thewarehouse
where everyone gets a bargain

The Warehouse
Group Limited

HALF YEAR REPORT 2012


The Warehouse will make a difference to people's lives by making the desirable affordable and
supporting New Zealand's communities and the environment.
By putting the customer first, we will succeed. Everything we do flows from this principle.
We enjoy success through working together as one team.
People choose to work for us because we care about and recognise individuals.
our core purpose
the warehouse

Overview

GROUP OPERATING PERFORMANCE

GROUP SALES UP
3.3%
$937.9 MILLION

TAX-PAID PROFIT UP
3.3%
$54.0 MILLION

GROUP OPERATING PROFIT
$67.9 MILLION

GROUP OPERATING MARGIN
7.2%

GROUP EBIT
$76.7 MILLION

Half Year Review 2012

Your Directors are pleased to present the unaudited results for the six months ended 29 January 2012. The strategic direction set out in September 2011 has already started to have a positive impact and we are very pleased to have been able to declare a dividend of 13.5 cents per share.

Dear Shareholders

The Warehouse Group Limited ('Group') reported a half year net profit after tax of $54.0 million compared to $52.3 million in the prior comparable period. Adjusted net profit after tax for the period was $46.7 million, compared to $53.0 million last year.

The strategic direction set out last September has already started to have a positive impact. Your Board understands that the scale of change required to reverse long term trends is significant and building long term sustainable growth in profits will take time. This result needs to be considered in that context.

GROUP OPERATING PERFORMANCE

Revenue

Group sales for the period were $937.9 million, up 3.3% compared to the first half last year. The Warehouse's sales for the first half were up 3.4% to $835.7 million. Warehouse Stationery recorded an increase in sales of 2.1% to $100.1 million for the period.

Operating profit

Group operating profit was down 13.9% to $67.9 million, compared to $78.9 million for the same period last year. Operating margin was lower at 7.2%, compared to 8.7% last year.

Group earnings before interest and taxation were down 5.2% to $76.7 million, compared to $80.9 million for the same period last year.

Tax-paid profit

The reported tax-paid profit for the period was $54.0 million, up 3.3%, compared to $52.3 million for the same period last year. Adjusted net profit for the half year was $46.7 million, compared to $53.0 million last year, down 11.9%.

SEGMENTAL RESULTS

The Warehouse

The Warehouse reported a 3.4% increase in sales for the half year ended 29 January 2012, with same store sales up 2.7%. Operating profit was down 16.1% to $62.1 million, primarily a function of margin pressure in apparel, cost inflation and cost investment to provide a stable base for the future.

The Warehouse's operating margin was 7.4% compared to last year, at 9.2%.

The positive same store sales trend continuing into February has been encouraging. Margins have held in all major categories other than Apparel. However, the resultant growth in gross profit dollars has not been sufficient to combat inflationary and strategic investment cost increases, causing the decline in adjusted earnings.

Technology was especially strong, CD and DVD sales have stabilised and recorded increased gross profit this year, reversing the declining trend. Health and beauty and fragrances were also strong performers. Christmas confectionery and decorations had outstanding results. This reflects that customers are seeing a difference and indicates the early traction our strategy is achieving. The aim of The Warehouse is to be the 'House of Bargains' and 'Home of Essentials' for all New Zealanders.

Two new stores were opened during the period: a new store in Whitianga and a replacement store in Hastings. The extension of the Timaru store and the external modernisation of the Te Awamutu store have been completed, as well as the first 10 full store refits outlined in the rejuvenation strategy commencing in February. Online sales were up 63.0%, with plans under way to have the full range online by July.

Warehouse Stationery

Warehouse Stationery sales were $100.1 million, up 2.1% compared to last year. Same store sales were up 2.2% for the half year and up 3.9% for the second quarter. Operating profit was down 15.5% to $3.1 million. Operating margin was 3.1%, compared to 3.7% for the same period last year.

The first quarter was challenging for Warehouse Stationery, however the second quarter was strong and this trend continued through the remainder of the 'Back to School' period.

Two new Warehouse Stationery stores opened in South Dunedin and Te Awamutu during the period, increasing the national footprint of this business.

Other Group Operations

Operating profit from other group operations was $2.7 million, compared to $1.2 million for the same period last year.

The contribution from Financial Services decreased slightly to $1.4 million, compared to $1.6 million last year. A dividend of $4.4 million was received from Financial Services post balance date.

GROUP FINANCIAL POSITION

Assets employed

Total assets increased to $739.4 million, compared to $718.4 million in January 2011, due to the ongoing investment in the Silverdale Retail Centre development and higher inventory levels.

Operating capital expenditure for the half year increased by $2.2 million to $20.4 million as we undertake new store development as well as store rejuvenation.

The Silverdale Retail Centre is progressing well and is on track for completion in October 2012. Pah Road and Stoddard Road developments are also progressing, and will address areas of under-representation in key Auckland areas.

