



**INTERIM REPORT
2015**



OUR NEXT STEP IS DELIVERING ON OUR POTENTIAL

Each of our businesses is aiming for market leadership not only in terms of brand promise, but also in market share and, ultimately, profit performance.

Whilst investment continues in Financial Services, the other brands are entering a period of more 'normal' capital expenditure levels, focusing on generating profit leverage.

noel leeming

the warehouse 
where everyone gets a bargain

Sales of
\$928.7M
0.9% sales growth



On target for the launch of new product offering later in the calendar year.



Sales of **\$64.2M**
34.2% sales growth

Rebranding costs, store openings and competition meant the first half was tougher than expected. The second half should be stronger.



warehouse stationery

Sales of **\$124.4M**
2.4% sales growth

Twenty-two quarters of positive same-store sales growth. Another steady performance by Warehouse Stationery.

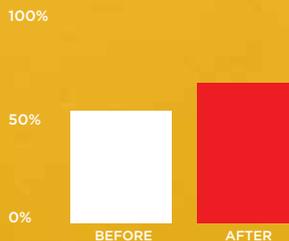
New store growth



Sales of **\$330.4M**
0.5% sales growth

Rebranding costs and Digital Switch Over cycling impacted the first half. Fundamentals exist for a positive second half.

Impact of rebrand



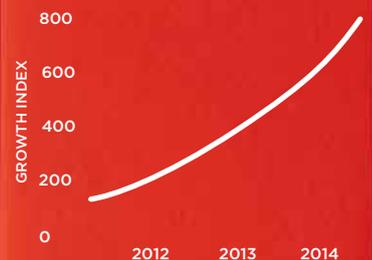
Market share continued to increase. Overall market size declined.

Sales growth by category H1 FY15



Tough trading conditions in the first half. Focused on delivering profit growth for the second half.

Online sales growth



HALF YEAR REVIEW



Your Directors take pleasure in presenting the unaudited results for the six months ended 25 January 2015.

The Warehouse Group has entered the next phase of its strategy to revitalise and position the business for sustainable future profitability. With the major investments having been made, the focus now shifts to delivering on the potential that those investments represent and driving profitable growth.

We have a clear growth strategy in all of our retail brands.

We have made good progress with a focus on our six Group Strategic Priorities:

- Keep the 'Red' core strong
- Grow 'Non-Red' to be as large as Red
- Be the leading Multichannel and Digital retailer in New Zealand
- Source better products at better prices
- Be a leading retail financial services business
- Leverage Group competencies and scale.

The first half was challenging, with some trading headwinds in the second quarter, compounded by a number of one-off, non-recurring costs as the Group continued to invest in preparing the business for the future. As a consequence, the profit was down on last year and the Directors considered it prudent to reduce the dividend levels in light of that. The FY15 dividend is targeted to be 16 cents per share, comprising an interim dividend of 11 cents per share and a final dividend of 5 cents per share. This is a reduction from the previously indicated 19 cents per share. This is prudent, recognising the Directors' intention to deliver on undertakings made during the capital raising of last year, and their confidence in the fundamentals of the Group's strategy, balanced with the need to manage the business wisely in a highly competitive trading environment.

Dear Shareholders

The Board of The Warehouse Group (the Group) announced an adjusted¹ net profit after tax result of \$37.2 million for the half year ended 25 January 2015, in line with recent guidance but down by 19.0% compared to \$46.2 million last year. Reported net profit after tax for the period was \$43.3 million, compared to \$58.7 million last year, with the previous year's result including additional profits from property disposals and acquisition adjustments.

Group retail sales for the period were \$1,444.7 million, up 1.7% for the half year; however, softer trading performances in the Red Sheds and in Noel Leeming, driven by a late start to summer seasonal trading and the cycling of the Digital Switch Over (DSO), meant that operating profits were lower than expected. Also, the profit result was affected negatively by a number of planned, one-off, non-recurring costs relating to strategic investments. These included the rebranding of both Noel Leeming and Torpedo7.

The inclusion of Diners Club (NZ), which contributed a modest but planned EBIT loss, affected comparable performance in the half as Diners Club (NZ) was acquired in March 2014.

Balance Sheet

There were no business combinations or acquisitions during the first half; however, the financial impact of the Diners Club (NZ) business and the businesses acquired through Torpedo7 was evident in the balance sheet as at 25 January 2015, through a combination of assets and goodwill increasing. The finance book for the financial services business is disclosed separately as finance receivables.

The Group has a \$100 million senior bond that matures on 15 June 2015 and is likely to be reissued. As it is maturing, it is shown as a current liability but Management views this as a part of core debt.

The Warehouse (Red Sheds)

The Red Sheds had a challenging half, reporting sales of \$928.7 million for the half year, an increase of 0.9% or \$8.6 million compared to last year, with same-store sales growth of 0.9%. The Red Sheds have recorded 16 quarters of positive same-store sales growth. Categories performing well were: Home, Leisure, Outdoor, Consumables and our new range of Schooltex products.

Second quarter trading was adversely impacted by a cool spring season and a late start to summer, which required additional promotion and discounting. Also impacting trading was the cycling of the DSO, which affected the Entertainment and Consumer Electronics categories. Strong sales recovery from Boxing Day through January was not enough to offset the softer November/December period; this resulted in an operating profit for the half of \$54.1 million which was a decrease of \$6.5 million or 10.7% on last year. Gross margin improved in the first quarter; part of this was due to lower margins in the comparative period following stock clearance in the first quarter of last year.

The business has reached the end of a period of catching up on deferred store maintenance and overdue refits.



This means that the capex spend is reducing and will return to more normal levels in future periods, with just four refits completed in the first half.

The Warehouse's online sales grew strongly in the half and were up by 30% in the second quarter. The multichannel 'Bricks and Clicks' model is proving to be highly competitive with 'Click and Collect' purchases now representing 20% of online sales. This reinforces the strong position that the Group has built as the country's leading online retailer.

Warehouse Stationery (Blue Sheds)

The Blue Sheds reported sales of \$124.4 million for the first half, an increase of 2.4% on last year. Same-store sales increased by 0.7% in the half, with the Blue Sheds now recording 22 consecutive quarters of positive same-store sales growth. Operating profit of \$4.8 million increased by 2.3% over the same period last year, in line with sales growth.



Increasing price competitiveness in technology categories and the associated margin pressure was offset through changes in the product mix towards higher-margin products. 'Back to School', which is the peak trading period for the Blue Sheds, started well in January but is more heavily weighted to the second half in terms of financial results.

Noel Leeming

Noel Leeming reported sales of \$330.4 million for the first half, a 0.5% increase on the same period last year. Same-store sales declined by 1.4% in the half; this is primarily the result of adverse effects of the cycling of the DSO. Despite this decline, Noel Leeming increased its market share in the technology and appliances market, and a sales recovery in January 2015 pointed to a return to expected trading levels.

The softer sales performance, coupled with increased non-recurring costs associated with the rebranding of Noel Leeming, resulted in an operating profit of \$2.3 million, \$4.4 million down on the same period last year.

Torpedo7 Group

Torpedo7 Group reported sales of \$64.2 million for the first half, up by 34.2%² on the last year. This reflects the first full half of operating with the combined R&R Sports, Shotgun Supplements and No1 Fitness businesses, which were all acquired during the first half of FY14.

It was a busy half for Torpedo7; it rebranded in the first half, launched a new-look webstore, converted the R&R Sports stores and opened three new physical stores in Albany,

Mt Wellington and Taupo. The rebranding, store set-up and integration costs all created a cost drag on the business in the first half, resulting in an operating loss of \$0.2 million in the half, compared to a profit of \$0.7 million for the same period last year.

Financial Services

The Financial Services business reported an operating loss of \$1.4 million for the first half, in line with expectations as part of the long-term strategy to build a leading retail financial services business.

