the warehouse group limited // interim report 2010

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.


Joy Benjamart serving a customer at The Warehouse Westgate.

OVERVIEW

GROUP SALES

Up 0.7%[1] to $918.0 million, after adjusting for discontinued activities

OPERATING PROFIT

Down 1.2%[1] to $83.2 million

ADJUSTED NPAT

Up 0.4%[1] to $57.0 million

OPERATING MARGIN

Maintained at 9.1%[1]

INTERIM DIVIDEND

17 cents per share, fully imputed at 33.0%

TOTAL STORES

133 stores across the Group

[1] compared to the same period last year.

HALF YEAR REVIEW

Your directors are pleased to present the unaudited results for the six months ended 31 January 2010. The Group maintained a strong and stable revenue and earnings profile through a further period of difficult trading conditions. As a result, the Directors are very pleased to have been able to declare a dividend of 17 cents per share, an increase of 1.5 cents per share compared to the 2009 interim dividend, to enable shareholders to benefit from imputation credits available at 33 cents.

DEAR SHAREHOLDERS

The Warehouse Group Limited ("Group") reported a half year net profit after tax of $57.4 million compared to $49.0 million in the prior comparable period. Last year's first half profit included a $7.4 million post tax charge relating to the exit from fresh food and liquor. Adjusted net profit after tax for the period was $57.0 million, compared to $56.8 million last year.

GROUP OPERATING PERFORMANCE

Revenue

Group sales for the period were down 0.5% to $918.9 million, however, after adjusting for discontinued fresh food and liquor, sales were up 0.7%. The Warehouse sales for the first half were down 1.5% to $821.0 million. Adjusting for discontinued activities, sales were down 0.2% for the half year. Warehouse Stationery recorded an increase in sales of 8.7% to $96.2 million for the period.

Operating profit

Group operating profit was $83.2 million, compared to $84.2 million for the same period last year, down 1.2%, primarily a function of lower sales in The Warehouse.

Operating margin was maintained at 9.1%, compared to the same period last year, with continued focus on cost reduction and productivity improvement achieving positive results.

Group earnings before interest and taxation were up 14.5% to $85.3 million, compared to $74.5 million for the same period last year.

Tax-paid profit

The reported tax-paid profit for the period was $57.4 million, up 17.3%, compared to $48.9 million for the same period last year. Adjusted net profit for the half year was $57.0 million, compared to $56.8 million last year, up 0.4%.

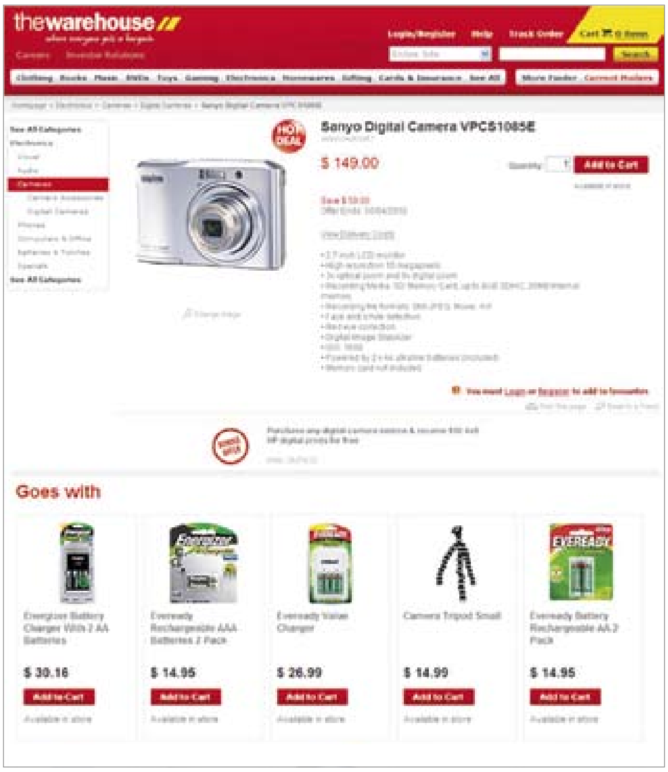
SEGMENTAL RESULTS

The Warehouse

The Warehouse reported a 1.5% drop in sales for the half year ended 31 January 2010, with same store sales down 0.8%. After adjusting for F09's 53rd trading week, same store sales were down 1.2%. Operating profit was down 3.2% to $78.7 million, compared to $81.2 million for the same period last year. The Warehouse operating margin was similar to last year at 9.6%.

The underlying trading environment remained difficult throughout the reporting period with Department stores not benefiting to the same extent as other retail sectors from recent spikes in consumer spending. Whilst The Warehouse continues to increase its share of Department store sales, market share of total non-food retail sales remains relatively flat. Very encouraging sales increases are being achieved in growth categories and in the online channel, but these are not yet sufficient to fully offset the competitive pressures which remain in our core apparel and homewares categories.

THE WAREHOUSE	2010	2009	CHANGE
Sales ($ million)	**821.0**	833.8	–1.5%
Operating profit ($ million)	**78.7**	81.2	–3.2%
Operating margin	**9.6%**	9.7%	–10bp
Total assets ($ million)	**358.0**	364.0	–1.7%
Stores	**86**	85	+1
Retail space (m^2)	**467,596**	465,530	+0.4%



Warehouse Stationery delivered a very encouraging overall performance improvement during the first half.