There was an operating cash outflow of $12.2 million, down $46.4 million, mainly due to investment in inventory to support category growth and availability.

Borrowings

Net debt of $198.4 million, which includes the senior bond, compares to $103.9 million at January 2011.

Dividend

The Directors have declared a fully imputed interim dividend of 13.5 cents per share.

The dividend payment date is 19 April 2012.

Outlook and challenges ahead

Trading conditions are expected to remain uncertain for the remainder of the financial year.

The Group has a clear strategy to build long term sustainable growth and we are making early progress. Investments in the store experience and product availability are already having an impact for The Warehouse as indicated by the positive same store sales trend.

We believe The Warehouse's 'House of Bargains' and 'Home of Essentials' strategy gives us a real competitive advantage along with our 'Customer Led, Store Focused and People Centred' culture.

We aim to continue delivering a high return to shareholders and thank all our team members, suppliers, customers and shareholders for their ongoing support and strong interest in the company.

Graham Evans
Chairman

Mark Powell
Group Chief Executive Officer

The Warehouse Group Limited

Interim Financial Statements

for the 26 weeks ended 29 January 2012

Consolidated Income Statements

	NOTE	UNAUDITED 26 WEEKS ENDED 29 JANUARY 2012	UNAUDITED 26 WEEKS ENDED 30 JANUARY 2011	AUDITED 52 WEEKS ENDED 31 JULY 2011
		$000	$000	$000
Revenue	3	**937,941**	907,950	1,667,777
Cost of sales		**(600,503)**	(571,500)	(1,061,478)
Gross profit		**337,438**	336,450	606,299
Other income		**3,290**	3,181	6,485
Employee expenses		**(146,721)**	(140,813)	(267,799)
Lease and occupancy expenses		**(43,112)**	(41,356)	(81,942)
Depreciation and amortisation expenses	4	**(20,610)**	(20,151)	(39,772)
Other operating expenses		**(62,344)**	(58,390)	(109,135)
Operating profit	3	**67,941**	78,921	114,136
Gain on disposal of property		**-**	142	1,470
Changes in fair value of financial instruments		**-**	194	194
Release of warranty provisions		**7,355**	-	-
Equity earnings of associate	5	**1,429**	1,643	3,575
Earnings before interest and tax		**76,725**	80,900	119,375
Net interest expense		**(5,424)**	(5,153)	(9,845)
Profit before tax		**71,301**	75,747	109,530
Income tax expense before Government Budget changes		**(17,151)**	(22,491)	(32,022)
Income tax expense relating to Government Budget changes		**-**	(912)	637
Net profit for the period		**54,150**	52,344	78,145
Attributable to:				
Shareholders of the parent		**54,040**	52,292	77,829
Minority interests		**110**	52	316
Profit attributable to shareholders		**54,150**	52,344	78,145
Basic earnings per share		**17.5 cents**	16.9 cents	25.1 cents
Diluted earnings per share		**17.4 cents**	16.8 cents	25.0 cents
Net assets per share		**103.6 cents**	100.1 cents	87.7 cents

The above Interim Financial Statements should be read in conjunction with the accompanying notes.

Consolidated Statements of Comprehensive Income

	UNAUDITED 26 WEEKS ENDED 29 JANUARY 2012	UNAUDITED 26 WEEKS ENDED 30 JANUARY 2011	AUDITED 52 WEEKS ENDED 31 JULY 2011
	$000	$000	$000
Net profit for the period	**54,150**	52,344	78,145
Movement in cash flow hedge reserve net of tax	**14,886**	(4,600)	(20,097)
Total comprehensive income for the period	**69,036**	47,744	58,048
Attributable to:			
Shareholders of the company	**68,926**	47,692	57,732
Minority interest	**110**	52	316
	69,036	47,744	58,048

Consolidated Statements of Changes in Equity

	UNAUDITED 26 WEEKS ENDED 29 JANUARY 2012	UNAUDITED 26 WEEKS ENDED 30 JANUARY 2011	AUDITED 52 WEEKS ENDED 31 JULY 2011
	$000	$000	$000
Equity at the beginning of the period	**271,540**	303,246	303,246
Total comprehensive income for the period	**69,036**	47,744	58,048
Share rights charged to the income statement	**801**	1,084	1,640
Dividends paid to shareholders of the company	**(20,228)**	(42,011)	(90,246)
Dividends paid to minority interest	**(135)**	(167)	(331)
Treasury stock dividends received	**93**	206	416
Purchase of treasury stock	**(106)**	(75)	(1,233)
Equity at the end of the period	**321,001**	310,027	271,540
Equity consists of:			
Share capital	**251,445**	251,445	251,445
Treasury stock	**(5,552)**	(6,351)	(7,385)
Cashflow hedge reserve	**(9,218)**	(8,607)	(24,104)
Employee share benefits reserve	**1,514**	2,336	2,812
Retained earnings	**82,512**	70,979	48,447
Total equity attributable to shareholders	**320,701**	309,802	271,215
Minority interest	**300**	225	325
Total equity	**321,001**	310,027	271,540

The above Interim Financial Statements should be read in conjunction with the accompanying notes.