Outlook

The Warehouse Group has invested significantly over the last few years as part of its strategic transformation journey. The next phase of that journey will be focused on consolidating and leveraging those investments for profit growth.

In announcing the result, the Board recognises that the half was challenging in many respects; however, a strategically strong base has been built for the future, with the priority now to focus on delivering a satisfactory return on the investments made.

Subject to any material change in anticipated trading conditions, the Directors expect the second-half profit to be in line with, or above, the second-half result last year. The expected adjusted net profit after tax for the full year is between \$52 million and \$56 million.

Group CEO Departure

As part of The Warehouse Group's annual succession planning cycle last year, Group CEO Mark Powell indicated to the Board that he did not foresee himself continuing in the role beyond February 2016. As a result, The Warehouse Group has announced that a formal process has been initiated to recruit a new Group CEO. This will allow up to ten months to ensure a planned and orderly succession process. The Warehouse Group Board want to thank Mark for his leadership of the Group during a period of unprecedented change, where much has been achieved and we are confident that the strong base that has been built has set us up for future success.

EDUARD (TED) VAN ARKEL
Chairman

MARK POWELL
Group Chief Executive Officer

¹ A reconciliation of adjusted net profit to reported net profit is detailed on page 4 of the NZX release and in note 14 of the interim financial statements. Certain transactions such as the sale of properties and gains/costs associated with the acquisition of subsidiaries can make the comparison of profits between periods difficult. The Group monitors adjusted net profit as a key indicator of performance and uses it as the basis for determining dividends; it believes it helps investors to understand how the underlying business is performing.

² The trading results for the Torpedo7 Group comparative period are not like for like, with the acquisition of No1 Fitness in September 2013 and the acquisitions of Shotgun Supplements and R&R Sports in December 2013 impacting comparability.



OUR BRANDS – OUR FOCUS IS NOW TO DELIVER ON THEIR POTENTIAL

The last four years have seen a period of reinvestment in the business, restoring consumer confidence in the core Warehouse offer and diversifying for the future. Our focus, as a Group, now turns to realigning the potential that each of these investments have for the Group.

The Warehouse Group

Each of the individual brands makes sense as a stand-alone business. Together as a Group, the brands create an opportunity for profit leverage and high-quality earnings.

As a diversification strategy, the retail brands share the strategic relationship of being leaders in their respective retail market segments. The diversification is seen in the positioning of the brands in the market and across the retail sectors, which have different demand characteristics.

For example, the high-service, high-quality position of Noel Leeming is different from the 'House of Bargains', 'Home of Essentials' positioning in the Red Sheds. Financial Services, while leveraging the retail distribution, operates in a different market: one with more revenue assurance and scale economics.

Being an expert across retail value chains allows the Group to leverage synergies, while maintaining the agility, focus and character of the individual brands, each of which needs to be able to compete effectively in its own market segment. These synergies involve leveraging sourcing support and balance sheet elements.

Initial synergy and leverage has focused on property and on the Red Sheds gaining access to international technology and appliance brands such as Samsung, Sony, HP, Acer and Kambrook. Now, the Group will look to leverage further synergy, having bedded in the acquisitions and caught up on deferred maintenance and investment across the brands.

The potential of the investments that have been made now needs to be realised and translated into sustainable profit growth, profit leverage and more earnings predictability.

The Warehouse (Red Sheds)

Since 2011, a four-year \$90 million programme of investment in store transformation, customer service, products and processes has been undertaken. This investment, in part, was to catch up on a degree of deferred maintenance but also was to begin repositioning The Warehouse as a contemporary, discount 'House of Bargains', 'Home of Essentials' customer proposition.



The combined strategy of 'House of Bargains' and 'Home of Essentials' speaks to The Warehouse's heritage as a low-price bargain retailer. It adds to a range of everyday low prices but better quality essential products that make The Warehouse relevant to New Zealanders on an everyday basis.

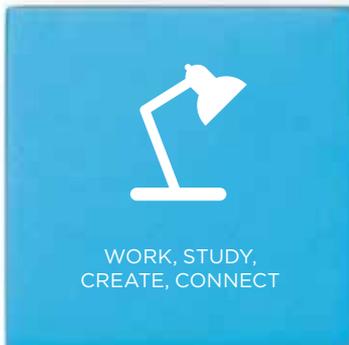
This is evidenced by more than 1.5 million people who visit our stores each week and the 1.4 million who visit The Warehouse online each month.

The company continues to invest in its people and processes to ensure that a highly engaged and motivated team can provide the best 'Bricks and Clicks' experience possible.

Warehouse Stationery (Blue Sheds)

The market place for the Blue Sheds continues to change, with traditional stationery categories being replaced by technology, fashion stationery (fashionery), and print and copy categories.

Our key strategy for the Blue Sheds is delivering 'everything you need to Work, Study, Create and Connect'. A continued focus on sales growth, margin improvement and cost control sees the Blue Sheds consolidating their share of the market and providing great service to customers.



The rebranding that was completed in FY14 has been well received by customers and teams alike, as has the BizRewards programme.

The key focus areas of the Blue Sheds are to lead the 'Back to School' market, which is a peak trading period for the business, and to build on its digital services, in line with the Group's multichannel retailing strategy.

Same-store sales growth of 2% and 22 consecutive quarters of sales growth identify Warehouse Stationery as a strong performer.

Noel Leeming Group

The rebranding of Noel Leeming, coupled with judicious capital investment in a business that was capital constrained by its previous private equity ownership, is now contributing to the long-term profitability of the Group.

Under The Warehouse Group's ownership, Noel Leeming will be the market leader of prominent brand technology and appliances in New Zealand. Also, it is known for having passionate experts, superior customer service and an end-to-end services offering.



The first half has seen a rebranding of Noel Leeming completed, a key part of repositioning the business with customers, and its positioning as the authority in technology services and appliances.

As a retail model, Noel Leeming is different from other brands in the Group, with lower levels of capital employed. The impact of the cycling of the Digital Switch Over and rebranding costs have both affected the first half; however, the business has gained market share and is well positioned to continue to drive profitability.

Torpedo7 Group

Relatively new to the The Warehouse Group, Torpedo7 Group is a successful online retailer which now forms the cornerstone of the strategy to be New Zealand's leading outdoor adventure sport retailer.

The first half has seen the integration of several other acquisitions into the Torpedo7 Group: R&R Sport, Shotgun Supplements and No1 Fitness. That integration has seen the R&R Sport retail stores converted to six Torpedo7 stores, new stores opened and a rebranding of the Torpedo7 Group completed.



1-day continues to perform well and shows the way that digital is developing in the retail market - a core capability that will benefit the broader Group's digital activities.

The next period for Torpedo7 will focus on improving margin through services and product range initiatives and delivering profit from core operations.

The Warehouse Group Financial Services

Many retailers worldwide operate successful financial services divisions; this is synergistic with the selling of physical retail products and provides good earnings streams, which are insulated from regular retail seasonality.

The Warehouse Group Financial Services has been set up to drive long-term value for the Group.

The Group has offered financial services to its businesses for many years, with store cards, hire purchase and credit cards amongst the list. These services, however, are all provided by third parties. The first part of the strategy is to take in-house that range of financial services revenue.



Secondly, the strategy is to provide innovative financial services that offer unique value propositions to our customers in ways that are consistent with our brand positioning.

The strategy will be a period of investment prior to the creation of an earnings stream sufficient to be material to the Group. This period of investment is likely to be two to three years but the investment case is well supported by the downstream earnings expected.

Diners Club (NZ) was acquired, principally, to build capability, systems and processes sufficiently. While the Diners business currently operates at a loss, we see this as part of the overall investment required to build a sustainable and strong earnings stream.

