

— Progress Report. >

SIX MONTHS
PLAN IN ACTION

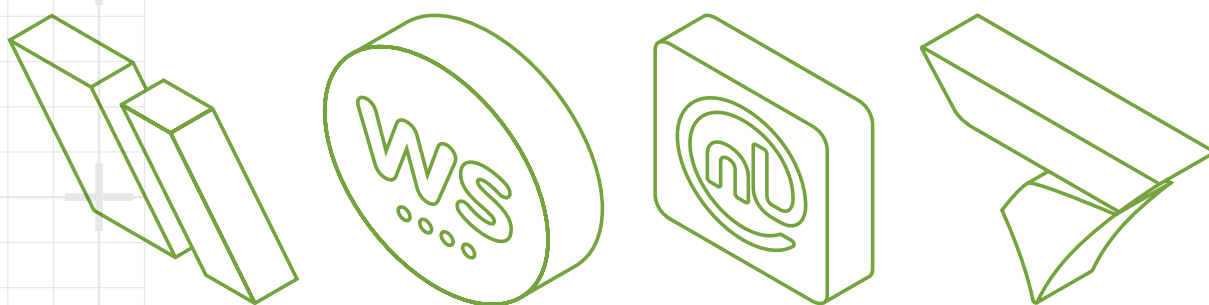
INTERIM REPORT

2018

THE
WAREHOUSE
GROUP 

Year in progress.

- > **The Warehouse increased unit sales volume by 6.7%**
- > **Percentage of products moved to EDLP in Red is at 91%**
- > **India Sourcing Office operational in H1 with more than 50 new suppliers onboarded**
- > **Strong bricks and mortar retail store sales in Torpedo7 with a 12.2% increase in Same Store Sales**
- > **Noel Leeming's Same Store Sales up 5.1%**



\$1,598.1M

Group Retail
Sales for the
period.

\$522.5M

Gross
Profit.

10%

Group Online
Sales Growth.

66%

Noel Leeming's
Operating Profit
Increase.

The Warehouse Group's first half results are influenced by the major changes occurring in the business as we execute our Transformation Plan.

We are focused on delivering our strategy, fixing our retail fundamentals and investing in our digital future. The second half of FY18 will be all about accelerating the pace of our Transformation.

134%

Group
Increase in
Reported
Profit.CHAIR'S
REPORT.

Six months of progress.

Fig. 01
Joan Withers.



The Warehouse Group's Adjusted Net Profit After Tax of \$37.7M for the half year to 28 January 2018 was above the guidance range issued to the market in early January. This was mainly due to a one-off impact within the Noel Leeming business.

When restated to eliminate the impact of the discontinued loss-making Financial Services operations, this equates to a decline of 16.4% on the comparative period last year. However, within this year's result we have provisioned an additional \$10M for incentive payments.

Our Net Profit After Tax, including the Financial Services results for both years, shows an increase of 134%, which is reflected in a similar level of growth to our earnings per share.

Group retail sales for the half year were \$1,598.1M, down 0.9% on the same period last year. Gross Profit was up 0.7% and other Costs of Doing Business (CODB) were up 3.3% on the prior period.

The Group's Balance Sheet remains in good shape, with net debt reduced by almost \$100M on the prior period.

Our Transformation Journey

The Warehouse Group is undergoing a major Transformation to ensure that it is competitive and delivers sustainable profitability in the future. We do not call it Transformation lightly; the changes that the Group is undertaking are not incremental changes to its current businesses but are fundamental changes in the way the Group operates, services customers and competes in the market.

Transformation is not easy. Many organisations wait until they are making losses or are at some crisis point before they make the sorts of changes necessary to survive. For many, that delay means the changes come too late, or are overshadowed by a lack of financial capacity to deliver them.

The Board, the Group Chief Executive and the leadership team are aligned about the need for change. The trajectory of our earnings in recent years, the overly complex nature of our operations, ever-intensifying competition, and changing customer expectations are why we are acting now. Our Group CEO and leadership team have witnessed traditional retail being challenged in international markets. As detailed below, Nick Grayston has galvanised formidable expertise and experience, both locally and from across the world, to effect the changes that are required within our business.

First Half Transformations

The first half of FY18 has seen the start of this Transformation. A major first step has been the change from our hi-lo discounting-based pricing in The Warehouse, to an Every Day Low Price (EDLP) strategy. We believe that this gives us a stronger competitive offer, does not expose us as much to international price-based competition as a discounting strategy would, and fits with our desire to streamline and simplify our operations to minimise our operating costs so that we can provide better prices to customers.

These changes are never easy and offshore experience has many examples where retailers suffer significant sales and profitability declines in doing this. The Warehouse has made the change to EDLP, has reduced the number of products it has in its ranges while improving those that remain, and has achieved this with only a [3.6%] reduction in sales (in The Warehouse) and a [4.4%] reduction in Gross Profit. Some of this decline relates to clearance activity in the shift to EDLP, and we see the second half-year being the time where we start rebuilding our Gross Profit performance.

The second major change to our business has been the operational integration of Warehouse Stationery with the core Warehouse business, and Torpedo7 with Noel Leeming. This operational integration means common management disciplines, common teams doing many of the behind-the-scenes jobs such as sourcing and merchandising, and combined back-office processes. It doesn't mean in-store integration, although we are trialling some combined Warehouse and Warehouse Stationery formats to test that concept. This second set of changes has come with some teething problems, such as when people take on unfamiliar responsibilities or migrate technology systems, some of which have impacted our performance in the first half-year. We continue to see value in the long term from making these changes so are committed to staying the course.

Leadership

Critical to delivering a successful change programme is having the right leadership, and getting assistance when we need it.

From a leadership perspective, Nick Grayston, our Group CEO, has been making specific investments to boost our capabilities and readiness for the Transformation challenge. We have been able to attract and retain some key international and domestic talent. Key hires this half have been Jonathan Waecker as Chief Marketing Officer, Chris Foord as Head of Logistics, Scott Newton as Chief Transformation Officer, Evelyn Ross as Chief People Officer and Jonathan Oram as Deputy Chief Financial Officer. As a result, we now have a world-class team, certainly one of the strongest teams in retail in New Zealand. The experience of our leadership team will play a key role in the successful execution of our Transformation Plan.

Another key role will be played by the international consultancy firm that we have engaged to assist us in the execution of the

Transformation. We need to demonstrate to the market our ability to execute against strategy and we have secured globally-credentialed expertise to increase our horsepower and to utilise proven processes for effecting complex, value-enhancing change programmes efficiently and sustainably.

Governance

The Board has also made changes to improve Corporate Governance. A number of changes to committee structures and charters have been made. Following the resignation of Vanessa Stoddart and James Ogden in November last year and an assessment of the skills we need around the board table, the process is now in train to find new Directors to supplement our existing skill mix. Sir Stephen Tindall is currently on 12 months' leave of absence from the Board and Robbie Tindall, Sir Stephen's alternate, is fulfilling that directorial role.