Consolidated Balance Sheets

	NOTE	UNAUDITED AS AT 29 JANUARY 2012	UNAUDITED AS AT 30 JANUARY 2011	AUDITED AS AT 31 JULY 2011
		$000	$000	$000
ASSETS				
Current assets				
Cash and cash equivalents	8	**19,299**	88,405	23,016
Trade and other receivables	7	**33,866**	23,312	24,378
Inventories		**338,892**	300,001	262,663
Available for sale land and buildings	4	**5,744**	-	5,744
Total current assets		**397,801**	411,718	315,801
Non-current assets				
Trade and other receivables	7	**1,101**	1,704	1,413
Property, plant and equipment	4	**310,644**	278,357	291,922
Computer software	4	**16,504**	20,135	18,432
Investments	5	**9,014**	5,653	7,585
Derivative financial instruments	6	**2,530**	816	1,138
Deferred taxation		**1,801**	-	3,832
Total non-current assets		**341,594**	306,665	324,322
Total assets		**739,395**	718,383	640,123
LIABILITIES				
Current liabilities				
Borrowings	8	**67,328**	93,532	-
Trade and other payables	12	**137,055**	138,871	128,913
Derivative financial instruments	6	**8,807**	10,750	25,903
Provisions	9	**30,852**	34,020	38,773
Taxation payable		**6,656**	9,874	7,202
Total current liabilities		**250,698**	287,047	200,791
Non-current liabilities				
Borrowings	8	**150,356**	98,798	149,129
Derivative financial instruments	6	**5,289**	2,301	8,568
Provisions	9	**12,051**	16,789	10,095
Deferred taxation		**-**	3,421	-
Total non-current liabilities		**167,696**	121,309	167,792
Total liabilities		**418,394**	408,356	368,583
Net assets		**321,001**	310,027	271,540
EQUITY				
Contributed equity		**245,893**	245,094	244,060
Reserves		**(7,704)**	(6,271)	(21,292)
Retained earnings		**82,512**	70,979	48,447
Total equity attributable to shareholders		**320,701**	309,802	271,215
Minority interest		**300**	225	325
Total equity	11	**321,001**	310,027	271,540

The above Interim Financial Statements should be read in conjunction with the accompanying notes.

Condensed Consolidated Statements of Cash Flows

	UNAUDITED 26 WEEKS ENDED 29 JANUARY 2012	UNAUDITED 26 WEEKS ENDED 30 JANUARY 2011	AUDITED 52 WEEKS ENDED 31 JULY 2011
	$000	$000	$000
Cash flows from operating activities			
Cash received from customers	**938,050**	907,665	1,668,968
Interest income	**106**	1,218	1,896
Payments to suppliers and employees	**(923,156)**	(843,588)	(1,525,886)
Income tax paid	**(21,228)**	(24,707)	(36,235)
Interest paid	**(5,924)**	(6,249)	(11,833)
Net cash flows from operating activities	**(12,152)**	34,339	96,910
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	**352**	1,020	5,567
Staff share purchase advances repaid	**291**	315	622
Dividend received from associate	**-**	1,911	1,911
Purchase of property, plant, equipment and software	**(39,008)**	(26,412)	(65,896)
Other items	**(29)**	(65)	(88)
Net cash flows from investing activities	**(38,394)**	(23,231)	(57,884)
Cash flows from financing activities			
Proceeds from short term borrowings	**67,328**	18,532	-
Repayment of term borrowings	**-**	-	(25,000)
Purchase of treasury stock	**-**	-	(1,042)
Treasury stock dividends received	**93**	206	416
Dividends paid to parent shareholders	**(20,457)**	(42,500)	(91,279)
Dividends paid to minority shareholders	**(135)**	(167)	(331)
Net cash flows from financing activities	**46,829**	(23,929)	(117,236)
Net cash flow	**(3,717)**	(12,821)	(78,210)
Opening cash position	**23,016**	101,226	101,226
Closing cash position	**19,299**	88,405	23,016

Reconciliation of Operating Cash Flows

Profit after tax	**54,150**	52,344	78,145
Non-cash items			
Depreciation and amortisation expenses	**20,610**	20,151	39,772
Share based payment expense	**801**	1,084	1,640
Interest capitalisation	**(365)**	93	(61)
Movement in deferred tax	**(3,758)**	(316)	(1,740)
Changes in fair value of financial instruments	**-**	(194)	(194)
Share of surplus retained by associate	**(1,429)**	(1,643)	(3,575)
Total non-cash items	**15,859**	19,175	35,842
Items classified as investing or financing activities			
Net loss on sale of property, plant and equipment	**191**	135	(462)
Supplementary dividend tax credit	**229**	489	1,033
Total investing and financing adjustments	**420**	624	571
Changes in assets and liabilities			
Trade and other receivables	**(9,406)**	(6,317)	(7,432)
Inventories	**(76,229)**	(45,396)	(8,057)
Trade and other payables	**9,564**	18,803	7,348
Provisions	**(5,964)**	(3,418)	(5,359)
Income tax	**(546)**	(1,476)	(4,148)
Total changes in assets and liabilities	**(82,581)**	(37,804)	(17,648)
Net cash flows from operating activities	**(12,152)**	34,339	96,910