THE WAREHOUSE GROUP LIMITED

INTERIM FINANCIAL STATEMENTS

FOR THE 26 WEEKS ENDED 25 JANUARY 2015

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Consolidated Income Statements

	NOTE	UNAUDITED 26 WEEKS ENDED 25 JANUARY 2015 \$000	UNAUDITED 26 WEEKS ENDED 26 JANUARY 2014 \$000	AUDITED 52 WEEKS ENDED 27 JULY 2014 \$000
Continuing operations				
Retail sales	3	1,444,711	1,420,409	2,648,478
Finance business revenue		2,601	-	2,414
Total Revenue		1,447,312	1,420,409	2,650,892
Cost of retail goods sold		(971,407)	(959,027)	(1,775,338)
Other income		4,539	7,336	9,796
Employee expenses		(225,473)	(213,514)	(424,849)
Lease and occupancy expenses		(71,748)	(65,590)	(136,496)
Depreciation and amortisation expenses	3	(27,858)	(25,404)	(51,349)
Other operating expenses		(98,375)	(94,153)	(177,487)
Operating profit	3	56,990	70,057	95,169
Gain on disposal of property	4	5,021	9,230	16,810
Contingent consideration	18	23	5,359	5,259
Direct costs relating to acquisitions	17	-	(1,106)	(1,617)
Equity earnings of associate	6	1,350	1,527	3,006
Earnings before interest and tax		63,384	85,067	118,627
Net interest expense		(7,676)	(7,277)	(13,863)
Profit before tax		55,708	77,790	104,764
Income tax expense		(12,792)	(19,023)	(26,868)
Net profit for the period from continuing operations		42,916	58,767	77,896
Discontinued operations				
Loss from discontinued operations (net of tax)	20	-	(378)	(642)
Net profit for the period		42,916	58,389	77,254
Attributable to:				
Shareholders of the Parent		43,280	58,684	77,750
Minority interests		(364)	(295)	(496)
		42,916	58,389	77,254
Basic earnings per share				
From continuing operations		12.5 cents	19.1 cents	24.3 cents
From discontinued operations		0.0 cents	(0.1) cents	(0.2) cents
From net profit for the period		12.5 cents	19.0 cents	24.1 cents
Diluted earnings per share				
From continuing operations		12.4 cents	18.9 cents	24.1 cents
From discontinued operations		0.0 cents	(0.1) cents	(0.2) cents
From net profit for the period		12.4 cents	18.8 cents	23.9 cents

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

Consolidated Statements of Comprehensive Income

	UNAUDITED 26 WEEKS ENDED 25 JANUARY 2015	UNAUDITED 26 WEEKS ENDED 26 JANUARY 2014	AUDITED 52 WEEKS ENDED 27 JULY 2014
	\$000	\$000	\$000
Net profit for the period	42,916	58,389	77,254
Items that may be reclassified subsequently to the Income Statement			
Movement in cash flow hedge reserve net of tax	19,342	(2,902)	(5,216)
Total comprehensive income for the period	62,258	55,487	72,038
Attributable to:			
Shareholders of the parent	62,622	55,782	72,534
Minority interest	(364)	(295)	(496)
Comprehensive income	62,258	55,487	72,038
Total comprehensive income attributable to shareholders of the parent arise from:			
Continuing operations	62,622	56,160	73,176
Discontinued operations	-	(378)	(642)
Comprehensive income	62,622	55,782	72,534

Consolidated Statements of Changes in Equity

	NOTE	UNAUDITED 26 WEEKS ENDED 25 JANUARY 2015	UNAUDITED 26 WEEKS ENDED 26 JANUARY 2014	AUDITED 52 WEEKS ENDED 27 JULY 2014
		\$000	\$000	\$000
Equity at the beginning of the period		523,917	411,765	411,765
Total comprehensive income for the period		62,258	55,487	72,038
Proceeds from equity raise	21	-	-	114,072
Share rights charged to the income statement		1,448	1,415	2,266
Dividends paid to shareholders of the company		(20,811)	(17,116)	(57,571)
Dividends paid to minority interest		(199)	(156)	(371)
Treasury stock dividends received		65	73	237
Purchase of treasury stock		(50)	(42)	(3,339)
Minority interest acquired		-	-	(15,180)
Equity at the end of the period		566,628	451,426	523,917
Equity consists of:				
Share capital		365,517	251,445	365,517
Treasury stock		(4,507)	(5,521)	(8,707)
Cashflow hedge reserve		13,562	(3,466)	(5,780)
Employee share benefits reserve		3,044	2,939	3,709
Retained earnings		185,258	194,744	164,861
Total equity attributable to shareholders		562,874	440,141	519,600
Minority interest		3,754	11,285	4,317
Total equity		566,628	451,426	523,917

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

Consolidated Balance Sheets

	NOTE	UNAUDITED AS AT 25 JANUARY 2015 \$000	UNAUDITED AS AT 26 JANUARY 2014 \$000	AUDITED AS AT 27 JULY 2014 \$000
ASSETS				
Current assets				
Cash and cash equivalents	9	28,251	42,625	26,758
Finance business receivables		17,022	-	19,036
Trade and other receivables	7	83,547	80,730	72,217
Inventories		545,905	519,957	492,109
Derivative financial instruments	10	24,023	613	1,054
Taxation receivable		3,942	-	3,226
Total current assets		702,690	643,925	614,400
Non-current assets				
Trade and other receivables	7	-	187	-
Property, plant and equipment	4	341,784	315,632	336,805
Intangible assets	5	148,962	124,861	143,691
Investments	6	1,326	4,062	5,541
Derivative financial instruments	10	-	965	398
Deferred taxation		26,695	27,520	30,845
Total non-current assets		518,767	473,227	517,280
Total assets		1,221,457	1,117,152	1,131,680
LIABILITIES				
Current liabilities				
Borrowings	9	101,528	31,330	104,896
Trade and other payables	12	406,718	408,656	284,319
Derivative financial instruments	10	-	3,893	7,587
Taxation payable		-	1,006	-
Provisions	8	42,194	43,239	48,037
Total current liabilities		550,440	488,124	444,839
Non-current liabilities				
Borrowings	9	81,343	153,546	142,740
Derivative financial instruments	10	5,022	1,774	1,518
Trade and other payables	12	1,750	5,200	1,986
Provisions	8	16,274	17,082	16,680
Total non-current liabilities		104,389	177,602	162,924
Total liabilities		654,829	665,726	607,763
Net assets		566,628	451,426	523,917
EQUITY				
Contributed equity		361,010	245,924	356,810
Reserves		16,606	(527)	(2,071)
Retained earnings		185,258	194,744	164,861
Total equity attributable to shareholders		562,874	440,141	519,600
Minority interest		3,754	11,285	4,317
Total equity	16	566,628	451,426	523,917
Net assets per share		164.2 cents	130.4 cents	152.1 cents