Warehouse Stationery

Sales recovery has been achieved in most categories leading to Warehouse Stationery recording an increase in total sales of 8.7% for the half, with same store sales up 11.1%. After adjusting for F09's 53rd week, same store sales were up 7.2% for the period. Operating profit was up 139.8% to $3.0 million with operating margin up 170 basis points to 3.1%, compared to 1.4% for the same period last year.

Warehouse Stationery delivered a very encouraging overall performance improvement during the first half. Both customer visits and basket size are up on last year.

Focus on topline recovery meant lower levels of capital investment than in the first half of last year, but investment in new stores remains a key focus. The company's 47th store opened in Ashburton during December. External signage of Warehouse Stationery stores is being updated and internal navigational signage is also being improved to provide customers with an easier shopping experience.

Other Group Operations

Operating profit from other group operations was $1.5 million, compared to $1.7 million for the same period last year. Pressure on tenancy rents was a contributing factor to this shortfall. The contribution from Financial Services increased slightly to $1.5 million, compared to $1.4 million last year.

GROUP FINANCIAL POSITION

Assets employed

Total assets decreased to $648.5 million compared to $748.3 million in January 2009 due to changes in the value of derivatives and lower cash on deposit. Fixed assets increased to $290.2 million from $283.2 million, primarily as a result of property purchases and investment in store development.

Total gross capital expenditure for the half year increased by $12.9 million to $30.5 million, largely due to the purchase of the Newmarket store in Auckland. Capital expenditure for this financial year is forecast to be in the range of $60.0 to $65.0 million.

Operating cashflow[1] was down $53.4 million to $44.4 million due to a movement in net trade working capital related mainly to higher than normal levels of goods in transit at 2 August 2009 and settlement of employee compensation accrued at last year end.

Borrowings

Net debt of $80.0 million compares to $76.4 million[1] at January 2009.

On 12 March 2010 the Group announced an offer of up to $100 million five year unsecured, unsubordinated fixed rate bonds to the New Zealand public.

The issue of bonds is primarily being undertaken to better align the maturity profile of The Warehouse Group's debt financing with its medium

WAREHOUSE STATIONERY	2010	2009	CHANGE
Sales ($ million)	96.2	88.5	+8.7%
Operating profit ($ million)	3.0	1.3	+139.8%
Operating margin	3.1%	1.4%	+170bp
Total assets ($ million)	58.1	60.1	−3.3%
Stores	47	45	+2
Retail space (m^2)	56,101	57,028	−1.6%

[1] After adjusting for movement in working capital distorted by timing of period end close.

to long term capital program and to manage funding risk by diversifying the Group's sources of funds. It is intended that the proceeds of the issue will be applied to the reduction of existing bank debt and to financing the planned construction of new and replacement stores.

Dividend

The directors declared a fully imputed interim dividend of 17 cents per share, which includes an increase of 1.5 cents per share compared to the 2009 interim dividend in order to distribute the balance of imputation credits available at 33 cents.

The dividend payment date is 30 March 2010.

> We believe we are well placed to continue to reinforce and leverage our price leadership position to make the desirable affordable for New Zealand families.

Outlook and challenges ahead

Uncertainty remains as to the timing of a return to sustainable economic growth. A significant improvement in employment prospects is considered necessary before underlying retail spending moves beyond what is currently a gradual, but patchy and unpredictable, recovery.