The above Interim Financial Statements should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

1. GENERAL INFORMATION

The Warehouse Group Limited and its subsidiaries (together the "Group") operate as a retail chain with 89 general merchandise and 52 stationery stores spread across New Zealand.

The Warehouse Group Limited is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is Level 8, 120 Albert Street, PO Box 2219, Auckland. The Group is dual listed on the New Zealand and Australian stock exchanges.

The Warehouse Group Limited is a company registered under the New Zealand Companies Act 1993 and is an issuer for the purposes of the New Zealand Financial Reporting Act 1993.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These interim financial statements for the reporting period ended 29 January 2012 have been prepared in accordance with generally accepted accounting practice in New Zealand, International Accounting Standard 34 and NZ IAS 34 Interim Financial Reporting.

The preparation of interim financial statements in accordance with NZ IAS 34 Interim Financial Reporting requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These financial statements have been prepared under the historical cost convention except for the revaluation of certain financial instruments (including derivative instruments). The Group is designated as a profit-oriented entity for financial reporting purposes. The reporting currency used in the preparation of the financial statements is New Zealand dollars, rounded to the nearest thousands.

The accounting policies that materially affect the measurement of the interim financial statements have been applied on a consistent basis with those used in the audited financial statements for the 52 weeks ended 31 July 2011 and the unaudited interim financial statements for the 26 weeks ended 30 January 2011.

The interim financial statements do not include all of the information normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual financial statements and related notes in the Group's Annual Report for the 52 weeks ended 31 July 2011.

(a) Changes in accounting policies

There have been no significant changes in accounting policies during the current period. Accounting policies have been applied on a basis consistent with the prior interim and annual financial statements.

During the period the following two amended NZ IFRS's became effective which were adopted by the Group. The adoption of the amended standards have no significant impact on the Group's interim financial statements.

NZ IAS 34 "Interim Financial Reporting" provides additional guidance relating to disclosure requirements. NZ IAS 24 "Related Party Disclosures" amends the definition of a related party.

(b) 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 Financial Statements

These consolidated interim financial statements were approved for issue by the Board of Directors on 8 March 2012. Unless as otherwise stated, the financial statements have been reviewed by our Auditors, but are not audited.

Notes to the Financial Statements – continued

3. SEGMENT INFORMATION

	REVENUE			OPERATING PROFIT		
	(UNAUDITED) 26 WEEKS ENDED 29 JANUARY 2012	(UNAUDITED) 26 WEEKS ENDED 30 JANUARY 2011	(AUDITED) 52 WEEKS ENDED 31 JULY 2011	(UNAUDITED) 26 WEEKS ENDED 29 JANUARY 2012	(UNAUDITED) 26 WEEKS ENDED 30 JANUARY 2011	(AUDITED) 52 WEEKS ENDED 31 JULY 2011
	$000	$000	$000	$000	$000	$000
SEGMENT PERFORMANCE						
The Warehouse	**835,741**	808,059	1,462,912	**62,127**	74,026	98,777
Warehouse Stationery	**100,116**	98,080	201,453	**3,099**	3,668	10,103
Other group operations	**5,628**	4,890	8,320	**2,715**	1,227	5,256
Inter-segment eliminations	**(3,544)**	(3,079)	(4,908)	**-**	-	-
	937,941	907,950	1,667,777	**67,941**	78,921	114,136
Operating margin						
The Warehouse (%)				**7.4**	9.2	6.8
Warehouse Stationery (%)				**3.1**	3.7	5.0
Operating profit (%)				**7.2**	8.7	6.8

The “other group” operating profit for the current half year period includes an onerous lease expense ($2.002 million – refer note 9) and a reversal of previously accrued costs ($1.900 million) attributed to lease exposures.