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

Consolidated Statements of Cash Flows

	NOTE	UNAUDITED 26 WEEKS ENDED 25 JANUARY 2015	UNAUDITED 26 WEEKS ENDED 26 JANUARY 2014	AUDITED 52 WEEKS ENDED 27 JULY 2014
		\$000	\$000	\$000
Cash flows from operating activities				
Cash received from customers		1,440,607	1,420,203	2,660,562
Retail business interest income		76	12	105
Payments to suppliers and employees		(1,291,650)	(1,243,444)	(2,537,407)
Income tax paid		(16,712)	(25,807)	(37,492)
Interest paid		(7,820)	(7,104)	(13,351)
		124,501	143,860	72,417
Loans repaid by finance business customers		45,308	-	36,420
New loans to finance business customers		(41,124)	-	(32,228)
Net cash flows from operating activities		128,685	143,860	76,609
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		18,982	19,195	27,544
Landlord and share purchase scheme advances repaid		221	16,058	22,505
Dividend received from associate	6	5,565	3,136	3,136
Purchase of property, plant, equipment and software		(58,026)	(45,659)	(91,010)
Related party advances		-	-	3,000
Landlord advances		-	(16,920)	(17,901)
Contingent and deferred consideration	18	(7,913)	(4,000)	(12,401)
Acquisition of minority interest		-	-	(2,000)
Acquisition of subsidiaries, net of cash acquired	17	-	(23,786)	(35,845)
Other items		(44)	(29)	(80)
Net cash flows from investing activities		(41,215)	(52,005)	(103,052)
Cash flows from financing activities				
Repayment short term borrowings		(3,410)	(53,900)	(110,308)
(Repayment) / Proceeds from term borrowings		(60,737)	-	90,000
Repayment of finance leases		(718)	(743)	(1,903)
Proceeds from equity raise		-	-	114,072
Purchase of treasury stock		-	-	(3,230)
Treasury stock dividends received		65	73	237
Dividends paid to parent shareholders		(20,978)	(17,267)	(58,059)
Dividends paid to minority shareholders		(199)	(156)	(371)
Net cash flows from financing activities		(85,977)	(71,993)	30,438
Net cash flow		1,493	19,862	3,995
Opening cash position		26,758	22,763	22,763
Closing cash position		28,251	42,625	26,758

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

Reconciliation of Operating Cash Flows

	NOTE	UNAUDITED 26 WEEKS ENDED 25 JANUARY 2015	UNAUDITED 26 WEEKS ENDED 26 JANUARY 2014	AUDITED 52 WEEKS ENDED 27 JULY 2014
		\$000	\$000	\$000
Profit after tax		42,916	58,389	77,254
Non-cash items				
Depreciation and amortisation expenses		27,858	25,421	51,369
Share based payment expense		1,448	1,415	2,266
Interest capitalisation		(61)	251	524
Movement in deferred tax		(3,372)	(4,622)	(4,672)
Share of surplus retained by associate		(1,350)	(1,527)	(3,006)
Total non-cash items		24,523	20,938	46,481
Items classified as investing or financing activities				
Net gain on sale of property, plant and equipment		(4,774)	(9,302)	(14,528)
Direct costs relating to acquisitions		-	1,106	1,617
Contingent consideration	18	(23)	(5,359)	(5,259)
Supplementary dividend tax credit		167	151	488
Total investing and financing adjustments		(4,630)	(13,404)	(17,682)
Changes in assets and liabilities				
Trade and other receivables		(16,772)	(9,142)	(4,270)
Finance business receivables		2,014	-	2,321
Inventories		(53,796)	(48,101)	(15,484)
Trade and other payables		141,395	141,511	(5,752)
Provisions		(6,249)	(3,870)	433
Income tax		(716)	(2,461)	(6,692)
Total changes in assets and liabilities		65,876	77,937	(29,444)
Net cash flows from operating activities		128,685	143,860	76,609

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") operates in the New Zealand Retail and Financial Services sectors.

The Warehouse Group Limited is a limited liability company incorporated and domiciled in New Zealand and registered under the New Zealand Companies Act 1993. The address of its registered office is Level 8, 120 Albert Street, PO Box 2219, Auckland. The Group is listed on the New Zealand stock exchange.

The interim financial statements of the Group have been prepared in accordance with the requirements of the Financial Reporting Act 2013, the Companies Act 1993 and the New Zealand Stock Exchange (NZX). The Warehouse Group Limited is registered under the Companies Act 1993 and is an FMC Reporting Entity under Part 7 of the Financial Markets Conduct Act 2013.

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 27 July 2014.

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 27 July 2014 and the unaudited interim financial statements for the 26 weeks ended 26 January 2014.

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 5 March 2015. Unless as otherwise stated, the financial statements have been reviewed by our Auditors, but are not audited.

3. SEGMENT INFORMATION

(a) Operating segments

The Group has four main operating segments trading in the New Zealand retail sector and one in the financial services sector. The operating segments are managed separately with their own management, stores and infrastructure. 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.

The Warehouse

The Warehouse is predominantly a general merchandise and apparel retailer, with 92 stores located throughout New Zealand.

Warehouse Stationery

Warehouse Stationery is a stationery retailer, with 65 stores located throughout New Zealand.

Noel Leeming

Noel Leeming is a consumer electronics and home appliances retailer, with 79 stores located throughout New Zealand.

Torpedo7

Torpedo7 is a multi-channel retailer operating both online through a variety of websites and through 13 stores. During the comparative periods Torpedo7 group increased its online retail presence and strengthened its multi-channel capability with the acquisitions of No1 Fitness in September 2013 and Shotgun Supplements and R&R Sport in December 2013.

Finance Business

The Finance Business currently represents the operating activities of Diners Club (NZ) Limited (DCNZ). DCNZ is a credit card company offering credit to its customers through a branded credit card under a franchise agreement with Diners Club International. The comparative period trading results represent the trading period following the Group's acquisition of DCNZ in March 2014.

Other Group operations

This segment includes the Group's property operations, which owns a number of stores and distribution centres occupied by the other business segments. This segment also includes the Group's corporate function and Waikato Valley Chocolates, which supplies products to The Warehouse.

Transfer prices between business segments are set on an arm's length basis in a manner similar to third parties. Segment revenues and expenses include transfers between segments, which are eliminated on consolidation.

3. SEGMENT INFORMATION (CONTINUED)

	REVENUE			OPERATING PROFIT		
	(UNAUDITED) 26 WEEKS ENDED 25 JANUARY 2015	(UNAUDITED) 26 WEEKS ENDED 26 JANUARY 2014	(AUDITED) 52 WEEKS ENDED 27 JULY 2014	(UNAUDITED) 26 WEEKS ENDED 25 JANUARY 2015	(UNAUDITED) 26 WEEKS ENDED 26 JANUARY 2014	(AUDITED) 52 WEEKS ENDED 27 JULY 2014
	\$000	\$000	\$000	\$000	\$000	\$000
SEGMENT PERFORMANCE						
The Warehouse	928,699	920,097	1,665,233	54,105	60,621	76,903
Warehouse Stationery	124,415	121,535	250,561	4,787	4,681	11,793
Noel Leeming	330,404	328,754	620,520	2,344	6,786	11,308
Torpedo7	64,247	47,870	107,658	(227)	742	1,085
Other Group operations	8,729	7,388	14,217	(2,615)	(2,773)	(4,373)
Inter-segment eliminations	(11,783)	(5,235)	(9,711)	-	-	-
Retail Group	1,444,711	1,420,409	2,648,478	58,394	70,057	96,716
Finance business	2,601	-	2,414	(1,404)	-	(1,547)
	1,447,312	1,420,409	2,650,892	56,990	70,057	95,169
Unallocated revenue/(expenses)						
Gain on disposal of property				5,021	9,230	16,810
Contingent consideration				23	5,359	5,259
Direct costs relating to acquisitions				-	(1,106)	(1,617)
Equity earnings of associate				1,350	1,527	3,006
Earnings before interest and tax				63,384	85,067	118,627
Net interest expense				(7,676)	(7,277)	(13,863)
Income tax expense				(12,792)	(19,023)	(26,868)
Net profit for the period from continuing operations				42,916	58,767	77,896
Loss from discontinued operations (net of tax)				-	(378)	(642)
Net profit for the period				42,916	58,389	77,254
Operating margin						
The Warehouse (%)				5.8	6.6	4.6
Warehouse Stationery (%)				3.8	3.9	4.7
Noel Leeming (%)				0.7	2.1	1.8
Torpedo7 (%)				(0.4)	1.6	1.0
Total Retail Group (%)				4.0	4.9	3.7