During a time of major change, the Board's role in maintaining focus on key issues, such as Health and Safety and setting the organisation's culture, becomes increasingly important. The Board has recently established a dedicated Health, Safety and Wellbeing Committee. Ensuring that we pay attention to not only 'what' changes we are making but also to 'how' those changes are being made to strengthen rather than weaken our company's culture is a key role that the Board is playing over the next 18 months. We are acutely aware that we need fundamental change in order to deliver sustainable profitability into the future. Organisational health is a critical focus as we effect that change.

The appropriate remuneration and incentivisation of our people during periods impacted by significant change is a focus for the Board and its People and Remuneration Committee. Across the Group we have a variety of incentive plans that mean the participation rate of staff involved in those programmes is around 79%. This ranges from stores who are specifically incentivised to hit performance targets, through to senior managers who hold responsibility for achieving the Transformation. Not all of our incentives are linked directly to short-term financial measures, a significant component is linked to behaviours, reflecting the importance of culture, and execution against agreed plans.

In this half-year result we have accrued for our incentive plans to be triggered, due mainly to the fact that to this point we haven't experienced the sharp declines in performance that we thought possible, and again to date, we are executing our change programme on schedule. The final determination around incentives will be made at year-end; however, based on our half-year performance and forecast for the full year, the accrual is prudent.

Returning Value

The Board announced an interim dividend of 10 cents per share. This reflects the Board's confidence in our Transformation journey, and the fact that except for accruals around our incentive programmes, the first half's results are almost on par with those of last year. As detailed earlier, if we include the Financial Services results for both periods, the bottom line is materially improved. The Board has signalled that we intend to review our dividend policy before year-end, given that the current policy references performance of the retail group. This will, therefore, eliminate losses from the now-divested Financial Services business in the calculation of the dividend.

Our Transformation continues to accelerate into the second half, and I look forward to being able to report against our progress in the full-year report.

To all shareholders, please accept my and the Board's sincere thanks for your continued support. To our Team Members, we express our gratitude for the enormous effort you are making in ensuring The Warehouse Group retains its iconic status in the New Zealand retail landscape.



Joan Withers
Chair

\$49M

The Warehouse's
Operating Profit.



\$3.7M

Warehouse
Stationery's
Operating
Profit.



CEO
UPDATE.

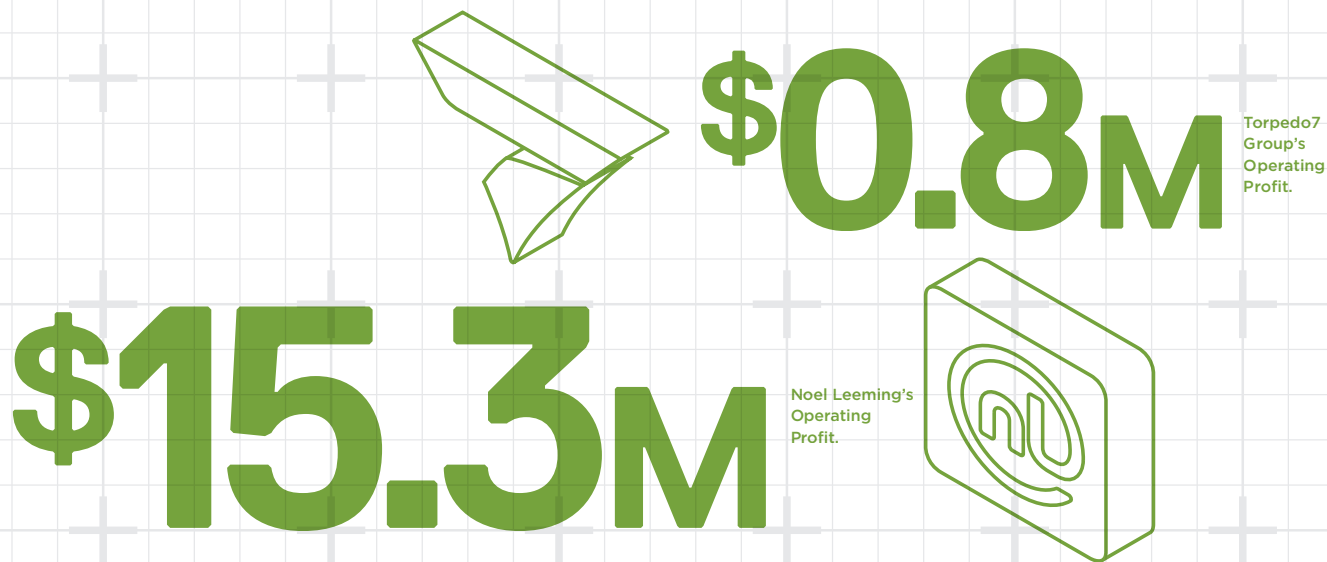
Step change for progress.

Fig. 02
Nick Grayston.



This first half-year at The Warehouse Group has been about executing some significant change programmes and then focusing on trading the peak retail season. Our financial results have been directly affected by these changes, but we saw an improving trend in our second quarter results and this is continuing into the second half.

We believe that we have the right strategy in place to fix our retail fundamentals and invest in our digital future and the second half of FY18 is all about accelerating the pace of our Transformation.



Our Performance

The Warehouse Group's first-half results have been influenced by major changes occurring in the business as we executed against our Transformation Plan. Retail sales were down 0.9% on last year.

The Warehouse reported sales of \$940.1M, down from \$975.1M in the first half of FY17. The reduction in sales revenue was an anticipated effect of the move to an EDLP strategy, which meant a reduction in average selling price. We did, however, see an increase of 6.7% in unit volume of product sold. The first half's operating margin was also impacted as the business managed a planned one-off clearance of discontinued stock lines as part of the change in our go-to-market strategy.

Warehouse Stationery reported sales of \$129M, down 7.1% compared to the same period last year, and an operating profit decrease of 43.4%. The operational integration of The Warehouse and Warehouse Stationery caused significant internal systems and process challenges which impacted availability of products in store. Some of this was due to the migration of legacy systems and complexities of our data formatting, which led to replenishment and consequent availability issues. This was coupled with softer trading in key categories leading to a sharp decline in performance. We are focused on returning the Blue business to normal performance levels in the second half and ensuring we are providing additional support to our teams during this transition period.

We are also committed to continuing to test our 'store within a store' concept and the first half saw us open this newer format in Rolleston. We are seeing encouraging results from this store and intend to extend this trial before we make any long-term decisions.

Torpedo7 Group had a challenging first half. Sales were up 2.5% with strong growth coming from Torpedo7 bricks and mortar retail stores which were up 12.2%. However, product mix and clearance of aged inventory have impacted Gross Profit. We invested in brand awareness marketing which increased CODB materially. We tackled legacy issues with inventory and sales in No.1 Fitness and Shotgun.

Against this backdrop Noel Leeming was a shining light in terms of performance with an increase in reported first-half sales of 7.5% and a 5.1% increase in same store sales compared to the same period last year. Operating profit for the first half was up 65.7% to \$15.3M, helped by a one-off impact.