	DEPRECIATION & AMORTISATION			CAPITAL EXPENDITURE		
	(UNAUDITED) 26 WEEKS ENDED 29 JANUARY 2012	(UNAUDITED) 26 WEEKS ENDED 30 JANUARY 2011	(AUDITED) 52 WEEKS ENDED 31 JULY 2011	(UNAUDITED) 26 WEEKS ENDED 29 JANUARY 2012	(UNAUDITED) 26 WEEKS ENDED 30 JANUARY 2011	(AUDITED) 52 WEEKS ENDED 31 JULY 2011
	$000	$000	$000	$000	$000	$000
The Warehouse	**16,571**	16,325	32,041	**18,694**	15,204	37,319
Warehouse Stationery	**2,714**	2,416	4,902	**1,697**	2,939	6,161
Other group operations	**1,325**	1,410	2,829	**17,641**	8,269	24,109
Operating assets/liabilities	**20,610**	20,151	39,772	**38,032**	26,412	67,589

	TOTAL ASSETS			TOTAL LIABILITIES		
	(UNAUDITED) AS AT 29 JANUARY 2012	(UNAUDITED) AS AT 30 JANUARY 2011	(AUDITED) AS AT 31 JULY 2011	(UNAUDITED) AS AT 29 JANUARY 2012	(UNAUDITED) AS AT 30 JANUARY 2011	(AUDITED) AS AT 31 JULY 2011
	$000	$000	$000	$000	$000	$000
The Warehouse	**420,290**	367,255	340,777	**147,741**	147,232	139,639
Warehouse Stationery	**65,030**	61,021	59,379	**27,346**	27,743	24,688
Other group operations	**221,431**	195,233	204,396	**4,871**	7,350	6,099
Operating assets/liabilities	**706,751**	623,509	604,552	**179,958**	182,325	170,426
Unallocated assets/liabilities						
Cash and cash equivalents	**19,299**	88,405	23,016	**217,684**	192,330	149,129
Derivative financial instruments	**2,530**	816	1,138	**14,096**	13,051	34,471
Investments	**9,014**	5,653	7,585	**-**	-	-
Taxation	**1,801**	-	3,832	**6,656**	13,295	7,202
Warranty provision	**-**	-	-	**-**	7,355	7,355
Total	**739,395**	718,383	640,123	**418,394**	408,356	368,583

4. PROPERTY, PLANT, EQUIPMENT AND SOFTWARE

	(UNAUDITED) AS AT 29 JANUARY 2012	(UNAUDITED) AS AT 30 JANUARY 2011	(AUDITED) AS AT 31 JULY 2011
	$000	$000	$000
Available for sale land and buildings	**5,744**	-	5,744
Property, plant and equipment	**310,644**	278,357	291,922
Computer software	**16,504**	20,135	18,432
Net book value	**332,892**	298,492	316,098
Movement in property, plant, equipment and software			
Balance at the beginning of the period	**316,098**	293,386	293,386
Capital expenditure	**38,032**	26,412	67,589
Depreciation and amortisation	**(20,610)**	(20,151)	(39,772)
Earthquake impairment	**(85)**	-	(113)
Disposals	**(543)**	(1,155)	(4,992)
Balance at the end of the period	**332,892**	298,492	316,098

Available for sale land and buildings

In November 2011, the Group entered a sale and purchase agreement to sell the Distribution Centre at Puhinui Road, Auckland (carrying amount $5.744 million) for a consideration of $18.500 million. When the agreement is completed in July 2012 and possession of the property passes to the purchaser it is expected that the Group will record a gain on sale of approximately $12.500 million.

5. INVESTMENT

	(UNAUDITED) AS AT 29 JANUARY 2012	(UNAUDITED) AS AT 30 JANUARY 2011	(AUDITED) AS AT 31 JULY 2011
	$000	$000	$000
Investment at beginning of the year	**7,585**	5,921	5,921
Share of associates profit before taxation	**2,015**	2,348	5,124
Less taxation	**(586)**	(705)	(1,549)
Equity earnings of associate	**1,429**	1,643	3,575
Dividend received from associate	**-**	(1,911)	(1,911)
Investment at end of the period	**9,014**	5,653	7,585

The Warehouse Financial Services Limited

The Group has a 49% (2011: 49%) interest, and Westpac a 51% (2011: 51%) interest in The Warehouse Financial Services Limited.

6. DERIVATIVE FINANCIAL INSTRUMENTS

	(UNAUDITED) AS AT 29 JANUARY 2012	(UNAUDITED) AS AT 30 JANUARY 2011	(AUDITED) AS AT 31 JULY 2011
	$000	$000	$000
Non-current assets	**2,530**	816	1,138
Current liabilities	**(8,807)**	(10,750)	(25,903)
Non-current liabilities	**(5,289)**	(2,301)	(8,568)
	(11,566)	(12,235)	(33,333)
Derivative financial instruments consist of:			
Foreign exchange contracts	**(8,694)**	(9,537)	(30,867)
Interest rate swaps	**(2,872)**	(2,698)	(2,466)
	(11,566)	(12,235)	(33,333)

The Group continues to manage its foreign exchange and interest rate risks in accordance with the policies and parameters detailed in the 2011 Annual Report.

The Group's foreign exchange contracts relate to commitments to purchase US dollars. The following table lists the key inputs used to determine the mark to market valuation of the Group's foreign exchange contracts at balance date.