	NOTE	DEPRECIATION & AMORTISATION			CAPITAL EXPENDITURE		
		(UNAUDITED) 26 WEEKS ENDED 25 JANUARY 2015	(UNAUDITED) 26 WEEKS ENDED 26 JANUARY 2014	(AUDITED) 52 WEEKS ENDED 27 JULY 2014	(UNAUDITED) 26 WEEKS ENDED 25 JANUARY 2015	(UNAUDITED) 26 WEEKS ENDED 26 JANUARY 2014	(AUDITED) 52 WEEKS ENDED 27 JULY 2014
		\$000	\$000	\$000	\$000	\$000	\$000
The Warehouse		19,811	18,187	37,512	19,995	29,117	56,790
Warehouse Stationery		3,139	3,036	6,123	3,831	4,495	8,051
Noel Leeming		2,894	2,604	4,304	8,129	5,513	11,747
Torpedo7		635	567	1,037	3,236	271	762
Finance business		390	-	324	5,098	-	406
Other Group operations		989	1,010	2,049	12,027	3,958	16,511
Continuing operations	4	27,858	25,404	51,349	52,316	43,354	94,267
Discontinued operations	20	-	17	20	-	-	-
		27,858	25,421	51,369	52,316	43,354	94,267

Notes to the Financial Statements CONTINUED

3. SEGMENT INFORMATION (CONTINUED)

	NOTE	TOTAL ASSETS			TOTAL LIABILITIES		
		(UNAUDITED) AS AT 25 JANUARY 2015	(UNAUDITED) AS AT 26 JANUARY 2014	(AUDITED) AS AT 27 JULY 2014	(UNAUDITED) AS AT 25 JANUARY 2015	(UNAUDITED) AS AT 26 JANUARY 2014	(AUDITED) AS AT 27 JULY 2014
		\$000	\$000	\$000	\$000	\$000	\$000
The Warehouse		523,152	514,679	491,466	246,298	248,140	159,487
Warehouse Stationery		94,772	86,058	84,558	42,850	44,847	27,031
Noel Leeming		154,347	128,725	124,790	142,474	153,359	119,888
Torpedo7		52,307	43,923	46,883	26,897	21,973	28,569
Finance business		25,073	-	22,339	4,491	-	4,849
Other Group operations		160,449	156,107	166,702	3,926	5,858	11,198
Operating assets / liabilities		1,010,100	929,492	936,738	466,936	474,177	351,022
Unallocated assets / liabilities							
Cash and borrowings	9	28,251	42,625	26,758	182,871	184,876	247,636
Derivative financial instruments	10	24,023	1,578	1,452	5,022	5,667	9,105
Investments	6	1,326	4,062	5,541	-	-	-
Intangible Goodwill and Brands	5	127,120	111,875	127,120	-	-	-
Taxation		30,637	27,520	34,071	-	1,006	-
Total		1,221,457	1,117,152	1,131,680	654,829	665,726	607,763

4. PROPERTY, PLANT, EQUIPMENT AND COMPUTER SOFTWARE

	NOTE	(UNAUDITED) AS AT 25 JANUARY 2015	(UNAUDITED) AS AT 26 JANUARY 2014	(AUDITED) AS AT 27 JULY 2014
		\$000	\$000	\$000
Property, plant and equipment		341,784	315,632	336,805
Computer software	5	21,842	12,986	16,571
Net book value		363,626	328,618	353,376
Movement in property, plant, equipment and computer software				
Balance at the beginning of the period		353,376	318,653	318,653
Acquisition of businesses	17	-	1,924	5,032
Capital expenditure	3	52,316	43,354	94,267
Depreciation and amortisation	3	(27,858)	(25,421)	(51,369)
Disposals		(14,208)	(9,892)	(13,207)
Balance at the end of the period		363,626	328,618	353,376

During the year the Group sold a store property in Whangarei for a consideration of \$18.300 million which realised a pre-tax profit of \$5.021 million.

During the first half of the comparative year the Group sold a store in Christchurch and surplus land in Wiri (Auckland). In the second half of the comparative year the Group also sold a storage facility in Manukau (Auckland), together the sale of these three properties realised a pre-tax profit of \$16.810 million (H1 2014: \$9.230 million).

5. INTANGIBLE ASSETS

	NOTE	(UNAUDITED) AS AT 25 JANUARY 2015	(UNAUDITED) AS AT 26 JANUARY 2014	(AUDITED) AS AT 27 JULY 2014
		\$000	\$000	\$000
Computer software	4	21,842	12,986	16,571
Brands	17	23,523	23,523	23,523
Goodwill		103,597	88,352	103,597
Net book value		148,962	124,861	143,691
Movement in Goodwill and Brands				
Balance at the beginning of the period		127,120	95,428	95,428
Acquisition of businesses - Goodwill	17	-	16,447	31,692
Balance at the end of the period		127,120	111,875	127,120

6. INVESTMENT

	(UNAUDITED) AS AT 25 JANUARY 2015	(UNAUDITED) AS AT 26 JANUARY 2014	(AUDITED) AS AT 27 JULY 2014
	\$000	\$000	\$000
Investment at beginning of the year	5,541	5,671	5,671
Share of associates profit before taxation	1,875	2,122	4,177
Less taxation	(525)	(595)	(1,171)
Equity earnings of associate	1,350	1,527	3,006
Dividend received from associate	(5,565)	(3,136)	(3,136)
Investment at end of the period	1,326	4,062	5,541

The Warehouse Financial Services Limited

The Group has a 49% (2014: 49%) interest, and Westpac a 51% (2014: 51%) interest in The Warehouse Financial Services Limited.

7. TRADE AND OTHER RECEIVABLES

	(UNAUDITED) AS AT 25 JANUARY 2015	(UNAUDITED) AS AT 26 JANUARY 2014	(AUDITED) AS AT 27 JULY 2014
	\$000	\$000	\$000
Trade receivables	48,509	48,206	44,408
Allowance for impairment	(1,346)	(1,138)	(1,812)
	47,163	47,068	42,596
Other debtors and prepayments	31,716	19,975	19,237
Landlord advances	4,500	10,215	10,000
Advances to related parties	-	3,039	-
Employee share purchase plan loans	168	620	384
	83,547	80,917	72,217
Less: Non-current	-	(187)	-
Current trade and other receivables	83,547	80,730	72,217

8. PROVISIONS

	(UNAUDITED) AS AT 25 JANUARY 2015	(UNAUDITED) AS AT 26 JANUARY 2014	(AUDITED) AS AT 27 JULY 2014
	\$000	\$000	\$000
Current liabilities	42,194	43,239	48,037
Non-current liabilities	16,274	17,082	16,680
	58,468	60,321	64,717
Provisions consist of:			
Performance based compensation	2,836	4,966	7,895
Annual leave	29,093	27,149	28,338
Long service leave	7,439	7,273	7,365
Other employee benefits	6,408	5,531	6,411
Employee benefits	45,776	44,919	50,009
Make good provision	6,428	6,180	6,207
Sales returns provision	3,974	3,786	3,581
Onerous lease	2,290	5,436	4,920
	58,468	60,321	64,717

Provision movements:

	MAKE GOOD			ONEROUS LEASE		
	(UNAUDITED) 26 WEEKS ENDED 25 JANUARY 2015	(UNAUDITED) 26 WEEKS ENDED 26 JANUARY 2014	(AUDITED) 52 WEEKS ENDED 27 JULY 2014	(UNAUDITED) 26 WEEKS ENDED 25 JANUARY 2015	(UNAUDITED) 26 WEEKS ENDED 26 JANUARY 2014	(AUDITED) 52 WEEKS ENDED 27 JULY 2014
	\$000	\$000	\$000	\$000	\$000	\$000
Opening balance	6,207	6,152	6,152	4,920	7,150	7,150
Acquisition of businesses	-	84	83	-	-	-
Arising / (released) during the period	761	664	1,384	(932)	499	1,339
Net settlements	(540)	(720)	(1,412)	(1,698)	(2,213)	(3,569)
Closing balance	6,428	6,180	6,207	2,290	5,436	4,920