People and Leadership

The first half has seen some international and domestic additions to my Executive Team as we remain focused on ensuring we have the right skills to deliver on our Transformation agenda.

Key hires include Jonathan Waecker as Chief Marketing Officer. As we continue to face intense competition, it is crucial that we maximise our marketing and communications capabilities to deliver for our customers, who are beginning to expect customisation and personalisation when engaging with brands. Jonathan will be working on building an integrated marketing capability that delivers for our business and customers.

Chris Foord also joined us as Chief Logistics Officer leading all aspects of our logistics and supply chain across the Group. Chris was a transformation lead in the supply chain space in his previous role, and we look forward to having this knowledge on board as we transform our business.

I am delighted to have added Evelyn Ross as Chief People Officer. One of our critical challenges as we move through Transformation is to build a high-performance capability which increases productivity without harming our precious culture. Evelyn and I have worked together previously in this context and I am confident that she will be able to add value quickly in her role.

Finally, we also made a key hire specifically related to our change agenda with Scott Newton joining us in the role of Chief Transformation Officer. Scott brings a wealth of general management, finance and transformation experience to the Group with an extensive track record in driving sustained transformational change across a number of New Zealand and international businesses.

In the second half of FY18 my Executive Team will be supported by coaches from the international consultancy firm that we have engaged to assist us on the execution of the Transformation.

Transformation in H2

As we move into the second half the business priority is about realising the full potential of The Warehouse Group and ensuring that we have captured all the right initiatives that will help us drive a step change in performance.

External reviews have confirmed that our strategy is sound, and that our challenge is in execution. With the assistance of our external coaches, we are in the process of improving our internal processes around executing change in the business. We will be in a position to share more detail about our key Transformation initiatives and milestones at the end of the financial year.

Nick Grayston
Group Chief Executive Officer

Interim Financial Statements.

For the 26 weeks
ended 28 January 2018

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Consolidated Income Statement

	NOTE	UNAUDITED 26 WEEKS ENDED 28 JANUARY 2018	UNAUDITED 26 WEEKS ENDED 29 JANUARY 2017	AUDITED 52 WEEKS ENDED 30 JULY 2017
		\$000	\$000	\$000
Continuing operations				
Retail sales	3	1,598,076	1,611,862	2,980,771
Cost of retail goods sold		(1,075,587)	(1,092,854)	(2,008,859)
Gross profit		522,489	519,008	971,912
Other income		5,214	4,372	8,144
Lease and occupancy expenses		(80,564)	(76,168)	(156,659)
Employee expenses		(264,397)	(253,645)	(486,196)
Depreciation and amortisation expenses	3	(28,838)	(29,054)	(58,376)
Other operating expenses		(95,485)	(94,589)	(170,988)
Operating profit from continuing operations	3	58,419	69,924	107,837
Unusual items	4	(3,223)	(4,773)	(605)
Earnings before interest and tax from continuing operations		55,196	65,151	107,232
Net interest expense		(5,516)	(6,586)	(12,527)
Profit before tax from continuing operations		49,680	58,565	94,705
Income tax expense		(14,204)	(16,854)	(23,691)
Net profit for the period from continuing operations		35,476	41,711	71,014
Discontinued operations				
Loss from discontinued operations (net of tax)	15	(3,547)	(28,073)	(50,283)
Net profit for the period		31,929	13,638	20,731
Attributable to:				
Shareholders of the parent		31,798	13,555	20,429
Minority interests		131	83	302
		31,929	13,638	20,731
Profit attributable to shareholders of the parent relates to:				
Profit from continuing operations		35,345	41,628	70,712
Loss from discontinued operations		(3,547)	(28,073)	(50,283)
		31,798	13,555	20,429
Earnings per share attributable to shareholders of the parent:				
Basic earnings per share		9.2 cents	3.9 cents	5.9 cents
Diluted earnings per share		9.2 cents	3.9 cents	5.9 cents
Earnings per share attributable to shareholders of the parent from continuing operations:				
Basic earnings per share		10.3 cents	12.1 cents	20.5 cents
Diluted earnings per share		10.2 cents	12.0 cents	20.4 cents

Consolidated Statement of Comprehensive Income

	UNAUDITED 26 WEEKS ENDED 28 JANUARY 2018	UNAUDITED 26 WEEKS ENDED 29 JANUARY 2017	AUDITED 52 WEEKS ENDED 30 JULY 2017
	\$000	\$000	\$000
Net profit for the period	31,929	13,638	20,731
Items that may be reclassified subsequently to the Income Statement			
Movement in foreign currency translation reserve	(6)	-	-
Movement in hedge reserves (net of tax)	4,867	13,423	7,265
Total comprehensive income for the period	36,790	27,061	27,996
Attributable to:			
Shareholders of the parent	36,659	26,978	27,694
Minority interest	131	83	302
Total comprehensive income	36,790	27,061	27,996
Attributable to:			
Total comprehensive income from continuing operations	40,337	55,134	78,279
Total comprehensive income from discontinued operations	(3,547)	(28,073)	(50,283)
Total comprehensive income	36,790	27,061	27,996
Total comprehensive income from continuing operations attributable to:			
Shareholders of the parent	40,206	55,051	77,977
Minority interest	131	83	302
Total comprehensive income	40,337	55,134	78,279

Consolidated Statement of Changes in Equity

(UNAUDITED)	SHARE CAPITAL	TREASURY STOCK	HEDGE RESERVES	FOREIGN CURRENCY TRANSLATION RESERVE	EMPLOYEE SHARE BENEFITS RESERVE	RETAINED EARNINGS	MINORITY INTEREST	TOTAL EQUITY
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
For the 26 weeks ended 28 January 2018								
Balance at the beginning of the period	365,517	(7,471)	(15,174)	-	2,138	140,512	867	486,389
Profit for the half year	-	-	-	-	-	31,798	131	31,929
Movement in foreign currency translation reserve	-	-	-	(6)	-	-	-	(6)
Movement in derivative cash flow hedges	-	-	6,457	-	-	-	-	6,457
Movement in de-designated hedges	-	-	303	-	-	-	-	303
Tax related to movement in hedge reserve	-	-	(1,893)	-	-	-	-	(1,893)
Total comprehensive income	-	-	4,867	(6)	-	31,798	131	36,790
Share rights charged to the income statement	-	-	-	-	288	-	-	288
Share rights exercised	-	1,411	-	-	(1,725)	314	-	-
Dividends paid	-	-	-	-	-	(20,811)	(4)	(20,815)
Treasury stock dividends received	-	-	-	-	-	101	-	101
Balance at the end of the period	365,517	(6,060)	(10,307)	(6)	701	151,914	994	502,753