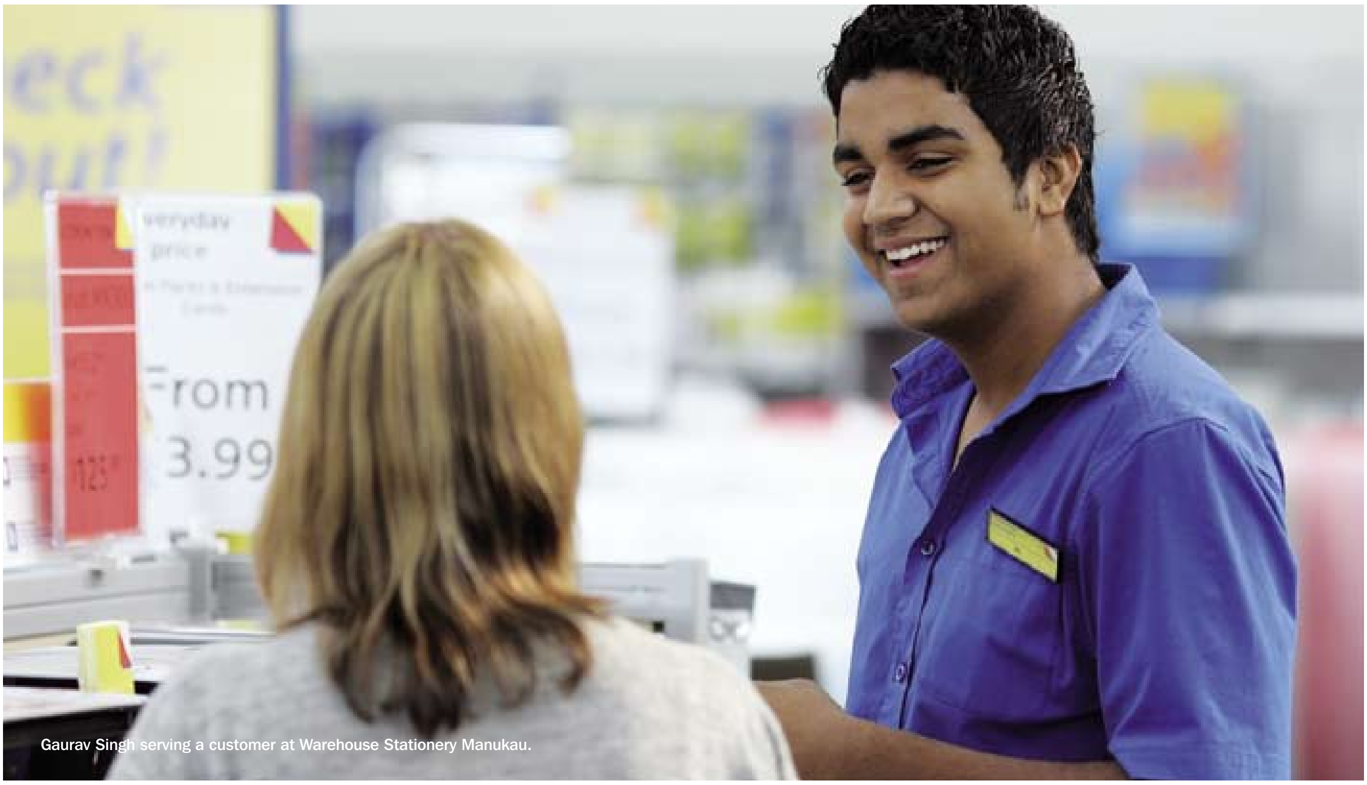
The Group remains in a very strong financial position. We believe we are well placed to continue to reinforce and leverage our price leadership position to make the desirable affordable for New Zealand families. Continuous improvement remains a key focus in all areas of our business. Our people remain highly customer focused and committed to delivering increased sales, service and profitability.

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.

Keith Smith
CHAIRMAN

Ian Morrice
MANAGING DIRECTOR

11 March 2009



Gaurav Singh serving a customer at Warehouse Stationery Manukau.

Accountants' Report

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Accountants' Report

To the shareholders of The Warehouse Group Limited

We have reviewed the interim financial statements on pages 7 to 16. The interim financial statements provide information about the past financial performance and cash flows of the Group, comprising The Warehouse Group Limited and its subsidiaries, for the period ended 31 January 2010 and its financial position as at that date. This information is stated in accordance with the accounting policies set out on page 11.

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 accountant's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our review procedures, for this report, or for the opinions we have formed.

Directors' responsibilities

The Company's Directors are responsible for the preparation and presentation of the interim financial statements that present fairly the financial position of the Group as at 31 January 2010 and its financial performance and cash flows for the period ended on that date.

Accountants' responsibilities

We are responsible for reviewing the interim 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 interim financial statements do not present fairly the matters to which they relate.

Basis of opinion

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 interim financial statements and, accordingly, we do not express an audit opinion.

We have reviewed the financial statements of the Group for the year ended 31 January 2010 in accordance with the Review Engagement Standards issued by the Institute of Chartered Accountants of New Zealand.

We have no relationship with or interests in the Company or any of its subsidiaries other than in our capacities as accountants conducting this review, auditors of the annual financial statements and providers of other assurance services.

Review opinion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements do not present fairly the financial position of the Group as at 31 January 2010 and its financial performance and cash flows for the period ended on that date, in accordance with both International Accounting Standard 34 and New Zealand Equivalent to International Accounting Standard 34, Interim Financial Reporting.

Our review was completed on 11 March 2010 and our review opinion is expressed as at that date.

PricewaterhouseCoopers

Chartered Accountants
Auckland

Consolidated Income Statements

	NOTE	UNAUDITED 26 WEEKS ENDED 31 JANUARY 2010	UNAUDITED 26 WEEKS ENDED 25 JANUARY 2009	AUDITED 53 WEEKS ENDED 2 AUGUST 2009
		$ 000	$ 000	$ 000
Revenue	3	**918,916**	923,490	1,720,755
Cost of sales		**(581,035)**	(578,464)	(1,087,375)
Gross profit		**337,881**	345,026	633,380
Other income		**3,285**	3,041	6,542
Employee expenses		**(142,254)**	(143,942)	(280,824)
Lease and occupancy expenses		**(38,861)**	(39,676)	(81,664)
Depreciation and amortisation expenses	4	**(20,562)**	(20,361)	(41,840)
Other operating expenses		**(56,267)**	(59,842)	(110,642)
Operating profit	3	**83,222**	84,246	124,952
Gain on disposal of property		–	316	315
Changes in fair value of financial instruments		**556**	(824)	(1,698)
Fresh food and liquor decommissioning costs		–	(10,684)	(10,661)
Equity earnings of associate	6	**1,559**	1,449	3,220
Earnings before interest and tax		**85,337**	74,503	116,128
Net interest expense		**(3,411)**	(4,893)	(6,837)
Profit before tax		**81,926**	69,610	109,291
Income tax expense		**(24,382)**	(20,598)	(32,295)
Profit after tax		**57,544**	49,012	76,996
Minority interests		**(114)**	(44)	(214)
Profit attributable to shareholders		**57,430**	48,968	76,782
Basic earnings per share		**18.6 cents**	15.9 cents	24.9 cents
Diluted earnings per share		**18.5 cents**	15.8 cents	24.8 cents
Net assets per share		**111.6 cents**	126.0 cents	104.3 cents

