</b>	<b>72,209</b>	<b>84,856</b>

### 11. PROPERTY, PLANT, EQUIPMENT AND COMPUTER SOFTWARE

Property, plant, equipment and computer software				
	Note	(Unaudited)	(Unaudited)	(Audited)
		As at 31 January 2021	As at 26 January 2020	As at 2 August 2020
		\$ '000	\$ '000	\$ '000
Property, plant and equipment		195,839	212,700	197,131
Computer software	12	76,789	58,462	62,610
<b>Carrying amount</b>		<b>272,628</b>	<b>271,162</b>	<b>259,741</b>
<b>Movement in property, plant, equipment and software</b>				
Carrying amount at the beginning of the period		259,741	271,172	271,172
Capital expenditure	4	39,988	29,942	63,122
Depreciation and amortisation	4	(26,900)	(28,894)	(58,236)
Impairment	4	-	-	(14,142)
Disposals		(201)	(1,058)	(2,175)
<b>Carrying amount at the end of the period</b>		<b>272,628</b>	<b>271,162</b>	<b>259,741</b>

### 12. INTANGIBLE ASSETS

Intangible assets				
	Note	(Unaudited)	(Unaudited)	(Audited)
		As at 31 January 2021	As at 26 January 2020	As at 2 August 2020
		\$ '000	\$ '000	\$ '000
Computer software	11	76,789	58,462	62,610
Brands		15,500	18,045	15,500
Goodwill		57,456	57,456	57,456
<b>Net book value</b>		<b>149,745</b>	<b>133,963</b>	<b>135,566</b>
<b>Movement in Brands</b>				
Balance at the beginning of the period		15,500	18,045	18,045
Impairment (Torpedo7)	4	-	-	(2,545)
<b>Balance at the end of the period</b>		<b>15,500</b>	<b>18,045</b>	<b>15,500</b>

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

### 13. RIGHT OF USE ASSETS

Right of use assets				
	Note	(Unaudited)	(Unaudited)	(Audited)
		As at 31 January 2021	As at 26 January 2020	As at 2 August 2020
		\$ '000	\$ '000	\$ '000
<b>Movement in right of use assets</b>				
Carrying amount at the beginning of the period		774,175	834,491	834,491
Additions	14	17,285	31,971	66,202
Depreciation	4	(46,650)	(47,092)	(96,416)
Reassessment of lease terms	14	9,182	-	(21,960)
Impairments	4	(625)	-	(1,576)
Lease surrenders and terminations		(1,987)	(5,384)	(6,566)
<b>Carrying amount at the end of the period</b>		<b>751,380</b>	<b>813,986</b>	<b>774,175</b>

## Notes to the Interim Financial Statements - continued

### 14. LEASE LIABILITIES

Lease liabilities	Note	(Unaudited) As at 31 January 2021 \$ 000	(Unaudited) As at 26 January 2020 \$ 000	(Audited) As at 2 August 2020 \$ 000
<b>Movement in lease liabilities</b>				
Carrying amount at the beginning of the period		934,788	990,213	990,213
Additions	13	17,285	31,971	66,202
Interest for the period	15	19,199	20,369	41,113
Reassessment of lease terms	13	9,182	-	(21,960)
COVID-19 landlord rent relief		-	-	(8,246)
Lease repayments		(67,772)	(67,393)	(124,946)
Lease surrenders and terminations		(2,534)	(5,535)	(7,588)
<b>Balance at the end of the period</b>		<b>910,148</b>	<b>969,625</b>	<b>934,788</b>
<b>Lease liability maturity analysis</b>				
Within one year		96,287	92,350	106,467
One to two years		93,377	92,312	82,885
Two to five years		247,883	261,685	249,172
Beyond five years		472,601	523,278	496,264
<b>Total lease liabilities</b>		<b>910,148</b>	<b>969,625</b>	<b>934,788</b>
Current liabilities		96,287	92,350	106,467
Non-current liabilities		813,861	877,275	828,321
<b>Total lease liabilities</b>		<b>910,148</b>	<b>969,625</b>	<b>934,788</b>

### 15. ADJUSTMENT FOR NZIFRS 16 (LEASES)

Adjustment for NZIFRS 16 (Leases)	Note	(Unaudited) As at 31 January 2021 \$ 000	(Unaudited) As at 26 January 2020 \$ 000	(Audited) As at 2 August 2020 \$ 000
Pre NZIFRS 16 Rent		67,118	66,618	136,352
Right of use asset amortisation	13	(46,650)	(47,092)	(96,416)
Loss/(gain) on lease terminations		(78)	151	1,023
<b>Impact on operating profit</b>	4	<b>20,390</b>	<b>19,677</b>	<b>40,959</b>
Lease liability interest	14	(19,199)	(20,369)	(41,113)
<b>Impact on net profit before tax</b>	5	<b>1,191</b>	<b>(692)</b>	<b>(154)</b>