(UNAUDITED)	SHARE CAPITAL	TREASURY STOCK	HEDGE RESERVES	FOREIGN CURRENCY TRANSLATION RESERVE	EMPLOYEE SHARE BENEFITS RESERVE	RETAINED EARNINGS	MINORITY INTEREST	TOTAL EQUITY
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
For the 26 weeks ended 29 January 2017								
Balance at the beginning of the period	365,517	(7,832)	(22,439)	-	3,623	171,560	167	510,596
Profit for the half year	-	-	-	-	-	13,555	83	13,638
Movement in foreign currency translation reserve	-	-	-	-	-	-	-	-
Movement in derivative cash flow hedges	-	-	18,340	-	-	-	-	18,340
Movement in de-designated hedges	-	-	303	-	-	-	-	303
Tax related to movement in hedge reserve	-	-	(5,220)	-	-	-	-	(5,220)
Total comprehensive income	-	-	13,423	-	-	13,555	83	27,061
Share rights charged to the income statement	-	-	-	-	1,048	-	-	1,048
Share rights exercised	-	2,224	-	-	(2,505)	281	-	-
Dividends paid	-	-	-	-	-	(17,342)	(67)	(17,409)
Treasury stock dividends received	-	-	-	-	-	73	-	73
Balance at the end of the period	365,517	(5,608)	(9,016)	-	2,166	168,127	183	521,369

(AUDITED)	SHARE CAPITAL	TREASURY STOCK	HEDGE RESERVES	FOREIGN CURRENCY TRANSLATION RESERVE	EMPLOYEE SHARE BENEFITS RESERVE	RETAINED EARNINGS	MINORITY INTEREST	TOTAL EQUITY
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
For the 52 weeks ended 30 July 2017								
Balance at the beginning of the period	365,517	(7,832)	(22,439)	-	3,623	171,560	167	510,596
Profit for the year	-	-	-	-	-	20,429	302	20,731
Movement in derivative cash flow hedges	-	-	9,484	-	-	-	-	9,484
Movement in de-designated hedges	-	-	606	-	-	-	-	606
Tax related to movement in hedge reserve	-	-	(2,825)	-	-	-	-	(2,825)
Total comprehensive income	-	-	7,265	-	-	20,429	302	27,996
Contributions by and distributions to owners:								-
Share rights charged to the income statement	-	-	-	-	1,283	-	-	1,283
Minority interest capital contribution	-	-	-	-	-	-	750	750
Share rights exercised	-	2,509	-	-	(2,768)	259	-	-
Dividends paid	-	-	-	-	-	(52,026)	(352)	(52,378)
Treasury stock dividends received	-	-	-	-	-	290	-	290
Purchase of treasury stock	-	(2,148)	-	-	-	-	-	(2,148)
Balance at the end of the period	365,517	(7,471)	(15,174)	-	2,138	140,512	867	486,389

Balance Sheet

	NOTE	UNAUDITED AS AT 28 JANUARY 2018	UNAUDITED AS AT 29 JANUARY 2017	AUDITED AS AT 30 JULY 2017
		\$000	\$000	\$000
ASSETS				
Current assets				
Cash and cash equivalents	11	44,778	44,535	47,492
Finance business receivables		–	74,675	–
Trade and other receivables	6	75,367	80,427	71,088
Inventories		540,339	540,513	491,818
Derivative financial instruments	12	426	500	–
Taxation receivable		–	–	4,959
		660,910	740,650	615,357
Assets held for sale	17	20,368	52,281	77,142
Total current assets		681,278	792,931	692,499
Non-current assets				
Property, plant and equipment	9	244,091	252,929	252,175
Intangible assets	10	133,922	150,778	127,726
Derivative financial instruments	12	647	291	541
Deferred taxation		45,723	41,853	40,911
Total non-current assets		424,383	445,851	421,353
Total assets		1,105,661	1,238,782	1,113,852
LIABILITIES				
Current liabilities				
Borrowings	11	74,237	81,162	49,593
Trade and other payables	7	291,308	329,092	267,304
Derivative financial instruments	12	10,980	9,634	17,299
Taxation payable		1,262	667	–
Provisions	8	58,962	49,525	49,769
		436,749	470,080	383,965
Securitised borrowings associated with assets held for sale		–	–	56,717
Other liabilities directly associated with assets held for sale	17	4,194	–	5,443
Total current liabilities		440,943	470,080	446,125
Non-current liabilities				
Borrowings	11	139,712	164,121	159,453
Securitised borrowings	11	–	62,597	–
Derivative financial instruments	12	2,701	1,855	2,507
Provisions	8	19,552	18,760	19,378
Total non-current liabilities		161,965	247,333	181,338
Total liabilities		602,908	717,413	627,463
Net assets		502,753	521,369	486,389
EQUITY				
Contributed equity		359,457	359,909	358,046
Reserves		(9,612)	(6,850)	(13,036)
Retained earnings		151,914	168,127	140,512
Total equity attributable to shareholders		501,759	521,186	485,522
Minority interest		994	183	867
Total equity		502,753	521,369	486,389
Net assets per share		145.7 cents	151.0 cents	141.2 cents

Consolidated Statement of Cash Flows

	NOTE	UNAUDITED 26 WEEKS ENDED 28 JANUARY 2018	UNAUDITED 26 WEEKS ENDED 29 JANUARY 2017	AUDITED 52 WEEKS ENDED 30 JULY 2017
		\$000	\$000	\$000
Cash flows from operating activities				
Cash received from customers		1,603,868	1,613,069	2,996,090
Payments to suppliers and employees		(1,541,019)	(1,509,992)	(2,841,679)
Income tax paid		(12,174)	(20,091)	(27,454)
Interest paid		(5,868)	(8,344)	(16,008)
		44,807	74,642	110,949
Loans repaid by finance business customers		25,775	86,898	171,188
New loans to finance business customers		(23,938)	(82,998)	(154,049)
Net cash flows from operating activities		46,644	78,542	128,088
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		107	14,827	79,714
Proceeds from business disposal	16	17,291	-	-
Minority interest capital contribution		-	-	750
Purchase of property, plant, equipment and software		(38,925)	(38,434)	(70,575)
Contingent consideration		-	(1,000)	(1,000)
Other items		-	-	(327)
Net cash flows from investing activities		(21,527)	(24,607)	8,562
Cash flows from financing activities				
Proceeds from/(Repayment) bank borrowings		4,822	(43,651)	(79,821)
Proceeds from/(Repayment) securitised borrowings		(11,555)	2,472	(3,408)
Repayment of finance leases		(262)	(629)	(1,196)
Purchase of treasury stock		-	-	(2,148)
Treasury stock dividends received		101	73	290
Dividends paid to parent shareholders		(20,933)	(17,479)	(52,404)
Dividends paid to minority shareholders		(4)	(67)	(352)
Net cash flows from financing activities		(27,831)	(59,281)	(139,039)
Net cash flow		(2,714)	(5,346)	(2,389)
Opening cash position		47,492	49,881	49,881
Closing cash position		44,778	44,535	47,492

