



INTERIM REPORT

2002

Dear Shareholders...

OPERATING PERFORMANCE

The directors of The Warehouse Group Limited ("The Warehouse") report that The Warehouse has achieved an unaudited tax-paid profit for the six months ended 31 January 2002 of \$59.3 million. This profit result is \$7.3 million (14 percent) above the \$52 million achieved for the corresponding period ended 31 January 2001. Excluding one-off gains, the profit result is \$7 million (13.5 percent) above last year.

SALES

Group sales for the six months ended 31 January 2002 were \$1,013 million comprised of \$669 million from The Warehouse New Zealand stores, \$58 million from Warehouse Stationery stores and \$256 million from The Warehouse Australia. Total Group sales were up 10.9 percent from a year ago.

New Zealand Group sales rose 11.4 percent in the six-month period. Sales for The Warehouse New Zealand stores were \$62 million (9.6 percent) above the \$638 million achieved for the corresponding six-month period. Sales for Warehouse Stationery stores were \$16 million or 38.5 percent above the \$42 million achieved over the corresponding period in 2001. The Warehouse Australia achieved sales of A\$209 million, an increase of 16.1 percent over the same period last year. In NZ dollars terms, sales rose 9.5 percent to \$256 million.

OPERATING EARNINGS

Total Group operating earnings before interest, unusual items and taxation for the period were \$100.9 million. This is \$8.5 million (9.2 percent) above that achieved for the corresponding period in the 2001 year. New Zealand Group operating margins remained steady at 12.3 percent compared to 12.2 percent in the prior comparable period. Group operating cashflow rose 201 percent to \$64.1 million from \$21.3 million a year earlier.

The Warehouse New Zealand operating margin rose strongly to 13.2 percent from 12.6 percent in the corresponding period last year. The improved operating margin is a reflection of the investment in new merchandising tools and processes that have been introduced in the last twelve months. These tools for example, have assisted buyers in achieving better sell-through levels resulting in a reduction of mark-downs in some categories.

Warehouse Stationery recorded an operating margin of 1.6 percent compared with 6.3 percent a year earlier. Warehouse Stationery launched a new 'business to business' (B2B) sales channel in late 2001. The lower margin reflects \$2.2 million of planning and start-up costs for that business since its launch. Excluding B2B, the Stationery operating margin would have been 5.5 percent.

Operating earnings for The Warehouse Australia were \$7.9 million compared with \$9.5 million a year ago. Approximately \$0.2 million of the \$1.6 million fall in operating earnings was due to foreign exchange translation variance caused by a weaker Australian / New Zealand dollar cross rate. The prior comparable period also included a buoyant trading quarter leading up to the 2000 Sydney Olympics.

The lower operating margin is attributable to the decision to build the infrastructure of the business to transform it into the powerful model we believe it can be in Australia. This necessitates incurring costs in the short-term that will support increased sales as the Australian chain grows.

PROPERTY

The Warehouse New Zealand

Between August 2001 and January 2002, The Warehouse New Zealand opened two new stores, both in new locations (Wainuiomata and Motueka). During the period, three stores were extended (Levin, Hornby and Feilding).

The Warehouse New Zealand retail chain consisted of 77 stores, representing 317,819 square metres of retail space, an increase of 6.2 percent over January 2001.

The Warehouse intends to add an additional 11,000 square metres of retail space before the end of July 2002, with plans to open one new store in South Dunedin, and extend two existing stores (Gore and Morrinsville).

In addition to those stores detailed above, between August 2002 and December 2002 two new stores will be opened, a second store in Tauranga (9,000 square metres) and a replacement store in Alexandra. Up to four extensions are also planned in this period.

Warehouse Stationery

During the last six months, Warehouse Stationery opened three new stores (Masterton, Penrose and Auckland Airport).

As at 31 January 2002, the Warehouse Stationery chain comprised 36 stores, representing 40,406 square metres, up 11.4 percent from a year ago.

Warehouse Stationery expects to open up one additional store by the end of July 2002.

The Warehouse Australia

In the six months ended 31 January 2002, The Warehouse Australia opened ten new stores, seven in new locations and three replacement stores.

The Australian chain consisted of 118 stores, comprising 168,566 square metres, an increase of 24 percent over January 2001.

The Warehouse Australia plans to open up to seven large format stores before the end of July 2002. Four stores will be in new locations and three will be replacement stores.

DIVIDENDS

The Directors have declared a fully imputed interim dividend of 9.5 cents per share. This is consistent with the policy to pay out 50% of tax-paid profits by way of dividend. This interim dividend is 1 cent per share (or 11.8%) above the 8.5 cents per share paid last year. Payment will be made on 22 April 2002.

TRADE SINCE BALANCE DATE

Since 31 January 2002, the New Zealand Group has achieved solid sales growth. New Zealand Group February 2002 sales are up 14.4 percent compared with the same month last year. The Warehouse New Zealand sales in the month of February 2002 were up 14.1 percent from the same period in 2000 with same store sales up 11.4 percent. Warehouse Stationery sales for the same month were up 16.8 percent with same store sales 9.1 percent higher. February sales growth in Warehouse Stationery was subdued because schools opened earlier resulting in higher 'back to school' sales occurring in January 2002 relative to the same month last year.