US Dollar forward contracts – cash flow hedges			
Notional amount (NZ$000)	**181,595**	175,515	252,382
Average contract rate ($)	**0.7762**	0.7207	0.7558
Spot rate used to determine fair value ($)	**0.8249**	0.7729	0.8792

Notes to the Financial Statements – continued

7. TRADE AND OTHER RECEIVABLES

	(UNAUDITED) AS AT 29 JANUARY 2012	(UNAUDITED) AS AT 30 JANUARY 2011	(AUDITED) AS AT 31 JULY 2011
	$000	$000	$000
Trade receivables	**19,767**	17,875	14,336
Allowance for impairment	**(670)**	(823)	(681)
	19,097	17,052	13,655
Other debtors and prepayments	**14,210**	5,650	10,160
Employee share purchase plan loans	**1,660**	2,314	1,976
	34,967	25,016	25,791
Less: Non-current employee share purchase plan loans	**(1,101)**	(1,704)	(1,413)
Current trade and other receivables	**33,866**	23,312	24,378

Other debtors includes an insurance receivable of $3.390 million (HY 2011: $Nil; FY 2011 $3.302 million) for insured losses arising from the 2010/11 Canterbury earthquakes and Rotorua Warehouse Stationery store fire in December 2011.

8. DEBT

	(UNAUDITED) AS AT 29 JANUARY 2012	(UNAUDITED) AS AT 30 JANUARY 2011	(AUDITED) AS AT 31 JULY 2011
	$000	$000	$000
Cash on hand and at bank	**19,299**	18,405	16,916
Deposits at call	**-**	70,000	6,100
Cash and cash equivalents	**19,299**	88,405	23,016
Current borrowings	**67,328**	93,532	-
Non-current borrowings	**150,356**	98,798	149,129
Total borrowings	**217,684**	192,330	149,129
Net debt/(funds)	**198,385**	103,925	126,113
Committed credit facilities at balance date are:			
Debt facilities	**300,000**	300,000	275,000
Facilities used	**(217,328)**	(193,532)	(150,000)
Unused debt facilities	**82,672**	106,468	125,000
Letter of credit facilities	**28,000**	28,000	28,000
Letters of credit	**(5,026)**	(6,167)	(13,184)
Unused letter of credit facilities	**22,974**	21,833	14,816
Total unused bank facilities	**105,646**	128,301	139,816

9. PROVISIONS

	(UNAUDITED) AS AT 29 JANUARY 2012	(UNAUDITED) AS AT 30 JANUARY 2011	(AUDITED) AS AT 31 JULY 2011
	$000	$000	$000
Current liabilities	30,852	34,020	38,773
Non-current liabilities	12,051	16,789	10,095
	42,903	50,809	48,868
Provisions consist of:			
Annual performance based compensation	2,163	7,440	3,871
Annual leave	18,435	18,193	17,987
Long service leave	6,623	6,247	6,402
Other employee benefits	7,181	5,911	7,049
Employee benefits	34,402	37,791	35,309
Make good provision	2,913	2,933	2,892
Sales returns provision	2,847	2,730	2,607
Onerous lease	2,741	-	705
Warranty provision	-	7,355	7,355
	42,903	50,809	48,868

PROVISION MOVEMENTS		WARRANTY			ONEROUS LEASE		
	NOTE	(UNAUDITED) 26 WEEKS ENDED 29 JANUARY 2012	(UNAUDITED) 26 WEEKS ENDED 30 JANUARY 2011	(AUDITED) 52 WEEKS ENDED 31 JULY 2011	(UNAUDITED) 26 WEEKS ENDED 29 JANUARY 2012	(UNAUDITED) 26 WEEKS ENDED 30 JANUARY 2011	(AUDITED) 52 WEEKS ENDED 31 JULY 2011
		$000	$000	$000	$000	$000	$000
Opening balance		7,355	7,414	7,414	705	-	-
Arising during the period		-	-	-	2,036	-	705
Provisions released	15	(7,355)	-	-	-	-	-
Net settlements		-	(59)	(59)	-	-	-
Closing balance		-	7,355	7,355	2,741	-	705

Warranty Provision

Refer Note 15.

Onerous Lease

As part of a project to align and integrate the support office functions of The Warehouse and Warehouse Stationery a decision was made to locate both support functions within the one office building. This will result in the current Warehouse Stationery support office building being vacant from July 2012. An onerous lease provision ($2.002 million) representing the lease obligation during the expected period of vacancy has been recognised during the current half year period.

10. DIVIDENDS

	CENTS PER SHARE			DIVIDENDS PAID		
	(UNAUDITED) 26 WEEKS ENDED 29 JANUARY 2012	(UNAUDITED) 26 WEEKS ENDED 30 JANUARY 2011	(AUDITED) 52 WEEKS ENDED 31 JULY 2011	(UNAUDITED) 26 WEEKS ENDED 29 JANUARY 2012	(UNAUDITED) 26 WEEKS ENDED 30 JANUARY 2011	(AUDITED) 52 WEEKS ENDED 31 JULY 2011
				$000	$000	$000
Prior year final dividend	6.5	8.5	8.5	20,228	26,451	26,451
Interim dividend	-	-	15.5	-	-	48,235
	6.5	8.5	24.0	20,228	26,451	74,686
Special dividend – final	-	5.0	5.0	-	15,560	15,560
Total dividends paid	6.5	13.5	29.0	20,228	42,011	90,246

On 8 March 2012 the board declared a fully imputed interim dividend of 13.5 cents per ordinary share to be paid on 19 April 2012 to all shareholders on the Group's share register at the close of business on 5 April 2012.