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

Consolidated Statements of Comprehensive Income

	UNAUDITED 26 WEEKS ENDED 31 JANUARY 2010	UNAUDITED 26 WEEKS ENDED 25 JANUARY 2009	AUDITED 53 WEEKS ENDED 2 AUGUST 2009
	$ 000	$ 000	$ 000
Profit for the period	**57,544**	49,012	76,996
Movement in cash flow hedge reserve net of tax	**11,821**	23,936	(24,325)
Total comprehensive income for the period	**69,365**	72,948	52,671
Attributable to:			
Shareholders of the company	**69,251**	72,904	52,457
Minority interest	**114**	44	214
	69,365	72,948	52,671

Consolidated Statements of Changes in Equity

	UNAUDITED 26 WEEKS ENDED 31 JANUARY 2010	UNAUDITED 26 WEEKS ENDED 25 JANUARY 2009	AUDITED 53 WEEKS ENDED 2 AUGUST 2009
	$ 000	$ 000	$ 000
Equity at the beginning of the period	**321,144**	334,656	334,656
Total comprehensive income for the period	**69,365**	72,948	52,671
Share rights charged to the income statement	**1,259**	1,317	2,600
Dividends paid to shareholders of the company	**(48,235)**	(17,116)	(65,351)
Dividends paid to minority interest	**(53)**	(21)	(154)
Treasury stock dividends received	**464**	174	664
Purchase of treasury stock	**(2)**	(3,942)	(3,942)
Equity at the end of the period	**343,942**	388,016	321,144
Equity consists of:			
Share capital	**251,445**	251,445	251,445
Treasury stock	**(12,607)**	(14,429)	(14,356)
Cashflow hedge reserve	**(8,916)**	27,524	(20,737)
Employee share benefits reserve	**2,521**	2,761	3,654
Retained earnings	**111,187**	120,501	100,887
Total equity attributable to shareholders	**343,630**	387,802	320,893
Minority interest	**312**	214	251
Total equity	**343,942**	388,016	321,144

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

Consolidated Balance Sheets

	NOTE	UNAUDITED AS AT 31 JANUARY 2010 $ 000	UNAUDITED AS AT 25 JANUARY 2009 $ 000	AUDITED AS AT 2 AUGUST 2009 $ 000
ASSETS				
Current assets				
Cash and cash equivalents	9	**20,957**	103,063	52,752
Trade and other receivables		**20,387**	21,205	24,466
Inventories		**288,023**	283,990	257,943
Derivative financial instruments	7	**4,038**	45,520	122
Taxation receivable		**–**	1,268	557
Total current assets		**333,405**	455,046	335,840
Non-current assets				
Property, plant and equipment	4	**268,238**	261,006	257,488
Computer software	4	**21,977**	22,178	23,192
Investments	6	**5,701**	5,605	7,376
Derivative financial instruments	7	**43**	865	508
Deferred taxation		**19,168**	3,648	24,844
Total non-current assets		**315,127**	293,302	313,408
Total assets		**648,532**	748,348	649,248
LIABILITIES				
Current liabilities				
Borrowings	9	**907**	–	–
Trade and other payables	8	**128,280**	205,029	137,459
Derivative financial instruments	7	**13,585**	772	27,063
Provisions	10	**34,982**	33,051	43,939
Taxation payable		**7,506**	–	–
Total current liabilities		**185,260**	238,852	208,461
Non-current liabilities				
Borrowings	9	**100,000**	100,000	100,000
Derivative financial instruments	7	**2,967**	5,517	3,522
Provisions	10	**16,363**	15,963	16,121
Total non-current liabilities		**119,330**	121,480	119,643
Total liabilities		**304,590**	360,332	328,104
Net assets		**343,942**	388,016	321,144
EQUITY				
Contributed equity		**238,838**	237,016	237,089
Reserves		**(6,395)**	30,285	(17,083)
Retained earnings		**111,187**	120,501	100,887
Total equity attributable to shareholders		**343,630**	387,802	320,893
Minority interest		**312**	214	251
Total equity	12	**343,942**	388,016	321,144