In Australian dollar terms, The Warehouse Australia February 2002 sales are 27 percent higher than the same month last year with same store sales also 8.1 percent higher.

The Warehouse remains optimistic the current macro-economic conditions in New Zealand and Australia will remain broadly supportive for consumer spending.

TEAM MEMBERS

The success of our business is built on the commitment and hard work of our team members throughout the organisation. "The Warehouse Way" of treating team members has been a key ingredient in the success of the business. While we have come a long way since The Warehouse began nearly 20 years ago, we are confident that with the continued support from our team members the opportunities for The Warehouse are numerous.



Greg Muir

Chief Executive Officer




11th March 2002



Keith Smith

Chairman

statement of financial performance

	Six months ended 31 JAN	31 JAN	Year ended 31 JUL
			
	\$000	\$000	\$000

Operating Revenue

Sales revenue	1,012,949	913,439	1,664,749
Other revenue	8,504	10,547	21,304
Total Operating Revenue	1,021,453	923,986	1,686,053

Net Surplus before Taxation

Taxation expense	(31,327)	(28,597)	(35,062)
Net Surplus after Taxation	59,348	52,044	60,753
Minority interests	(106)	(89)	(348)
Equity earnings	(135)	-	-
Net Surplus	59,107	51,955	60,405

Earnings per share	19.4 cents	17.7 cents	20.3 cents
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geographical segments

Sales Revenue

New Zealand	757,150	679,847	1,260,253
Australia	255,799	233,592	404,496
Total Sales Revenue	1,012,949	913,439	1,664,749

Operating Profit

New Zealand	93,001	82,937	123,632
Australia	7,907	9,492	(1,537)
Total Operating Profit	100,908	92,429	122,095
Gain on property disposals	925	282	2,749
Business origination and divestment costs	-	-	(1,842)
Investment impairment loss	-	-	(1,230)
Employee compensation	(127)	-	(2,304)
Goodwill amortisation	(3,825)	(4,047)	(8,726)
Earnings before Interest & Taxation	97,881	88,664	110,742
Net interest	(7,206)	(8,023)	(14,927)
Net Surplus before Taxation	90,675	80,641	95,815

Notes to the Financial Statements

Accounting Policies

The Financial Statements for the six months ended 31 January 2002 have been prepared in accordance with FRS 24 Interim Financial Statements and should be read in conjunction with the previous annual report.




The accounting policies used are consistent with those used in the previous Interim Financial Statements and Annual Report.

Commitments, Contingencies and Funding Lines




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. Capital commitments not provided for at balance date amounted to \$12,819,000 for the completion of store development.

At 31 January 2002 the group had unused bank facilities of \$223,111,000.

statement of financial position

	31 JAN  \$000	As at 31 JAN  \$000	31 JUL  \$000
Equity			
Share capital	214,288	212,809	214,288
Treasury stock	(2,783)	(4,589)	(2,517)
Foreign currency translation reserve	460	3	369
Retained earnings	105,754	50,767	46,655
Total Shareholders Funds	317,719	258,990	258,795
Minority interests	313	428	447
Total Equity	318,032	259,418	259,242
Non-Current Liabilities			
Term borrowings	200,901	157,620	179,785
Current Liabilities			
Bank overdrafts	-	5,416	395
Short term borrowings	40,000	62,195	50,105
Creditors and accruals	143,754	136,861	130,545
Provision for dividend	-	25,495	12,173
Income tax	11,184	1,803	-
Total Current Liabilities	194,938	231,770	193,218
Total Liabilities and Equity	713,871	648,808	632,245
Non-Current Assets			
Fixed assets	222,581	225,880	224,349
Investment in listed company	1,770	3,000	1,770
Investment in associated company	7,212	-	490
Advances receivable	2,823	1,849	3,542
Future income taxation benefit	9,314	-	8,579
Deferred taxation	7,200	7,200	5,810
Goodwill	63,532	71,986	67,773
Other intangible assets	3,931	7,520	4,936
Total Non-Current Assets	318,363	317,435	317,249
Current Assets			
Cash on hand and at bank	6,793	6,533	4,417
Short term deposits	31,325	-	-
Debtors and prepayments	21,885	22,508	21,157
Current portion of advances receivable	1,120	588	1,545
Inventory on hand	282,723	257,435	227,265
Goods in transit from overseas	51,662	44,309	49,126
Income tax	-	-	11,486
Total Current Assets	395,508	331,373	314,996
Total Assets	713,871	648,808	632,245

statement of cash flows

	Six months ended 31 JAN	31 JAN	Year ended 31 JUL
			
	\$000	\$000	\$000

Cash Flow from Operating Activities

Receipts from customers	1,022,763	917,488	1,680,683
Interest received	378	214	486
Payments to suppliers and staff	(941,489)	(871,035)	(1,556,913)
Interest paid	(6,964)	(7,813)	(15,357)
Taxation paid	(10,596)	(17,563)	(47,056)
Net Cash Flow from Operating Activities	64,092	21,291	61,843