Notes to the Financial Statements CONTINUED

9. DEBT

	(UNAUDITED) AS AT 25 JANUARY 2015	(UNAUDITED) AS AT 26 JANUARY 2014	(AUDITED) AS AT 27 JULY 2014
	\$000	\$000	\$000
Cash on hand and at bank	28,251	42,625	26,758
Bank borrowings	-	29,930	3,410
Lease liabilities	1,451	1,400	1,370
Fixed rate senior bond (coupon: 7.37%)	100,000	-	100,000
Fair value adjustment relating to effective interest	197	-	391
Unamortised capitalised costs on senior bond	(120)	-	(275)
Current borrowings	101,528	31,330	104,896
Bank borrowings	79,263	50,000	140,000
Lease liabilities	2,080	3,225	2,740
Fixed rate senior bond (coupon: 7.37%)	-	100,000	-
Fair value adjustment relating to effective interest	-	751	-
Unamortised capitalised costs on senior bond	-	(430)	-
Non-current borrowings	81,343	153,546	142,740
Total borrowings	182,871	184,876	247,636
Net debt	154,620	142,251	220,878
Committed bank credit facilities at balance date are:			
Bank debt facilities	300,000	280,000	300,000
Bank facilities used	(79,263)	(79,930)	(143,410)
Unused bank debt facilities	220,737	200,070	156,590
Letter of credit facilities	28,000	28,000	28,000
Letters of credit	(5,941)	(4,039)	(14,276)
Unused letter of credit facilities	22,059	23,961	13,724
Total unused bank facilities	242,796	224,031	170,314

10. DERIVATIVE FINANCIAL INSTRUMENTS

	(UNAUDITED) AS AT 25 JANUARY 2015	(UNAUDITED) AS AT 26 JANUARY 2014	(AUDITED) AS AT 27 JULY 2014
	\$000	\$000	\$000
Current assets	24,023	613	1,054
Non-current assets	-	965	398
Current liabilities	-	(3,893)	(7,587)
Non-current liabilities	(5,022)	(1,774)	(1,518)
	19,001	(4,089)	(7,653)
Derivative financial instruments consist of:			
Current assets	23,767	613	599
Non-current assets	-	-	242
Current liabilities	-	(3,893)	(7,587)
Non-current liabilities	-	-	(22)
Foreign exchange contracts	23,767	(3,280)	(6,768)
Current assets	256	-	455
Non-current assets	-	965	156
Non-current liabilities	(5,022)	(1,774)	(1,496)
Interest rate swaps	(4,766)	(809)	(885)
	19,001	(4,089)	(7,653)

10. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The Group continues to manage its foreign exchange and interest rate risks in accordance with the policies and parameters detailed in the 2014 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)	233,051	226,504	326,736
Average contract rate (\$)	0.8117	0.8021	0.8214
Spot rate used to determine fair value (\$)	0.7467	0.8252	0.8550
	(UNAUDITED) AS AT 25 JANUARY 2015	(UNAUDITED) AS AT 26 JANUARY 2014	(AUDITED) AS AT 27 JULY 2014
Cash flow hedges	(5,022)	(1,664)	(2,200)
Fair value hedges	256	855	1,315
Interest rate swaps	(4,766)	(809)	(885)

Interest rate swaps - cash flow hedge

In order to protect against interest rate volatility the Group has interest rate swap contracts which have a right to receive interest at variable rates and to pay interest at fixed rates. The interest rate swaps currently have terms of up to 8.5 years and provide a hedge against a notional principal of \$50.000 million of the Group's core variable interest bank borrowings. The Group has also entered forward start interest rate swap contracts with a notional principal of \$55.000 million to provide a partial hedge against the rollover of Group's fixed rate senior bond when it matures in June 2015.

Interest rate swaps - fair value hedge

At balance date the Group held interest rate swaps where it receives a fixed rate of interest and pays a variable rate on a notional amount of \$40.000 million. The interest rate swaps are designated as fair value hedges and transform a series of known future fixed interest cash flows on the fixed rate senior bond to variable interest cash flows.

11. 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 25 JANUARY 2015	(UNAUDITED) AS AT 26 JANUARY 2014	(AUDITED) AS AT 27 JULY 2014
	NOTE		\$000	\$000	\$000
Derivatives used for hedging					
Foreign exchange contracts	(Level 2)	10	23,767	(3,280)	(6,768)
Interest rate swaps	(Level 2)	10	(4,766)	(809)	(885)
Senior bond fair value adjustment relating to effective interest	(Level 2)	9	(197)	(751)	(391)

There has 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 10).
- 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 9) 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 closing prices at balance date per \$1.00 bond were as follows:

Fixed Rate Senior Bond	(UNAUDITED) AS AT 25 JANUARY 2015	(UNAUDITED) AS AT 26 JANUARY 2014	(AUDITED) AS AT 27 JULY 2014
	PER \$1.00	PER \$1.00	PER \$1.00
NZX quoted closing price	1.01629	1.04274	1.02649

The total fair value of the Fixed Rate Senior bond is \$101.629 million, and is a level 1 valuation as they are listed on the NZX.

Notes to the Financial Statements CONTINUED

12. TRADE AND OTHER PAYABLES

	NOTE	(UNAUDITED) AS AT 25 JANUARY 2015	(UNAUDITED) AS AT 26 JANUARY 2014	(AUDITED) AS AT 27 JULY 2014
		\$000	\$000	\$000
Trade creditors		317,443	321,999	203,725
Goods in transit creditors		18,293	13,691	14,909
Goods and services tax		28,673	35,511	15,512
Unearned income (includes laybys, gift vouchers and Christmas club deposits)		15,887	12,167	15,478
Contingent and deferred consideration	18	14,380	17,437	22,316
Interest accruals		1,266	1,115	1,273
Payroll accruals		12,526	11,936	13,092
		408,468	413,856	286,305
Less: Non-current contingent and deferred consideration		(1,750)	(5,200)	(1,986)
Current trade and other payables		406,718	408,656	284,319

13. COMMITMENTS

	NOTE	(UNAUDITED) AS AT 25 JANUARY 2015	(UNAUDITED) AS AT 26 JANUARY 2014	(AUDITED) AS AT 27 JULY 2014
		\$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		26,214	41,735	11,714
Capital commitments includes a part payment on a property purchase in Newmarket (\$22.300 million).				
(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		104,172	99,501	103,584
1-2 Years		90,351	76,493	85,914
2-5 Years		210,751	160,595	207,305
5+ Years		280,378	240,029	268,668
		685,652	576,618	665,471

14. ADJUSTED NET PROFIT RECONCILIATION

	NOTE	(UNAUDITED) 26 WEEKS ENDED 25 JANUARY 2015	(UNAUDITED) 26 WEEKS ENDED 26 JANUARY 2014	(AUDITED) 52 WEEKS ENDED 27 JULY 2014
		\$000	\$000	\$000
Net profit attributable to shareholders of the parent		43,280	58,684	77,750
Less: Unusual items				
Direct costs relating to acquisitions	17	-	(1,106)	(1,617)
Contingent consideration	18	23	5,359	5,259
Gain on disposal of property	4	5,021	9,230	16,810
		5,044	13,483	20,452
Income tax relating to unusual items		(1,406)	(2,584)	(4,707)
Income tax expense related to depreciation recovered on building disposals		2,405	1,956	1,956
		6,043	12,855	17,701
Add back loss from discontinued operations		-	(378)	(642)
Adjusted net profit		37,237	46,207	60,691

Certain transactions can make the comparisons of profits between periods difficult. The Group monitors adjusted net profit as a key indicator of performance and uses it as the basis for determining dividends and believe it helps improve the understanding of underlying business performance.