Reconciliation of Operating Cash Flows

Profit after tax		31,929	13,638	20,731
Non-cash items				
Depreciation and amortisation expenses	3	28,838	29,912	60,191
Intangible asset impairment	10, 9	-	22,714	40,061
Share based payment expense		288	1,048	1,283
Interest capitalisation		238	272	524
Supplier contributions		(2,699)	-	-
Movement in deferred tax		(5,042)	(3,977)	(555)
Movement in de-designated derivative hedges		218	218	436
Total non-cash items		21,841	50,187	101,940
Items classified as investing or financing activities				
Net loss/ (gain) on sale of property, plant and equipment		399	1,289	(9,979)
Loss on business disposal		1,458	-	-
Direct costs relating to business disposal		-	-	946
Supplementary dividend tax credit		122	137	378
Total investing and financing adjustments		1,979	1,426	(8,655)
Changes in assets and liabilities				
Trade and other receivables		(3,775)	(3,368)	4,248
Finance business receivables		2,229	(1,110)	6,210
Inventories		(48,521)	(38,800)	9,895
Trade and other payables		25,435	66,450	7,557
Provisions		9,306	(8,480)	(6,811)
Income tax		6,221	(1,401)	(7,027)
Total changes in assets and liabilities		(9,105)	13,291	14,072
Net cash flows from operating activities		46,644	78,542	128,088

Notes to the Financial Statements

1. GENERAL INFORMATION

The Warehouse Group Limited (the Company) and its subsidiaries (together the Group) trade in the New Zealand retail and financial services sectors. 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 (NZ GAAP). They comply with NZ IAS 34 Interim Financial Reporting and IAS 34 Interim Financial Reporting 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 year ended 30 July 2017.

These 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 financial statements is New Zealand dollars, rounded to the nearest thousands unless otherwise stated.

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 30 July 2017 and the unaudited interim financial statements for the 26 weeks ended 29 January 2017.

There have been no significant changes in accounting policies applied by the Group during the current half year period.

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 7 March 2018. Unless as otherwise stated, the financial statements have been reviewed by our Auditors, but are not audited.

3. SEGMENT INFORMATION

Operating segments

The Group has four operating segments trading in the New Zealand retail sector. These segments form the basis of internal reporting used by management and the Board of Directors to monitor and assess performance and assist with strategy decisions.

Each of the four retail segments represent a distinct retail chain, synonymous with its segment name. 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 93 The Warehouse stores, 70 Warehouse Stationery stores, 79 Noel Leeming stores and 11 Torpedo7 stores. The Warehouse predominantly sells general merchandise and apparel, Noel Leeming sells technology and appliance products, Torpedo7 sells sporting equipment and, as the name indicates, Warehouse Stationery sells stationery.

Group support office functions such as Information Systems, Finance, Brand Executives and People Support are operated using a shared services model which allocates the costs of these support office 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.

Notes to the Financial Statements – continued

3. SEGMENT INFORMATION

OPERATING PERFORMANCE	REVENUE			OPERATING PROFIT		
	UNAUDITED 26 WEEKS ENDED 28 JANUARY 2018	UNAUDITED 26 WEEKS ENDED 29 JANUARY 2017	AUDITED 52 WEEKS ENDED 30 JULY 2017	UNAUDITED 26 WEEKS ENDED 28 JANUARY 2018	UNAUDITED 26 WEEKS ENDED 29 JANUARY 2017	AUDITED 52 WEEKS ENDED 30 JULY 2017
	\$000	\$000	\$000	\$000	\$000	\$000
The Warehouse	940,055	975,097	1,761,399	49,031	59,508	84,531
Warehouse Stationery	128,987	138,775	278,181	3,656	6,455	15,743
Noel Leeming	453,853	422,149	810,705	15,253	9,207	19,264
Torpedo7	88,591	86,402	157,726	776	2,424	2,675
Other Group operations	5,501	5,436	8,603	(10,297)	(7,670)	(14,376)
Inter-segment eliminations	(18,911)	(15,997)	(35,843)			
Retail Group	1,598,076	1,611,862	2,980,771	58,419	69,924	107,837
Unusual items				(3,223)	(4,773)	(605)
Earnings before interest and tax from continuing operations				55,196	65,151	107,232
Net interest expense				(5,516)	(6,586)	(12,527)
Profit before tax from continuing operations				49,680	58,565	94,705
Operating margin						
The Warehouse (%)				5.2	6.1	4.8
Warehouse Stationery (%)				2.8	4.7	5.7
Noel Leeming (%)				3.4	2.2	2.4
Torpedo7 (%)				0.9	2.8	1.7
Total Retail Group (%)				3.7	4.3	3.6

CAPITAL EXPENDITURE AND DEPRECIATION	NOTE	CAPITAL EXPENDITURE			DEPRECIATION & AMORTISATION		
		UNAUDITED 26 WEEKS ENDED 28 JANUARY 2018	UNAUDITED 26 WEEKS ENDED 29 JANUARY 2017	AUDITED 52 WEEKS ENDED 30 JULY 2017	UNAUDITED 26 WEEKS ENDED 28 JANUARY 2018	UNAUDITED 26 WEEKS ENDED 29 JANUARY 2017	AUDITED 52 WEEKS ENDED 30 JULY 2017
		\$000	\$000	\$000	\$000	\$000	\$000
The Warehouse		19,322	18,330	36,374	20,132	20,332	40,819
Warehouse Stationery		409	1,386	3,861	2,829	3,403	6,722
Noel Leeming		8,411	6,996	10,382	4,675	4,044	8,421
Torpedo7		474	185	581	520	571	1,059
Other Group operations		10,421	2,541	10,253	682	704	1,355
Retail Group		39,037	29,438	61,451	28,838	29,054	58,376
Discontinued Finance business		335	1,303	2,513	–	858	1,815
Total Group	9	39,372	30,741	63,964	28,838	29,912	60,191

BALANCE SHEET INFORMATION	TOTAL ASSETS			TOTAL LIABILITIES		
	UNAUDITED AS AT 28 JANUARY 2018	UNAUDITED AS AT 29 JANUARY 2017	AUDITED AS AT 30 JULY 2017	UNAUDITED AS AT 28 JANUARY 2018	UNAUDITED AS AT 29 JANUARY 2017	AUDITED AS AT 30 JULY 2017
	\$000	\$000	\$000	\$000	\$000	\$000
The Warehouse	499,216	492,567	461,772	224,399	210,479	182,389
Warehouse Stationery	84,358	85,345	72,176	12,863	38,569	32,746
Noel Leeming	171,883	176,379	160,287	117,684	126,137	108,008
Torpedo7	50,770	50,131	51,742	11,586	11,956	11,269
Other Group operations	92,709	138,198	90,229	3,290	2,575	2,039
Retail Group	898,936	942,620	836,206	369,822	389,716	336,451
Discontinued Finance business	8,550	102,382	77,142	4,194	7,661	5,443
Operating assets/liabilities	907,486	1,045,002	913,348	374,016	397,377	341,894
Unallocated assets/liabilities						
Cash and borrowings	44,778	44,535	47,492	213,949	307,880	265,763
Derivative financial instruments	1,073	791	541	13,681	11,489	19,806
Intangible Goodwill and Brands	106,601	106,601	106,601	–	–	–
Taxation	45,723	41,853	45,870	1,262	667	–
Total	1,105,661	1,238,782	1,113,852	602,908	717,413	627,463