### 16. BORROWINGS

Net cash/(Net debt)	Note	(Unaudited) As at 31 January 2021 \$ 000	(Unaudited) As at 26 January 2020 \$ 000	(Audited) As at 2 August 2020 \$ 000
Cash on hand and at bank		183,585	56,690	168,068
Fixed rate senior bond (coupon: 5.30%)		-	125,000	-
Fair value adjustment relating to effective interest		-	429	-
Unamortised capitalised costs on senior bond		-	(167)	-
Current bank borrowings		-	125,262	-
<b>Net cash/(Net debt)</b>		<b>183,585</b>	<b>(68,572)</b>	<b>168,068</b>
<b>Committed bank credit facilities at balance date are:</b>				
Bank debt facilities		330,000	180,000	330,000
Bank facilities used		-	-	-
Unused bank debt facilities		330,000	180,000	330,000
Letter of credit facilities		18,000	23,000	18,000
Letters of credit		(1,243)	(1,194)	(2,249)
Unused letter of credit facilities		16,757	21,806	15,751
<b>Total unused bank facilities</b>		<b>346,757</b>	<b>201,806</b>	<b>345,751</b>

#### Externally imposed capital requirements

The Group removed the waiver it received from its funding providers last year requiring consent to declare shareholder distributions and allowing the Group to avoid meeting minimum interest cover covenants specified in the Group's negative pledge deed. All debt covenants provided by the Group to its funding providers have now been reinstated. The Group has been in compliance with all aspects of the negative pledge covenants throughout the half year.

## Notes to the Interim Financial Statements - continued

### 17. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments	(Unaudited) As at 31 January 2021 \$ 000	(Unaudited) As at 26 January 2020 \$ 000	(Audited) As at 2 August 2020 \$ 000
Current assets	77	2,886	243
Current liabilities	(31,742)	(8,323)	(27,091)
Non-current liabilities	-	(6,866)	-
<b>Total derivative financial instruments</b>	<b>(31,665)</b>	<b>(12,303)</b>	<b>(26,848)</b>
<b>Derivative financial instruments consist of:</b>			
Current assets	77	2,319	243
Current liabilities	(31,742)	(8,323)	(17,624)
Foreign exchange contracts	(31,665)	(6,004)	(17,381)
Current assets	-	567	-
Current liabilities	-	-	(9,467)
Non-current liabilities	-	(6,866)	-
Interest rate swaps	-	(6,299)	(9,467)
<b>Total derivative financial instruments</b>	<b>(31,665)</b>	<b>(12,303)</b>	<b>(26,848)</b>
<b>Classified as:</b>			
Cash flow hedges	(15,824)	(12,590)	(18,080)
Fair value hedges	(15,841)	287	(2,341)
Fair value of hedges that are not hedge effective	-	-	(6,427)
<b>Total derivative financial instruments</b>	<b>(31,665)</b>	<b>(12,303)</b>	<b>(26,848)</b>

The Group continues to manage its foreign exchange risks in accordance with the policies and parameters detailed in the 2020 Annual Report.

The Group's foreign exchange contracts hedge forecast inventory purchases priced in US dollars over the next 12 months. The following table lists the key inputs used to determine the fair value of the Group's foreign exchange contracts and hedge levels at balance date.

#### US Dollar forward contracts

Notional amount (NZ\$000)	378,767	401,452	394,115
Average contract rate (\$)	0.6589	0.6523	0.6334
Spot rate used to determine fair value (\$)	0.7191	0.6611	0.6628
Forecast next twelve month USD hedge level (percentage)	71.7	67.2	74.1

#### Fair value

The Group's derivatives are not traded in an active market which means quoted prices are not available to determine the fair value. To determine the fair value the Group uses valuation techniques which rely on observable market data. The fair value of forward exchange contracts are determined using the forward exchange market rates at the balance date. For accounting purposes (NZIFRS 13) these valuations are deemed to be Level 2 fair value measurements as they are not derived from a quoted price in an active market but rather, a valuation technique that relies on other observable market data.

#### Interest rate swaps

The Group closed out its interest rate swaps in August 2020 which were held to manage the Group's exposure to interest rate volatility that were no longer required following the repayment of the Group's borrowings. There was an additional cost to close out the ineffective portion of these swaps (\$0.195 million refer note 5) which had not been recognised in the prior financial year. The portion of the interest rate swaps (\$3.145 million) which was deemed as still effective is held in the hedge reserve and is expected to be recognised as an interest expense during the 2022 to 2025 financial years.

### 18. COMMITMENTS

Commitments	(Unaudited) As at 31 January 2021 \$ 000	(Unaudited) As at 26 January 2020 \$ 000	(Audited) As at 2 August 2020 \$ 000
<b>Capital commitments</b>			
Capital expenditure contracted for at balance date but not recognised as liabilities is set out below:			
Within one year	11,228	2,542	4,762

### 19. RELATED PARTIES

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

### 20. CONTINGENT LIABILITIES

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