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

Condensed Consolidated Statements of Cash Flows

	UNAUDITED 26 WEEKS ENDED 31 JANUARY 2010 $ 000	UNAUDITED 26 WEEKS ENDED 25 JANUARY 2009 $ 000	AUDITED 53 WEEKS ENDED 2 AUGUST 2009 $ 000
Cash flows from operating activities			
Cash received from customers	**927,107**	937,471	1,738,414
Interest income	**254**	426	1,101
Payments to suppliers and employees	**(864,063)**	(745,898)	(1,517,104)
Income tax paid	**(15,190)**	(9,004)	(19,108)
Interest paid	**(3,712)**	(5,646)	(8,844)
Net cash flows from operating activities	**44,396**	177,349	194,459
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	**88**	999	1,489
Dividend received from associate	**3,234**	3,035	3,035
Purchase of property, plant, equipment and software	**(32,075)**	(17,591)	(37,103)
Other items	**–**	2	2
Net cash flows from investing activities	**(28,753)**	(13,555)	(32,577)
Cash flows from financing activities			
Proceeds from / (Repayment of) short term borrowings	**907**	(57,000)	(57,000)
Purchase of treasury stock	**(2)**	(3,942)	(3,942)
Treasury stock dividends received	**464**	174	664
Dividends paid to parent shareholders	**(48,754)**	(17,334)	(66,090)
Dividends paid to minority shareholders	**(53)**	(21)	(154)
Net cash flows from financing activities	**(47,438)**	(78,123)	(126,522)
Net cash flow	**(31,795)**	85,671	35,360
Opening cash position	**52,752**	17,392	17,392
Closing cash position	**20,957**	103,063	52,752

Reconciliation of Operating Cash Flows

Profit after tax	**57,544**	49,012	76,996
Non-cash items			
Depreciation and amortisation expenses	**20,562**	20,361	41,840
Share based payment expense	**1,259**	1,317	2,600
Movement in deferred tax	**609**	265	(248)
Changes in fair value of financial instruments	**(556)**	824	1,698
Share of surplus retained by associate	**(1,559)**	(1,449)	(3,220)
Total non-cash items	**20,315**	21,318	42,670
Items classified as investing or financing activities			
Net (gain) / loss on sale of property, plant and equipment	**276**	(41)	1,274
Fresh food and liquor decommissioning costs	**–**	7,594	7,938
Supplementary dividend tax credit	**519**	218	739
Total investing and financing adjustments	**795**	7,771	9,951
Changes in assets and liabilities			
Trade and other receivables	**4,077**	5,392	2,131
Inventories	**(30,079)**	(8,909)	17,638
Trade and other payables	**(7,604)**	81,902	12,454
Provisions	**(8,715)**	9,751	20,797
Income tax	**8,063**	11,112	11,822
Total changes in assets and liabilities	**(34,258)**	99,248	64,842
Net cash flows from operating activities	**44,396**	177,349	194,459

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 86 general merchandise and 47 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 have been prepared in accordance with IAS 34 and NZ IAS 34 Interim Financial Reporting.

The consolidated interim financial statements do not include all of the information required for full annual financial statements. Accordingly, this report should be read in conjunction with the consolidated financial statements and related notes in the Group's Annual Report for the 53 weeks ended 2 August 2009 ("2009 Annual Report").

The accounting policies set out in the 2009 Annual Report have been applied consistently to all periods presented in these financial statements, except as described below.

NZ IAS 1 (Amendment): Presentation of Financial Statements

The new amendment was mandatory for the first time for the financial period commencing 3 August 2009. The amendment requires 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be disclosed in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present two statements: an income statement and a statement of comprehensive income in these interim financial statements.

Approval of Financial Statements

These consolidated interim financial statements were approved for issue by the Board of Directors on 11 March 2010. Unless as otherwise stated, the financial statements have been reviewed by our Auditors, but are not audited.

3. SEGMENT INFORMATION

	REVENUE			OPERATING PROFIT		
	(UNAUDITED) 26 WEEKS ENDED 31 JANUARY 2010	(UNAUDITED) 26 WEEKS ENDED 25 JANUARY 2009	(AUDITED) 53 WEEKS ENDED 2 AUGUST 2009	(UNAUDITED) 26 WEEKS ENDED 31 JANUARY 2010	(UNAUDITED) 26 WEEKS ENDED 25 JANUARY 2009	(AUDITED) 53 WEEKS ENDED 2 AUGUST 2009
	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000
SEGMENT PERFORMANCE						
The Warehouse	**821,023**	833,793	1,531,114	**78,674**	81,249	120,238
Warehouse Stationery	**96,173**	88,483	187,167	**3,014**	1,257	1,596
Other group operations	**4,849**	4,856	8,419	**1,534**	1,740	3,118
Inter-segment eliminations	**(3,129)**	(3,642)	(5,945)	**–**	–	–
	918,916	923,490	1,720,755	**83,222**	84,246	124,952
Operating margin						
The Warehouse (%)				**9.6**	9.7	7.9
Warehouse Stationery (%)				**3.1**	1.4	0.9
Operating profit (%)				**9.1**	9.1	7.3