4. ADJUSTED NET PROFIT

	NOTE	UNAUDITED 26 WEEKS ENDED 28 JANUARY 2018	UNAUDITED 26 WEEKS ENDED 29 JANUARY 2017	AUDITED 52 WEEKS ENDED 30 JULY 2017
ADJUSTED NET PROFIT RECONCILIATION				
		\$000	\$000	\$000
Adjusted net profit		37,666	45,036	68,185
Add back: Unusual items				
Gain/(loss) on property disposal		–	(812)	11,455
Restructuring costs	14	(3,223)	(3,961)	(12,060)
Unusual items before taxation		(3,223)	(4,773)	(605)
Income tax relating to unusual items		902	1,336	169
Income tax expense related to depreciation recovered on building disposals		–	29	2,963
Unusual items after taxation		(2,321)	(3,408)	2,527
Net profit attributable to shareholders of the parent		35,345	41,628	70,712

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 provides a better understanding of underlying business performance and the Group also uses it as the basis for determining dividend payments (after adjusting for losses from the Financial Services Group). 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 profits or losses from the disposal of properties or investments, goodwill impairment, direct costs and adjustments relating to business acquisitions or disposals and costs connected with restructuring the Group.

5. DIVIDENDS

	CENTS PER SHARE			DIVIDENDS PAID		
	UNAUDITED 26 WEEKS ENDED 28 JANUARY 2018	UNAUDITED 26 WEEKS ENDED 29 JANUARY 2017	AUDITED 52 WEEKS ENDED 30 JULY 2017	UNAUDITED 26 WEEKS ENDED 28 JANUARY 2018	UNAUDITED 26 WEEKS ENDED 29 JANUARY 2017	AUDITED 52 WEEKS ENDED 30 JULY 2017
DIVIDENDS PAID				\$000	\$000	\$000
Prior year final dividend	6.0	5.0	5.0	20,811	17,342	17,342
Interim dividend	–	–	10.0	–	–	34,684
Total dividends paid	6.0	5.0	15.0	20,811	17,342	52,026

On 7 March 2018 the Board declared a fully imputed interim dividend of 10.0 cents per ordinary share to be paid on 12 April 2018 to all shareholders on the Group's share register at the close of business on 3 April 2018.

Notes to the Financial Statements – continued

6. TRADE AND OTHER RECEIVABLES

	UNAUDITED AS AT 28 JANUARY 2018	UNAUDITED AS AT 29 JANUARY 2017	AUDITED AS AT 30 JULY 2017
	\$000	\$000	\$000
Trade receivables	41,789	44,576	45,207
Prepayments	11,719	10,538	9,453
Business disposal proceeds receivable	–	1,000	–
Rebate accruals and other debtors	21,859	24,313	16,428
	75,367	80,427	71,088

7. TRADE AND OTHER PAYABLES

	UNAUDITED AS AT 28 JANUARY 2018	UNAUDITED AS AT 29 JANUARY 2017	AUDITED AS AT 30 JULY 2017
	\$000	\$000	\$000
Trade creditors and accruals	231,004	242,727	204,784
Goods in transit creditors	21,940	18,681	21,187
Capital expenditure creditors	549	1,716	2,802
Goods and services tax	12,725	37,913	10,768
Reward schemes, lay-bys, Christmas club deposits and gift vouchers	14,934	16,147	15,820
Interest accruals	928	1,505	1,089
Payroll accruals	9,228	10,403	10,854
Total trade and other payables	291,308	329,092	267,304

8. PROVISIONS

	UNAUDITED AS AT 28 JANUARY 2018	UNAUDITED AS AT 29 JANUARY 2017	AUDITED AS AT 30 JULY 2017
	\$000	\$000	\$000
Current liabilities	58,962	49,525	49,769
Non-current liabilities	19,552	18,760	19,378
Total provisions	78,514	68,285	69,147
Provisions consist of:			
Employee entitlements	65,011	55,416	55,693
Make good provision	7,909	7,868	8,012
Sales returns provision	4,104	4,119	3,708
Onerous lease	1,490	882	1,734
Total provisions	78,514	68,285	69,147

9. PROPERTY, PLANT, EQUIPMENT AND COMPUTER SOFTWARE

	NOTE	UNAUDITED AS AT 28 JANUARY 2018	UNAUDITED AS AT 29 JANUARY 2017	AUDITED AS AT 30 JULY 2017
		\$000	\$000	\$000
Assets held for sale	17	11,874	52,281	8,064
Property, plant and equipment		244,091	252,929	252,175
Computer software	10	27,321	44,177	21,125
Net book value		283,286	349,387	281,364
Movement in property, plant, equipment and software				
Balance at the beginning of the period		281,364	364,673	364,673
Capital expenditure	3	39,372	30,741	63,964
Depreciation and amortisation	3	(28,838)	(29,912)	(60,191)
Impairment (Financial Services computer software)		–	–	(17,347)
Disposals		(8,612)	(16,115)	(69,735)
Balance at the end of the period		283,286	349,387	281,364

10. INTANGIBLE ASSETS

	NOTE	UNAUDITED AS AT 28 JANUARY 2018	UNAUDITED AS AT 29 JANUARY 2017	AUDITED AS AT 30 JULY 2017
		\$000	\$000	\$000
Computer software	9	27,321	44,177	21,125
Brands		23,523	23,523	23,523
Goodwill		83,078	83,078	83,078
Net book value		133,922	150,778	127,726
Movement in Goodwill				
Balance at the beginning of the period		83,078	105,792	105,792
Impairment		–	(22,714)	(22,714)
Balance at the end of the period		83,078	83,078	83,078

The Group performs a detailed impairment assessment of the Group's intangible assets and considers if there are any indicators of impairment at each interim reporting date. The Group's interim review did not identify any significant indicators of impairment in any of the Group's cash generating units (CGU) except for the Torpedo7 Group.

The Torpedo7 trading performance during the current half year was below expectation and caused the Group to reassess the carrying value of the Torpedo7 Goodwill asset (\$25,622 million). The assessment is predicated on an improvement in trading and margin uplift, but is principally based on store expansion which will provide Torpedo7 with greater scale. The Board continues to support the concept of the store expansion but recognises there is uncertainty and any adverse changes in key assumptions around the store roll-out programme and margin uplift could give rise to an impairment of goodwill. The Board's assessment is that the recoverable amount continues to support the existing carrying value of goodwill; however, the Board will reassess the carrying value of goodwill at year-end when the current Torpedo7 strategy review has been completed and there is more evidence of the impact of recently commenced business improvement initiatives.