11. EQUITY

UNAUDITED	SHARE CAPITAL	TREASURY STOCK	CASH FLOW HEDGE RESERVE	EMPLOYEE SHARE BENEFITS RESERVE	RETAINED EARNINGS	MINORITY INTEREST	TOTAL EQUITY
	$000	$000	$000	$000	$000	$000	$000
For the 26 weeks ended 29 January 2012							
Balance at the beginning of the period	251,445	(7,385)	(24,104)	2,812	48,447	325	271,540
Profit for the half year	-	-	-	-	54,040	110	54,150
Net change in fair value of cash flow hedges	-	-	14,886	-	-	-	14,886
Share rights charged to the income statement	-	-	-	801	-	-	801
Share rights exercised	-	1,939	-	(2,099)	160	-	-
Dividends paid	-	-	-	-	(20,228)	(135)	(20,363)
Treasury stock dividends received	-	-	-	-	93	-	93
Purchase of treasury stock	-	(106)	-	-	-	-	(106)
Balance at the end of the period	251,445	(5,552)	(9,218)	1,514	82,512	300	321,001

UNAUDITED	SHARE CAPITAL	TREASURY STOCK	CASH FLOW HEDGE RESERVE	EMPLOYEE SHARE BENEFITS RESERVE	RETAINED EARNINGS	MINORITY INTEREST	TOTAL EQUITY
	$000	$000	$000	$000	$000	$000	$000
For the 26 weeks ended 30 January 2011							
Balance at the beginning of the period	251,445	(8,262)	(4,007)	3,422	60,308	340	303,246
Profit for the half year	-	-	-	-	52,292	52	52,344
Net change in fair value of cash flow hedges	-	-	(4,600)	-	-	-	(4,600)
Share rights charged to the income statement	-	-	-	1,084	-	-	1,084
Share rights exercised	-	1,986	-	(2,170)	184	-	-
Dividends paid	-	-	-	-	(42,011)	(167)	(42,178)
Treasury stock dividends received	-	-	-	-	206	-	206
Purchase of treasury stock	-	(75)	-	-	-	-	(75)
Balance at the end of the period	251,445	(6,351)	(8,607)	2,336	70,979	225	310,027

AUDITED	SHARE CAPITAL	TREASURY STOCK	CASH FLOW HEDGE RESERVE	EMPLOYEE SHARE BENEFITS RESERVE	RETAINED EARNINGS	MINORITY INTEREST	TOTAL EQUITY
	$000	$000	$000	$000	$000	$000	$000
For the 52 weeks ended 31 July 2011							
Balance at the beginning of the period	251,445	(8,262)	(4,007)	3,422	60,308	340	303,246
Profit for the year	-	-	-	-	77,829	316	78,145
Net change in fair value of cash flow hedges	-	-	(20,097)	-	-	-	(20,097)
Share rights charged to the income statement	-	-	-	1,640	-	-	1,640
Share rights exercised	-	2,110	-	(2,250)	140	-	-
Dividends paid	-	-	-	-	(90,246)	(331)	(90,577)
Treasury stock dividends received	-	-	-	-	416	-	416
Purchase of treasury stock	-	(1,233)	-	-	-	-	(1,233)
Balance at the end of the period	251,445	(7,385)	(24,104)	2,812	48,447	325	271,540

12. TRADE AND OTHER PAYABLES

	(UNAUDITED) AS AT 29 JANUARY 2012	(UNAUDITED) AS AT 30 JANUARY 2011	(AUDITED) AS AT 31 JULY 2011
	$000	$000	$000
Trade creditors	104,536	105,946	98,053
Goods in transit creditors	11,320	13,458	12,130
Unearned income (includes laybys, gift vouchers and Christmas club deposits)	9,668	8,786	8,457
Interest accruals	1,321	1,405	1,349
Payroll accruals	10,210	9,276	8,924
	137,055	138,871	128,913

13. ADJUSTED NET PROFIT RECONCILIATION

	(UNAUDITED) 26 WEEKS ENDED 29 JANUARY 2012	(UNAUDITED) 26 WEEKS ENDED 30 JANUARY 2011	(AUDITED) 52 WEEKS ENDED 31 JULY 2011
	$000	$000	$000
Adjusted net profit	**46,685**	52,962	76,027
Unusual items			
Gain on disposal of property	-	142	1,470
Changes in fair value of financial instruments	-	194	194
Release of warranty provisions	7,355	-	-
	7,355	336	1,664
Income tax relating to unusual items	-	(94)	(499)
Income tax expense relating to Government Budget changes	-	(912)	637
Net Profit attributable to shareholders of the parent	**54,040**	52,292	77,829