Cash Flow from Investing Activities

Proceeds from the sale of fixed assets	11,238	5,437	10,313
Advances repaid	931	370	1,790
Purchase of fixed assets	(34,705)	(49,639)	(77,776)
Investment in associate company	(6,857)	-	(490)
Advances and ESOP refunds	(67)	(290)	(673)
Cash consideration paid to acquire subsidiaries	-	(60,207)	(60,280)
Borrowings of subsidiaries acquired	-	(34,718)	(34,718)
Net Cash Flow from Investing Activities	(29,460)	(139,047)	(161,834)

Cash Flow from Financing Activities

Increase in term borrowings	22,408	133,407	157,865
Repayment of short term borrowings	(41,430)	(1,621)	(13,711)
Dividends paid	(12,834)	(12,429)	(39,338)
Repurchase of share capital	-	(3,229)	(3,229)
Net Cash Flow from Financing Activities	(31,856)	116,128	101,587

Net Increase / (Decrease) in Cash Held	2,776	(1,628)	1,596
Opening cash position	4,022	2,470	2,470
Effect of exchange rate movements	(5)	275	(44)
Closing Cash Position	6,793	1,117	4,022

Closing Cash Position is Represented by

Cash on hand and at bank	6,793	6,533	4,417
Bank overdrafts	-	(5,416)	(395)
Closing Cash Position	6,793	1,117	4,022

reconciliation of operating cash flow

	Six months ended 31 JAN	Six months ended 31 JAN	Year ended 31 JUL
	02	01	01
	\$000	\$000	\$000
Net Surplus after Taxation	59,348	52,044	60,753
Non-Cash Items			
Depreciation	22,100	16,809	36,746
Goodwill amortisation	3,825	4,047	8,726
Other intangibles amortisation	3,469	6,976	11,628
Deferred taxation	(1,390)	(3,311)	(2,109)
Other non-cash items	34	253	473
Total Non-Cash Adjustments	28,038	24,774	55,464
Items Classified as Investing or Financing			
Net gain on sale of fixed assets	(1,389)	(164)	(2,426)
Mobile telephone handset capitalisation	(2,464)	(4,325)	(6,528)
Write-off advances receivable	-	-	457
Investment impairment loss	-	-	1,230
Other investing and financing activities	392	579	(438)
Total Investing or Financing Adjustments	(3,461)	(3,910)	(7,705)
Movement in Working Capital			
Trade debtors and prepayments	(57)	(7,629)	(333)
Inventory on hand and in transit	(57,994)	(62,040)	(36,687)
Trade creditors and accruals	16,744	6,043	990
Taxation	21,935	14,407	(8,108)
Effect of exchange rate movements	(463)	(2,398)	(2,531)
Total Movement in Working Capital	(19,835)	(51,617)	(46,669)
Net Cash Flow from Operating Activities	64,090	21,291	61,843

statement of movements in equity

Opening Equity	259,242	179,295	179,295
Surplus and Revaluations			
Net surplus	59,107	51,955	60,405
Movement in foreign currency translation reserve	91	3	369
Total Recognised Revenues and Expenses	59,198	51,958	60,774
Other Movements			
Dividends paid to shareholders	(8)	(25,987)	(38,550)
Issue of shares	-	57,632	59,232
Shares repurchased	-	(3,229)	(3,229)
Share options forfeited	-	(166)	(287)
Movement in treasury stock	(266)	(112)	1,960
Movement in minority interests	(134)	27	47
Closing Equity	318,032	259,418	259,242

The accompanying notes form part of and should be read in conjunction with these Financial Statements

directory...

Directors

Keith R Smith

Chairman

John R Avery

Robert L Challinor

John C Dahlsen

Graham F Evans

P Glen Inger

Property Director

Neil R Plummer

Stephen R Tindall

Founder

Joan Withers

Group Executive Team

Greg J Muir

Chief Executive Officer

Graham L Chad

Chief Logistics Officer

Bruce P Gordon

GM, Non-Retail

Paul G Hutchinson

CEO, The Warehouse Australia

Hamish O McKenzie

GM, People

Robert W Smith

GM, Warehouse Stationery

Brent D Waldron

Chief Financial Officer

David G Wilson

GM, The Warehouse New Zealand

Place of Business

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Registered Office

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New Zealand Share Registrar

Computershare Registry Services Ltd
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Private Bag 92119
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New Zealand
Tel 64-9-488 8777
Fax 64-9-488 8787
Email: enquiry@computershare.co.nz

Australian Share Registrar

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GPO Box 7045
Sydney, NSW 1115
Australia
Tel 61-2-8234 5000
Freephone 1800-269-981
Fax 61-2-8234 5450

Shareholder Register Enquiries and Details

Investors with enquiries about transactions, change of address, Inland Revenue Department numbers or dividend payments should contact the Share Registrar.

Direct Banking of Dividends

Direct banking of ordinary share dividends enables investors to have dividends paid directly to New Zealand trading banks. Further information can be obtained from the Share Registrar.

Investor Relations

For investor relations enquiries please contact at the above Place of Business: Investor Relations Manager
Email: investor@twl.co.nz
Website: www.thewarehouse.co.nz