Notes to the Financial Statements – continued

11. BORROWINGS

	UNAUDITED AS AT 28 JANUARY 2018	UNAUDITED AS AT 29 JANUARY 2017	AUDITED AS AT 30 JULY 2017
NET DEBT	\$000	\$000	\$000
Cash on hand and at bank	44,778	44,535	47,492
Bank borrowings	73,981	80,329	49,159
Lease liabilities	256	833	434
Current borrowings	74,237	81,162	49,593
Bank borrowings	15,000	40,000	35,000
Lease liabilities	104	305	169
Fixed rate senior bond (coupon: 5.30%)	125,000	125,000	125,000
Fair value adjustment relating to effective interest	647	291	541
Unamortised capitalised costs on senior bond	(1,039)	(1,475)	(1,257)
Non-current borrowings	139,712	164,121	159,453
Securitised borrowings	–	62,597	56,717
Total borrowings	213,949	307,880	265,763
Net debt	169,171	263,345	218,271
Committed bank credit facilities at balance date are:			
Bank debt facilities	260,000	340,000	280,000
Bank facilities used	(88,981)	(120,329)	(84,159)
Unused bank debt facilities	171,019	219,671	195,841
Securitised debt facility	–	150,000	150,000
Securitised facility used	–	(62,597)	(56,717)
Unused securitised debt facility	–	87,403	93,283
Letter of credit facilities	28,000	32,526	32,389
Letters of credit	(5,670)	(11,933)	(13,153)
Unused letter of credit facilities	22,330	20,593	19,236
Total unused bank facilities	193,349	327,667	308,360

12. DERIVATIVE FINANCIAL INSTRUMENTS

	UNAUDITED AS AT 28 JANUARY 2018	UNAUDITED AS AT 29 JANUARY 2017	AUDITED AS AT 30 JULY 2017
	\$000	\$000	\$000
Current assets	426	500	–
Non-current assets	647	291	541
Current liabilities	(10,980)	(9,634)	(17,299)
Non-current liabilities	(2,701)	(1,855)	(2,507)
Total derivative financial instruments	(12,608)	(10,698)	(19,265)
Derivative financial instruments consist of:			
Current assets	426	500	–
Current liabilities	(10,980)	(8,684)	(16,899)
Foreign exchange contracts	(10,554)	(8,184)	(16,899)
Current liabilities	–	(950)	(400)
Non-current assets	647	291	541
Non-current liabilities	(2,701)	(1,855)	(2,507)
Interest rate swaps	(2,054)	(2,514)	(2,366)
Total derivative financial instruments	(12,608)	(10,698)	(19,265)

The Group continues to manage its foreign exchange and interest rate risks in accordance with the policies and parameters detailed in the 2017 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 at balance date.

US Dollar forward contracts – cash flow hedges			
Notional amount (NZ\$000)	353,576	310,758	331,674
Average contract rate (\$)	0.7127	0.7034	0.7115
Spot rate used to determine fair value (\$)	0.7355	0.7261	0.7520

13. FAIR VALUE MEASUREMENT

The following table sets out the Group's financial instruments that are measured subsequent to initial recognition at fair values and are grouped into levels based on the degree to which the fair value is observable:

Level 1 – fair value measurements derived from quoted prices in active markets for identical assets.

Level 2 – fair value measurements derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – fair value measurements derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

ASSET/(LIABILITY)		UNAUDITED AS AT 28 JANUARY 2018	UNAUDITED AS AT 29 JANUARY 2017	AUDITED AS AT 30 JULY 2017
	NOTE			
Derivatives used for hedging		\$000	\$000	\$000
Foreign exchange contracts (Level 2)	12	(10,554)	(8,184)	(16,899)
Interest rate swaps (Level 2)	12	(2,054)	(2,514)	(2,366)
Senior bond fair value adjustment relating to effective interest (Level 2)	11	(647)	(291)	(541)

There have been no transfers between levels or changes in the valuation methods used to determine the fair value of the Group's financial instruments during the current and comparative periods. Sensitivities to reasonably possible changes in non-market observable valuation inputs would not have a material impact on the Group's financial results.

Specific valuation techniques used to value financial instruments are:

- Forward exchange contracts determined using forward exchange market rates at the balance date (refer note 12).
- Interest rate swaps calculated as the present value of the estimated future cash flows based on the applicable market interest yield rates at balance date.

Except for the Group's fixed rate senior bond (refer note 11) and derivatives (detailed above), the carrying value of the Group's financial assets and liabilities approximate fair value. The fixed rate senior bond is listed on the NZX and measured at amortised cost. The fair value of fixed rate senior bonds at balance date, based on the last price traded on the New Zealand stock exchange (level 1 valuation), were as follows:

FIXED RATE SENIOR BOND	UNAUDITED AS AT 28 JANUARY 2018	UNAUDITED AS AT 29 JANUARY 2017	AUDITED AS AT 30 JULY 2017
Face value (\$000)	125,000	125,000	125,000
Coupon (%)	5.30	5.30	5.30
Market yield (%)	3.85	4.15	4.03
Maturity	June 2020	June 2020	June 2020
NZX quoted closing price (\$)	1.039	1.043	1.041
Fair value (\$000)	129,905	130,328	130,109

14. RESTRUCTURING COSTS

In January 2017 the Group commenced a programme of changes to its business operating model. The changes were designed to drive an improvement in financial performance, reduce costs and generate greater customer relevance. The changes focused primarily on simplification to reduce complexities, drive efficiencies and increase business agility. This involved strengthening and consolidating the various Group support service functions to drive synergy benefits, deliver efficiencies and reduce complexity. It also involved combining The Warehouse and Warehouse Stationery and similarly combining the Noel Leeming and Torpedo7 Groups by integrating their operating structures and executive leadership teams.

The first stage of this process has now largely been concluded and a second phase has started. The Group has engaged global management consultancy firm McKinsey & Company to assist with the second phase of the transformation process and strategy implementation.

Notes to the Financial Statements – continued

15. DISCONTINUED OPERATIONS

On 24 July 2017 the Group announced it had approved the conditional sale of the Group's Financial Services business except for Diners Club (NZ) to Finance Now, a subsidiary of SBS Bank. Final agreement was reached on 9 September 2017 and a sale and purchase agreement was executed on that date. The Group also has plans in place to exit the Diners Club (NZ) business. As a result, the Financial Services Group is reported as a discontinued operation.

The full-year results and cash flows from the Financial Services Group are as follows:

FINANCIAL SERVICES GROUP RESULTS AND CASH FLOWS	UNAUDITED 26 WEEKS ENDED 28 JANUARY 2018	UNAUDITED 26 WEEKS ENDED 29 JANUARY 2017	AUDITED 52 WEEKS ENDED 30 JULY 2017
	\$000	\$000	\$000
Finance business revenue	3,315	10,321	20,392
Expenses	(5,893)	(15,476)	(28,893)
Business acquisition, disposal and restructuring costs	(1,458)	–	(1,283)
Impairment of assets	–	(22,714)	(40,061)
Loss before interest and tax	(4,036)	(27,869)	(49,845)
Interest expense	(324)	(2,292)	(4,049)
Loss before tax	(4,360)	(30,161)	(53,894)
Income tax expense	813	2,088	3,611
Loss from discontinued operations	(3,547)	(28,073)	(50,283)
Cash flows from discontinued operations			
Net cash flows from operating activities	(683)	(5,905)	(169)
Net cash flows from investing activities	16,956	(1,303)	(3,208)
Net cash flows from financing activities	(23,226)	(470)	(2,660)

16. BUSINESS DISPOSAL – FINANCIAL SERVICES GROUP

FOR THE 26 WEEKS ENDED 28 JANUARY 2018	NOTE	TOTAL
		\$000
Cash and cash equivalents of the subsidiaries sold		(2,831)
Sale proceeds settled in cash		20,122
Consideration		17,291
Finance business receivables		56,669
Property, plant and equipment		1,011
Computer software		7,090
Securitised borrowings related to the sold subsidiaries		(45,162)
Other working capital		(2,317)
Carrying value of net assets sold		17,291
Claw back provision		1,458
Loss on business disposal	15	(1,458)

Claw-back provision

The sale of the Group's Financial Services businesses on 9 September 2017 exposes the Group to a few actual and contingent liabilities connected with a claw-back provision and warranties contained in the sale and purchase agreement.