14. COMMITMENTS

	(UNAUDITED) AS AT 29 JANUARY 2012	(UNAUDITED) AS AT 30 JANUARY 2011	(AUDITED) AS AT 31 JULY 2011
	$000	$000	$000
(a) Capital commitments			
Capital expenditure contracted for at balance date but not recognised as liabilities is set out below:			
Within one year	52,177	16,437	46,224
(b) Operating lease commitments			
Commitments for minimum lease payments in relation to non-cancellable operating leases at balance date are as follows:			
Future minimum rentals payable			
0-1 Years	60,818	54,679	56,483
1-2 Years	48,434	45,431	46,011
2-5 Years	69,889	73,450	66,607
5+ Years	40,969	21,649	20,486
	220,110	195,209	189,587

The capital expenditure commitments at balance date include costs to complete a retail development in Silverdale of $31.636 million (HY 2011: $2.260 million; FY 2011: $38.301 million) which has a planned completion date of October 2012.

15. WARRANTY PROVISIONS AND CONTINGENT LIABILITIES

The Warehouse Australia

In November 2005 the Group sold the business assets of The Warehouse Australia to Australian Discount Retail ("ADR"). The Group provided for the settlement of potential claims at that time which could arise from warranties and indemnities made to ADR as part of the sale and purchase agreement (refer note 9). The last of the warranties relating to the sale of the business assets expired in December 2011. The Group was not notified of any unsettled claims when the warranty period expired. The remaining warranty provisions relating to the sale and purchase agreement were released when the warranty period expired.

There are still however potential residual exposures for unknown claims arising from the Group's ownership of The Warehouse Australia business prior to November 2005 that cannot be quantified. Under commercial arrangements associated with the sale process in November 2005, the Group retained guarantees to certain landlords in respect of rental payments by ADR after November 2005. It remains uncertain whether the Group still retains contingent liabilities in respect of these leases.

The Group has no other 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.

16. RELATED PARTIES

Except for director's fees, key executive remuneration and dividends paid by the Group to its directors, there have been no related party transactions.

Independent Accountants' Report

TO THE SHAREHOLDERS OF THE WAREHOUSE GROUP LIMITED

Report on the Interim Financial Statements

We have reviewed the interim condensed financial statements ("financial statements") of The Warehouse Group Limited on pages 5 to 15, which comprise the consolidated balance sheets as at 29 January 2012, the consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the period then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Interim Financial Statements

The Company's Directors are responsible for the preparation and presentation of the financial statements that present fairly the financial position of the Group as at 29 January 2012, and its financial performance and cash flows for the period ended on that date.

Accountants' Responsibility

We are responsible for reviewing the financial statements presented by the Directors in order to report to you whether, in our opinion and on the basis of the procedures performed by us, anything has come to our attention that would indicate that the financial statements do not present fairly the matters to which they relate.

A review is limited primarily to enquiries of company personnel and analytical review procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit on the financial statements and, accordingly, we do not express an audit opinion.

We have reviewed the financial statements of the Group for the period ended 29 January 2012 in accordance with the Review Engagement Standards issued by the New Zealand Institute of Chartered Accountants.

We have no relationship with, or interests in, The Warehouse Group Limited other than in our capacities as accountants conducting this review, auditors of the annual financial statements and providers of other assurance and advisory services. These matters have not impaired our independence as accountants of the Group.

Opinion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements which have been prepared in accordance with International Accounting Standard 34 and New Zealand Equivalent to International Accounting Standard 34: Interim Financial Reporting do not present fairly the financial position of the Group as at 29 January 2012 and its financial performance and cash flows for the period ended on that date.

Restriction on Distribution or Use

This report is made solely to the Company's shareholders, as a body. Our review work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an accountants' 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 review procedures, for this report or for the opinions we have formed.

PricewaterhouseCoopers

Chartered Accountants
Auckland
8 March 2012

Directory

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Graham Evans (Chairman)
Keith Smith (Deputy Chairman)
James Ogden
Janine Smith
Sir Stephen Tindall
Eduard (Ted) van Arkel

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Mark Powell

Company Secretary
Kerry Nickels

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Shareholder Enquiries
Shareholders with enquiries regarding share transactions, changes of address or dividend payments should contact the Share Registrar in the country in which their shares are registered.

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.

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Direct Crediting of Dividends
To minimise the risk of fraud and misplacement of dividend cheques, shareholders are strongly recommended to have all payments made by way of direct credit to their nominated bank account in New Zealand or Australia.

Investor Relations
For investor relations enquiries email investor@twl.co.nz

Stock Exchange Listings
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ASX trading code: WHS

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