	DEPRECIATION & AMORTISATION			CAPITAL EXPENDITURE		
	(UNAUDITED) 26 WEEKS ENDED 31 JANUARY 2010	(UNAUDITED) 26 WEEKS ENDED 25 JANUARY 2009	(AUDITED) 53 WEEKS ENDED 2 AUGUST 2009	(UNAUDITED) 26 WEEKS ENDED 31 JANUARY 2010	(UNAUDITED) 26 WEEKS ENDED 25 JANUARY 2009	(AUDITED) 53 WEEKS ENDED 2 AUGUST 2009
	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000
The Warehouse	**16,757**	16,697	33,751	**8,858**	15,415	33,966
Warehouse Stationery	**2,271**	2,329	5,362	**709**	2,032	4,378
Other group operations	**1,534**	1,335	2,727	**20,895**	144	371
Operating assets/liabilities	**20,562**	20,361	41,840	**30,462**	17,591	38,715

Notes to the Financial Statements – continued

3. SEGMENT INFORMATION continued

	TOTAL ASSETS			TOTAL LIABILITIES		
	(UNAUDITED) AS AT 31 JANUARY 2010	(UNAUDITED) AS AT 25 JANUARY 2009	(AUDITED) AS AT 2 AUGUST 2009	(UNAUDITED) AS AT 31 JANUARY 2010	(UNAUDITED) AS AT 25 JANUARY 2009	(AUDITED) AS AT 2 AUGUST 2009
	$ 000	$ 000	$ 000	$ 000	$ 000	$ 000
The Warehouse	357,991	364,006	347,725	137,029	215,153	163,224
Warehouse Stationery	58,106	60,066	53,639	29,531	26,591	21,151
Other group operations	182,528	164,307	161,725	5,651	4,885	5,730
Operating assets/liabilities	598,625	588,379	563,089	172,211	246,629	190,105
Unallocated assets/liabilities						
Cash and cash equivalents	20,957	103,063	52,752	100,907	100,000	100,000
Derivative financial instruments	4,081	46,385	630	16,552	6,289	30,585
Investments	5,701	5,605	7,376	–	–	–
Taxation	19,168	4,916	25,401	7,506	–	–
Warranty provision	–	–	–	7,414	7,414	7,414
Total	648,532	748,348	649,248	304,590	360,332	328,104

4. PROPERTY, PLANT, EQUIPMENT AND SOFTWARE

	(UNAUDITED) AS AT 31 JANUARY 2010	(UNAUDITED) AS AT 25 JANUARY 2009	(AUDITED) AS AT 2 AUGUST 2009
	$ 000	$ 000	$ 000
Property, plant and equipment	268,238	261,006	257,488
Computer software	21,977	22,178	23,192
Net book value	290,215	283,184	280,680
Movement in property, plant, equipment and software			
Balance at the beginning of the period	280,680	294,507	294,507
Capital expenditure	30,462	17,591	38,715
Depreciation and amortisation	(20,562)	(20,361)	(41,840)
Fresh food and liquor decommissioning costs	–	(7,594)	(7,938)
Disposals	(365)	(959)	(2,764)
Balance at the end of the period	290,215	283,184	280,680

5. COMMITMENTS

	(UNAUDITED) AS AT 31 JANUARY 2010	(UNAUDITED) AS AT 25 JANUARY 2009	(AUDITED) AS AT 2 AUGUST 2009
	$ 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	3,214	1,683	2,965
(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	53,008	53,569	56,186
1–2 Years	42,449	43,753	45,250
2–5 Years	72,437	80,383	81,489
5+ Years	19,784	27,443	28,070
	187,678	205,148	210,995

Notes to the Financial Statements – continued

6. INVESTMENT

	(UNAUDITED) AS AT 31 JANUARY 2010 $ 000	(UNAUDITED) AS AT 25 JANUARY 2009 $ 000	(AUDITED) AS AT 2 AUGUST 2009 $ 000
Investment at beginning of the year	**7,376**	7,191	7,191
Share of associates profit before taxation	**2,226**	2,093	4,611
Less taxation	**(667)**	(644)	(1,391)
Equity earnings of associate	**1,559**	1,449	3,220
Dividend received from associate	**(3,234)**	(3,035)	(3,035)
Investment at end of the period	**5,701**	5,605	7,376

The Warehouse Financial Services Limited

The Group has a 49% interest, and Westpac a 51% interest in The Warehouse Financial Services Limited. There have been no changes in the shareholders or the percentage shareholdings since the company was formed in July 2001.

7. DERIVATIVE FINANCIAL INSTRUMENTS

	(UNAUDITED) AS AT 31 JANUARY 2010 $ 000	(UNAUDITED) AS AT 25 JANUARY 2009 $ 000	(AUDITED) AS AT 2 AUGUST 2009 $ 000
Current assets	**4,038**	45,520	122
Non-current assets	**43**	865	508
Current liabilities	**(13,585)**	(772)	(27,063)
Non-current liabilities	**(2,967)**	(5,517)	(3,522)
	(12,471)	40,096	(29,955)
Derivative financial instruments consist of:			
Foreign exchange contracts – cash flow hedge	**(10,191)**	45,424	(26,401)
Interest rate swaps – cash flow hedge	**(2,924)**	(6,290)	(3,642)
Electricity contracts – economic hedge	**644**	962	88
	(12,471)	40,096	(29,955)

The Group continues to manage its foreign exchange, interest rate and electricity price risks in accordance with the policies and parameters detailed in the 2009 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$000)	**135,771**	221,911	195,062
Average contract rate ($)	**0.6406**	0.6338	0.5615
Spot rate used to determine fair value ($)	**0.7011**	0.5308	0.6565