Adjusted net profit makes allowance for discontinued operations and the after tax effect of unusual items. Unusual items include profits from the disposal of properties, direct costs relating to the acquisition of subsidiaries and changes in the value of contingent consideration recognised in the income statement.

15. DIVIDENDS

	CENTS PER SHARE			DIVIDENDS PAID		
	(UNAUDITED) 26 WEEKS ENDED 25 JANUARY 2015	(UNAUDITED) 26 WEEKS ENDED 26 JANUARY 2014	(AUDITED) 52 WEEKS ENDED 27 JULY 2014	(UNAUDITED) 26 WEEKS ENDED 25 JANUARY 2015	(UNAUDITED) 26 WEEKS ENDED 26 JANUARY 2014	(AUDITED) 52 WEEKS ENDED 27 JULY 2014
				\$000	\$000	\$000
Prior year final dividend	6.0	5.5	5.5	20,811	17,116	17,116
Interim dividend	-	-	13.0	-	-	40,455
Total dividends paid	6.0	5.5	18.5	20,811	17,116	57,571

On 5 March 2015 the Board declared a fully imputed interim dividend of 11.0 cents per ordinary share to be paid on 16 April 2015 to all shareholders on the Group's share register at the close of business on 2 April 2015.

16. EQUITY

(UNAUDITED)	SHARE CAPITAL \$000	TREASURY STOCK \$000	CASH FLOW HEDGE RESERVE \$000	EMPLOYEE SHARE BENEFITS RESERVE \$000	RETAINED EARNINGS \$000	MINORITY INTEREST \$000	TOTAL EQUITY \$000
For the 26 weeks ended 25 January 2015							
Balance at the beginning of the period	365,517	(8,707)	(5,780)	3,709	164,861	4,317	523,917
Profit for the half year	-	-	-	-	43,280	(364)	42,916
Net change in fair value of cash flow hedges	-	-	19,342	-	-	-	19,342
	-	-	19,342	-	43,280	(364)	62,258
Share rights charged to the income statement	-	-	-	1,448	-	-	1,448
Share rights exercised	-	4,250	-	(2,113)	(2,137)	-	-
Dividends paid	-	-	-	-	(20,811)	(199)	(21,010)
Treasury stock dividends received	-	-	-	-	65	-	65
Purchase of treasury stock	-	(50)	-	-	-	-	(50)
Balance at the end of the period	365,517	(4,507)	13,562	3,044	185,258	3,754	566,628

(UNAUDITED)	SHARE CAPITAL \$000	TREASURY STOCK \$000	CASH FLOW HEDGE RESERVE \$000	EMPLOYEE SHARE BENEFITS RESERVE \$000	RETAINED EARNINGS \$000	MINORITY INTEREST \$000	TOTAL EQUITY \$000
For the 26 weeks ended 26 January 2014							
Balance at the beginning of the period	251,445	(7,361)	(564)	3,281	153,228	11,736	411,765
Profit for the half year	-	-	-	-	58,684	(295)	58,389
Net change in fair value of cash flow hedges	-	-	(2,902)	-	-	-	(2,902)
Total comprehensive income	-	-	(2,902)	-	58,684	(295)	55,487
Share rights charged to the income statement	-	-	-	1,415	-	-	1,415
Share rights exercised	-	1,882	-	(1,757)	(125)	-	-
Dividends paid	-	-	-	-	(17,116)	(156)	(17,272)
Treasury stock dividends received	-	-	-	-	73	-	73
Purchase of treasury stock	-	(42)	-	-	-	-	(42)
Balance at the end of the period	251,445	(5,521)	(3,466)	2,939	194,744	11,285	451,426

(AUDITED)	SHARE CAPITAL \$000	TREASURY STOCK \$000	CASH FLOW HEDGE RESERVE \$000	EMPLOYEE SHARE BENEFITS RESERVE \$000	RETAINED EARNINGS \$000	MINORITY INTEREST \$000	TOTAL EQUITY \$000
For the 52 weeks ended 27 July 2014							
Balance at the beginning of the period	251,445	(7,361)	(564)	3,281	153,228	11,736	411,765
Profit for the year	-	-	-	-	77,750	(496)	77,254
Net change in fair value of cash flow hedges	-	-	(5,216)	-	-	-	(5,216)
Total comprehensive income	-	-	(5,216)	-	77,750	(496)	72,038
Contributions by and distributions to owners:							
Proceeds from equity raise	114,072	-	-	-	-	-	114,072
Share rights charged to the income statement	-	-	-	2,266	-	-	2,266
Share rights exercised	-	1,993	-	(1,838)	(155)	-	-
Dividends paid	-	-	-	-	(57,571)	(371)	(57,942)
Treasury stock dividends received	-	-	-	-	237	-	237
Purchase of treasury stock	-	(3,339)	-	-	-	-	(3,339)
Minority interest arising on acquisition	-	-	-	-	(8,628)	(6,552)	(15,180)
Balance at the end of the period	365,517	(8,707)	(5,780)	3,709	164,861	4,317	523,917

Notes to the Financial Statements CONTINUED

17. BUSINESS COMBINATIONS – 2014

During the previous year the Group acquired six new businesses. Based on the best information available at that time the Group recognised the following identifiable acquisition assets and liabilities for the businesses acquired.

	FOR THE PERIOD ENDED 26 JANUARY 2014			FOR THE YEAR ENDED 27 JULY 2014				
	NOTE	(UNAUDITED) TORPEDO7 \$000	(UNAUDITED) OTHER \$000	(UNAUDITED) TOTAL \$000	(AUDITED) TORPEDO7 \$000	(AUDITED) DINERS CLUB NZ \$000	(AUDITED) OTHER \$000	(AUDITED) TOTAL \$000
Cash and cash equivalents		88	-	88	88	18	-	106
Finance business receivables		-	-	-	-	21,357	-	21,357
Trade and other receivables		433	21	454	433	163	21	617
Inventories		13,748	-	13,748	13,747	-	4,769	18,516
Property, plant and equipment		1,758	-	1,758	1,758	260	-	2,018
Computer software (included in intangibles)		166	-	166	166	2,848	-	3,014
Deferred taxation		342	-	342	342	2,378	-	2,720
		16,535	21	16,556	16,534	27,024	4,790	48,348
Trade and other payables		(5,170)	(49)	(5,219)	(5,169)	(4,668)	(418)	(10,255)
Provisions		(479)	-	(479)	(479)	-	-	(479)
Borrowings (including finance leases)		-	-	-	-	(29,935)	-	(29,935)
Provisional fair value of identifiable net assets		10,886	(28)	10,858	10,886	(7,579)	4,372	7,679
Goodwill arising on acquisition	5	14,900	1,547	16,447	14,900	11,014	5,778	31,692
		25,786	1,519	27,305	25,786	3,435	10,150	39,371
The acquisition consideration is as follows:								
Cash		21,186	1,082	22,268	21,186	3,435	9,713	34,334
Contingent consideration	18	4,600	437	5,037	4,600	-	437	5,037
		25,786	1,519	27,305	25,786	3,435	10,150	39,371
The cash outflow on acquisitions is as follows:								
Cash and cash equivalents acquired		(88)	-	(88)	(88)	(18)	-	(106)
Direct costs relating to the acquisition		552	34	586	694	666	257	1,617
Purchase consideration settled in cash		21,186	1,082	22,268	21,186	3,435	9,713	34,334
		21,650	1,116	22,766	21,792	4,083	9,970	35,845
Direct costs relating to post balance date acquisitions				520				-
Deposit paid on Diners Club NZ acquisition				500				-
Net consolidated cash outflow				23,786				35,845

(a) Torpedo7 acquisitions

As part of the Group's multi-channel strategy to increase its online retail presence and strengthen the Group's multi-channel capability the Group acquired three businesses through its Torpedo7 subsidiary. The goodwill arising from these acquisitions are largely attributable to the specialised knowledge acquired and the economies of scale from combining the operations within Torpedo7 and the wider Group.