The Group will be required to pay up to an aggregate of \$3.0 million (termed claw back) if the Group's Finance receivable's impairment provisions are less than the actual write-offs experienced during the 9 month period following completion. The Group estimates this liability to be \$1.458 million at balance date.

The Group was also required to make warranties, which are typical for a transaction of this nature. These warranties are largely covered by an insurance contract; however, there are some items which are not covered, such as tax claims. These warranty claims are capped at \$18.0 million (representing the purchase consideration) and expire after 18 months and have been treated as contingent liabilities.

17. HELD FOR SALE

The Group committed to a plan in July 2017 to exit its Financial Services credit card businesses and has executed the first part of the disposal plan when it sold the Group's Financial Services business excluding Diners Club (NZ) on 9 September 2017. Accordingly, assets and liabilities relating to the Financial Services Group are classified as held for sale at balance date. In addition to the net assets of the Financial Services Group, the Group also held surplus property assets which are intended to be sold. At balance date the Group is currently in the process of selling a property at Lunn Avenue, Auckland.

	UNAUDITED AS AT 28 JANUARY 2018	UNAUDITED AS AT 29 JANUARY 2017	AUDITED AS AT 30 JULY 2017
Property	\$000	\$000	\$000
Financial Services Group assets classified as held for sale	11,818	52,281	–
Finance business receivables	8,457	–	67,355
Plant and equipment	17	–	1,044
Computer software	39	–	7,020
Other assets	37	–	1,723
Total assets classified as held for sale	20,368	52,281	77,142
Other liabilities directly associated with assets held for sale	(4,194)	–	(5,443)

18. COMMITMENTS

	UNAUDITED AS AT 28 JANUARY 2018	UNAUDITED AS AT 29 JANUARY 2017	AUDITED AS AT 30 JULY 2017
(a) Capital commitments	\$000	\$000	\$000
Within one year	2,969	5,258	7,339
(b) Operating lease commitments			
Future minimum rentals payable			
0-1 years	118,175	121,731	120,363
1-2 years	102,784	109,032	105,533
2-5 years	236,442	249,329	242,456
5+ years	247,459	299,121	270,975
Total operating lease commitments	704,860	779,213	739,327

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 referred to in note 16 and those arising in the normal course of business, being primarily letters of credit issued to secure future purchasing requirements and store lease commitments.

Independent Review Report

To the Shareholders of The Warehouse Group Limited



Report on the Interim Financial Statements

We have reviewed the accompanying interim financial statements of The Warehouse Group Limited (the Company) including its subsidiaries (the Group) on pages 7 to 19, which comprise the balance sheet as at 28 January 2018, and the consolidated income statement, consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period ended on that date, and a summary of significant accounting policies and selected explanatory notes. The Group comprises the Company and its controlled entities at 28 January 2018 or from time to time during the financial period.

Directors' Responsibility for the Financial Statements

The Directors are responsible on behalf of the Company for the preparation and presentation of these interim financial statements in accordance with International Accounting Standard 34 Interim Financial Reporting (IAS 34) and New Zealand Equivalent to International Accounting Standard 34 Interim Financial Reporting (NZ IAS 34) and for such internal controls as the Directors determine are necessary to enable the preparation of interim financial statements that are free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility is to express a conclusion on the accompanying interim financial statements based on our review. We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 Review of Financial Statements Performed by the Independent Auditor of the Entity (NZ SRE 2410). NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements, taken as a whole, are not prepared in all material respects, in accordance with IAS 34 and NZ IAS 34. As the auditors of the Company, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of interim financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. Accordingly, we do not express an audit opinion on these interim financial statements.

We are independent of the Group. Our firm carries out other services for the Group as providers of treasury advisory services and agreed-upon procedures at the Annual General Meeting. The provision of these other services has not impaired our independence.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these interim financial statements of the Company are not prepared, in all material respects, in accordance with IAS 34 and NZ IAS 34.

Who we report to

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 our review 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 shareholders, as a body, for our review procedures, for this report, or for the conclusion we have formed.

For and on behalf of:

Chartered Accountants, Auckland

7 March 2018

Directory.

Board of Directors

Joan Withers (Chair)
Keith Smith (Deputy Chair)
Sir Stephen Tindall
Tony Balfour
John Journee
Julia Raue

Group Chief Executive Officer

Nick Grayston

Group Chief Financial Officer

Mark Yeoman

Company Secretary

Kerry Nickels

Place of Business

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

Registered Office

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

Auditor

PricewaterhouseCoopers
Private Bag 92162
Auckland 1142, New Zealand

Shareholder Enquiries

Shareholders with enquiries regarding share transactions, changes of address or dividend payments should contact the Share Registrar. You can also manage your shareholding electronically by using Computershare's secure website, www.computershare.co.nz/investorcentre, whereby you can view your share balance, change your address, view payment and tax information, update your payment instructions and update your report options.

Share Registrar

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road, Takapuna
Private Bag 92119, Auckland 1142
New Zealand

Telephone: +64 9 488 8777

Facsimile: +64 9 488 8787

Email: enquiry@computershare.co.nz

Website: www.computershare.co.nz/investorcentre

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@twgroup.co.nz

Stock Exchange Listing

NZX trading code: WHS

Company Number

New Zealand Incorporation: AK/611207

Website

www.thewarehousegroup.co.nz



The mark of
responsible forestry

**Sustainable
Business Council**



New Zealand partner to the World Business Council
for Sustainable Development



CEMARS®. A world-leading greenhouse gas (GHG) certification programme and the first to be accredited under ISO 14065. It ensures consistency of emissions measurement and reduction claims. CEMARS certification was developed at one of New Zealand's leading Crown Research Institutes, Landcare Research. It recognises and rewards the actions of businesses that measure their GHG emissions and puts in place strategies to reduce those emissions.



FTSE4Good

The Warehouse is a constituent company in the FTSE4Good Index Series.

The FTSE4Good Index Series has been designed to objectively measure the performance of companies that meet globally recognised corporate responsibility standards.

The Company is a member of the Sustainable Business Council (SBC).

The SBC is a coalition of leading businesses united by a shared commitment to sustainable development via the three pillars of: economic growth, ecological balance and social progress. Its mission is to provide business leadership as a catalyst for change toward sustainable development and to promote eco-efficiency, innovation and responsible entrepreneurship.