8. TRADE AND OTHER PAYABLES

	(UNAUDITED) AS AT 31 JANUARY 2010 $ 000	(UNAUDITED) AS AT 25 JANUARY 2009 $ 000	(AUDITED) AS AT 2 AUGUST 2009 $ 000
Trade creditors	**97,500**	174,623	102,919
Goods in transit creditors	**14,015**	16,129	20,260
Unearned income (includes layby's, gift vouchers and Christmas club deposits)	**7,556**	7,509	5,997
Payroll accruals	**9,209**	6,768	8,283
	128,280	205,029	137,459

The timing of the previous year half year balance date occurred earlier in the month than the current half year balance date. The change in timing meant monthly trade creditors were paid after the half year balance date in the previous year half year. The amount of monthly trade creditor payments paid after balance date in the previous year half year were $79.467 million.

Notes to the Financial Statements – continued

9. DEBT

	(UNAUDITED) AS AT 31 JANUARY 2010	(UNAUDITED) AS AT 25 JANUARY 2009	(AUDITED) AS AT 2 AUGUST 2009
	$ 000	$ 000	$ 000
Cash on hand and at bank	**20,957**	16,863	15,652
Deposits at call	**–**	86,200	37,100
Cash and cash equivalents	**20,957**	103,063	52,752
Current borrowings	**907**	–	–
Non-current borrowings	**100,000**	100,000	100,000
Total borrowings	**100,907**	100,000	100,000
Net debt/(funds)	**79,950**	(3,063)	47,248
Committed credit facilities at balance date are:			
Debt facilities	**255,000**	255,000	275,000
Facilities used	**(100,907)**	(100,000)	(100,000)
Unused debt facilities	**154,093**	155,000	175,000
Letter of credit facilities	**28,000**	33,000	30,000
Letters of credit	**(9,720)**	(6,948)	(18,508)
Unused letter of credit facilities	**18,280**	26,052	11,492
Total unused bank facilities	**172,373**	181,052	186,492

10. PROVISIONS

	(UNAUDITED) AS AT 31 JANUARY 2010	(UNAUDITED) AS AT 25 JANUARY 2009	(AUDITED) AS AT 2 AUGUST 2009
	$ 000	$ 000	$ 000
Current liabilities	**34,982**	33,051	43,939
Non-current liabilities	**16,363**	15,963	16,121
	51,345	49,014	60,060
Provisions consist of:			
Annual performance based compensation	**8,582**	10,761	19,103
Cash settled share-based compensation	**887**	–	1,464
Annual leave	**18,416**	15,886	16,365
Long service leave	**6,002**	5,591	5,696
Other employee benefits	**4,582**	4,102	4,919
Employee benefits	**38,469**	36,340	47,547
Make good provision	**2,699**	2,612	2,703
Sales returns provision	**2,763**	2,648	2,396
Warranty provision	**7,414**	7,414	7,414
	51,345	49,014	60,060

11. DIVIDENDS

	CENTS PER SHARE			DIVIDENDS PAID		
	(UNAUDITED) 26 WEEKS ENDED 31 JANUARY	(UNAUDITED) 26 WEEKS ENDED 25 JANUARY	(AUDITED) 53 WEEKS ENDED 2 AUGUST	(UNAUDITED) 26 WEEKS ENDED 31 JANUARY	(UNAUDITED) 26 WEEKS ENDED 25 JANUARY	(AUDITED) 53 WEEKS ENDED 2 AUGUST
				$ 000	$ 000	$ 000
Prior year final dividend	**5.5**	5.5	5.5	**17,116**	17,116	17,116
Interim dividend	**–**	–	15.5	**–**	–	48,235
	5.5	5.5	21.0	**17,116**	17,116	65,351
Special dividend	**10.0**	–	–	**31,119**	–	–
Total dividends paid	**15.5**	5.5	21.0	**48,235**	17,116	65,351

On 11 March 2010 the board declared a fully imputed interim dividend of 17.0 cents per ordinary share to be paid on 30 March 2010 to all shareholders on the Group's share register at the close of business on 19 March 2010.

Notes to the Financial Statements – continued

12. 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 31 January 2010							
Balance at the beginning of the period	251,445	(14,356)	(20,737)	3,654	100,887	251	321,144
Profit for the half year	–	–	–	–	57,430	114	57,544
Net change in fair value of cash flow hedges	–	–	11,821	–	–	–	11,821
Share rights charged to the income statement	–	–	–	1,259	–	–	1,259
Share rights exercised	–	1,751	–	(2,392)	641	–	–
Dividends paid	–	–	–	–	(48,235)	(53)	(48,288)
Treasury stock dividends received	–	–	–	–	464	–	464
Purchase of treasury stock	–	(2)	–	–	–	–	(2)
Balance at the end of the period	251,445	(12,607)	(8,916)	2,521	111,187	312	343,942