The three businesses operate as trading divisions of Torpedo7 and are reported as part of the Torpedo7 segment for both management and external reporting (refer note 3).

(i) No1 Fitness

In September 2013 the Group acquired all the operations and business assets of No1 Fitness, an unlisted private company engaged in the online retail of fitness equipment with two show rooms located in Auckland and Christchurch.

(ii) Shotgun

In December 2013 the Group acquired all the operations and business assets of Shotgun Supplements, an unlisted private company engaged in the online retail of sports nutrition products.

(iii) R&R Sport

In December 2013 the Group also acquired the operations and business assets of R&R Sport, an unlisted private company. R&R Sport was a Sporting, Outdoor and Adventure retail chain which at that time comprised seven retail stores as well as an online store.

In addition to the initial consideration of \$21.186 million paid for the three acquisitions, a further maximum performance based contingent consideration of \$5.600 million was payable over the following two years. The contingent consideration is subject to the achievement of specified earnings targets and completion of other specified deliverables. At balance date contingent consideration of \$1.0 million remains unsettled.

(b) Diners Club (NZ)

In March 2014 the Group acquired 100% of the share capital of Diners Club (NZ) Limited (DCNZ) from Diners Club (Singapore) Pte Limited. DCNZ is a credit card company offering credit to its customers through a branded credit card under a franchise agreement with Diners Club International. The consideration for the share purchase was \$3.435 million.

Following the Group's previous acquisitions the Group considered it had gained sufficient scale originating financial services products to operate its own Financial Services business. The acquisition of DCNZ represented the first step in the Group's strategy in the development of its Financial Services business. In addition to the DCNZ receivables the acquisition provides the Group with the infrastructure, core systems and people capability to operate and grow this business segment.

For the purposes of segment reporting DCNZ forms the core business of the Group's finance business segment.

(c) Other acquisitions

Other acquisitions represent the combined result of the two acquisitions detailed below.

Maclean Technology

In December 2013 the Group acquired the operations and business assets of Maclean Technology, an Information Technology company located in Auckland, servicing business customers across Auckland and the upper North Island. The business forms the basis of a new Commercial Services division within Noel Leeming and broadens its customers services proposition. The consideration for the purchase was \$1.519 million, which included estimated contingent consideration of \$0.437 million payable within 12 months subject to the achievement of specified earnings targets. The contingent consideration has now been settled.

Schooltex

In February 2014 the Group acquired the operations and business assets of Schooltex from Postie Plus Group Limited. The consideration for the purchase was \$8.631 million. Schooltex is a school uniform business which supplies over 1,100 schools with their uniform and sportswear needs. This business was integrated into The Warehouse to extend its existing school apparel and 'back to school' product range.

18. CONTINGENT AND DEFERRED CONSIDERATION

	NOTE	(UNAUDITED) AS AT 25 JANUARY 2015	(UNAUDITED) AS AT 26 JANUARY 2014	(AUDITED) AS AT 27 JULY 2014
		\$000	\$000	\$000
Contingent consideration		4,200	17,437	9,136
Deferred consideration	19	10,180	-	13,180
Balance at the end of the period		14,380	17,437	22,316
Movements in contingent and deferred consideration				
Balance at the beginning of the period		22,316	21,759	21,759
Acquisition of businesses	17	-	5,037	5,037
Acquisition of minority interest	19	-	-	13,180
Reassessment of consideration payable		(23)	(5,359)	(5,259)
Cash settlements		(7,913)	(4,000)	(12,401)
Balance at the end of the period		14,380	17,437	22,316

Contingent consideration represents the portion of the purchase price for an acquisition with-held from a vendor effectively as insurance against future operating performance or completion of other post acquisition deliverables. Contingent consideration is payable once specified performance targets have been achieved or other deliverables satisfied. To the extent that the targets are not met in full the contingent consideration is reduced based on various specified sliding scales.

The Group reassesses the amount of contingent consideration payable at each reporting date based on its assessment of the likelihood that the performance target outcomes will be achieved.

19. TORPEDO7 MINORITY INTEREST - 2014

In March 2014 the Group increased its interest in the Torpedo7 group of companies from 51% to 80%. The consideration payable to the minority interests to purchase the additional 29% interest in Torpedo7 Limited was \$15.180 million. The consideration was payable in three instalments, with the first instalment (\$2.000 million) paid in March 2014, a second instalment (\$3.000 million) was paid in September 2014 and the final instalment (\$10.180 million) is payable in March 2015.

20. DISCONTINUED OPERATIONS - 2014

In March 2013 the Group merged and rebranded the Bond & Bond retail chain acquired as part of the Noel Leeming acquisition in December 2012 into the larger Noel Leeming network. This process also involved the closure of 15 stores. The operating activities associated with these stores were classified as discontinued operations. The costs associated with the store closures were largely incurred during the 2013 financial year with a few residual costs carrying over into the 2014 financial year.

21. EQUITY RAISE - 2014

The Group raised \$114.072 million (net of issuing costs) by issuing 35.647 million new ordinary shares as part of an equity raise which was undertaken in two parts. The first part was an institutional placement which raised \$100.000 million (at \$3.23 per share) in March 2014, the second part was a share purchase plan which raised \$14.998 million (at \$3.20 per share) in April 2014. The equity raise increased the number of shares on issue from 311.196 million shares to 346.843 million shares.

Notes to the Financial Statements CONTINUED

22. 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.

23. CONTINGENT LIABILITIES

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

INDEPENDENT REVIEW REPORT



TO THE SHAREHOLDERS OF THE WAREHOUSE GROUP LIMITED

Report on the Interim Financial Statements

We have reviewed the accompanying financial statements of The Warehouse Group Limited (“the Company”) on pages 7 to 22, which comprise the consolidated balance sheets as at 25 January 2015, and the consolidated income statements, consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the period ended on that date, and a summary of significant accounting policies and selected explanatory notes.

Directors’ Responsibility for the Interim Financial Statements

The Directors’ of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with 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 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 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 financial statements, taken as a whole, are not prepared in all material respects, in accordance with 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 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 financial statements.

Our firm carries out other services for the Company in the areas of auditors of the annual financial statements and providers of advisory services. Appropriate safeguards were applied to reduce the threats to independence from the provision of other services to an acceptable level. The provision of these other services has not impaired our independence as auditors of the Company.

Conclusion

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

Restriction on Use of Our Report

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

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

Chartered Accountants

Auckland

5 March 2015

DIRECTORY

BOARD OF DIRECTORS

Eduard (Ted) van Arkel (Chairman)
Keith Smith (Deputy Chairman)
Sir Stephen Tindall
Tony Balfour
John Journee
James Ogden
Vanessa Stoddart

GROUP CHIEF EXECUTIVE OFFICER

Mark Powell

GROUP CHIEF FINANCIAL OFFICER

Mark Yeoman

COMPANY SECRETARY

Kerry Nickels

PLACE OF BUSINESS

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Telephone: +64 9 489 7000
Facsimile: +64 9 489 7444

REGISTERED OFFICE

C/- BDO
Level 8, 120 Albert 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 manage your shareholding electronically, also, 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, Auckland
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 accounts in New Zealand or Australia.

INVESTOR RELATIONS

For investor relations enquiries, email investor@twl.co.nz

STOCK EXCHANGE LISTING

NZSX trading code: WHS

COMPANY NUMBER

New Zealand Incorporation: AK/611207

WEBSITE

www.twg.co.nz



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.



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.