(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 25 January 2009							
Balance at the beginning of the period	251,445	(12,672)	3,588	3,586	88,518	191	334,656
Profit for the half year	–	–	–	–	48,968	44	49,012
Net change in fair value of cash flow hedges	–	–	23,936	–	–	–	23,936
Share rights charged to the income statement	–	–	–	1,317	–	–	1,317
Share rights exercised	–	2,185	–	(2,142)	(43)	–	–
Dividends paid	–	–	–	–	(17,116)	(21)	(17,137)
Treasury stock dividends received	–	–	–	–	174	–	174
Purchase of treasury stock	–	(3,942)	–	–	–	–	(3,942)
Balance at the end of the period	251,445	(14,429)	27,524	2,761	120,501	214	388,016

(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 53 weeks ended 2 August 2009							
Balance at the beginning of the period	251,445	(12,672)	3,588	3,586	88,518	191	334,656
Profit for the year	–	–	–	–	76,782	214	76,996
Net change in fair value of cash flow hedges	–	–	(24,325)	–	–	–	(24,325)
Share rights charged to the income statement	–	–	–	2,600	–	–	2,600
Share rights exercised	–	2,258	–	(2,532)	274	–	–
Dividends paid	–	–	–	–	(65,351)	(154)	(65,505)
Treasury stock dividends received	–	–	–	–	664	–	664
Purchase of treasury stock	–	(3,942)	–	–	–	–	(3,942)
Balance at the end of the period	251,445	(14,356)	(20,737)	3,654	100,887	251	321,144

Notes to the Financial Statements – continued

13. CONTINGENT LIABILITIES

The Warehouse Financial Services Limited – 49% owned

The Commerce Commission issued civil proceedings against Visa, Mastercard and all issuers of Visa and Mastercard, including The Warehouse Financial Services Limited, for alleged breaches of the Commerce Act 1986 in relation to credit card interchange fees and scheme rules. The Commerce Commission alleged that the setting of interchange fees and rules amount to price fixing, or have the effect of substantially lessening competition. The Commerce Commission and The Warehouse Financial Services Limited settled this matter in September 2009.

The Warehouse Australia

In November 2005 the Group sold the business assets of The Warehouse Australia to Australian Discount Retail ("ADR"). In accordance with the sale and purchase agreement, the Group provided certain warranties and indemnities to ADR. Most of those warranties and indemnities have been settled or have expired. However, a number continue and, as such, provisioning has been made in the financial statements where it is probable that a liability exists from these obligations.

There are still 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. In January 2009 ADR was placed in receivership; until this process concludes it remains uncertain whether the existing status of the Group's contingent liabilities will change.

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.

14. RELATED PARTIES

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

Related party directorships

J H Ogden is both a director of the Group and Kiwibank Limited. The Group has a $20.000 million debt facility with Kiwibank, which forms part of an overall debt facility of $255.000 million (refer note 9). The Group uses the Kiwibank debt facility as part of its day to day cash management. Fees incurred on the facility are on an arms length basis at normal commercial terms.

K R Smith, the Group's Chairman, was appointed as a director of Mighty River Power Limited (MRP) in May 2009. MRP is a supplier of electricity to the Group. During the half year the Group paid $3.682 million to MRP ($6.074 million for the full year ended July 2009) to purchase electricity on an arms length basis at normal commercial terms.

15. SUBSEQUENT EVENTS

On 9 February 2010 the Group announced its intention to offer up to $100.000 million of five year unsecured, unsubordinated, fixed rate bonds (maturity date 15 June 2015) to the New Zealand public. Two of the main considerations behind the proposed bond issuance were to diversify the Groups sources of funds and to lengthen the maturity profile of the Group's debt.

Directory

Board of Directors
Keith R Smith (Chairman)
Robert L Challinor
Graham F Evans
Ian R Morrice (Managing Director)
James H Ogden
Janine L Smith
Sir Stephen R Tindall

Chief Executive Officer
Ian Morrice

Chief Financial Officer
Luke Bunt

Company Secretary
Kerry Nickels

Place of Business
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C/- Allens Arthur Robinson
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Deutsche Bank Place
Corner of Hunter & Phillip Streets
Sydney NSW 2000, Australia

Auditor
PricewaterhouseCoopers
Private Bag 92162
Auckland 1142, New Zealand

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

New Zealand
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

Australia
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GPO Box 242
Melbourne VIC 3001
Australia
Freephone: 1 800 501 366 (within Australia)
Telephone: +61 3 9415 4083 (overseas)
Facsimile: +61 3 9473 2500

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. Further information can be obtained from the Share Registrar.

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

Stock Exchange Listings
NZSX trading code: WHS
ASX trading code: WHS

Company Numbers
NZ Incorporation: AK/611207
ARBN 094 719 089

Website
www.thewarehouse.co.nz

New Zealand Business Council for Sustainable Development

The company is a member of the New Zealand Business Council for Sustainable Development (NZBCSD).

The NZBCSD 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.

World Business Council for Sustainable Development

The company is a member of the World Business Council for Sustainable Development (WBCSD).

The WBCSD is a CEO-led, global association of some 200 companies dealing exclusively with business and sustainable development. The Council provides a platform for companies to explore sustainable development, share knowledge, experiences and best practices, and to advocate business positions on these issues in a variety of forums, working with governments, non-governmental and inter-governmental organisations.

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