

	Six months ended		Year ended		Six months ended		Year ended		As at				Six months ended		Year ended		Six months ended		Year ended
	31 Jan	31 Jan	31 Jul		31 Jan	31 Jan	31 Jul		31 Jan	31 Jan	31 Jul		31 Jan	31 Jan	31 Jul		31 Jan	31 Jan	31 Jul
consolidated statement of cashflows	2003	2002	2002	consolidated reconciliation of operating cashflow	2003	2002	2002	consolidated statement of financial position	2003	2002	2002	consolidated statement of financial performance	2003	2002	2002	consolidated statement of movements in equity	2003	2002	2002
	\$000	\$000	\$000		\$000	\$000	\$000		\$000	\$000	\$000		\$000	\$000	\$000		\$000	\$000	\$000
Cash flow from operating activities				Net surplus after taxation	58,221	59,213	82,604	Equity				Operating revenue				Opening equity	315,473	259,242	259,242
Receipts from customers	1,102,899	1,022,763	1,874,038	Non-cash items				Share capital	216,116	214,288	216,116	Sales revenue	1,097,548	1,012,949	1,862,031	Surplus and revaluations			
Interest received	647	378	1,124	Depreciation	24,618	22,100	44,994	Treasury stock	(2,740)	(2,783)	(2,340)	Other revenue	8,179	8,504	15,763	Net surplus	58,206	59,107	82,206
Payments to suppliers and staff	(1,009,216)	(941,489)	(1,709,756)	Goodwill amortisation	3,579	3,825	7,554	Foreign currency translation reserve	3,065	460	1,388	Total operating revenue	1,105,727	1,021,453	1,877,794	Movement in foreign currency translation reserve	1,677	91	1,019
Interest paid	(7,192)	(6,964)	(13,131)	Other intangibles amortisation	1,400	3,469	5,976	Retained earnings	145,912	105,754	99,905	Net surplus before taxation	88,802	90,540	126,973	Total recognised revenues and expenses	59,883	59,198	83,225
Taxation paid	(17,898)	(10,596)	(39,788)	Deferred taxation	(3,335)	(1,390)	(2,644)	Total shareholders funds	362,353	317,719	315,069	Taxation expense	(30,581)	(31,327)	(44,369)	Other movements			
Net cash flow from operating activities	69,240	64,092	112,487	Share of surplus retained by associate	(849)	135	(432)	Minority interests	155	313	404	Net surplus after taxation	58,221	59,213	82,604	Issue of shares	-	-	1,828
Cash flow from investing activities				Other non-cash items	-	36	56	Total equity	362,508	318,032	315,473	Minority interests	(15)	(106)	(398)	Dividends paid to shareholders	(12,199)	(8)	(28,956)
Proceeds from the sale of property, plant and equipment	11,579	11,238	29,492	Total non-cash adjustments	25,413	28,175	55,504	Non-current liabilities				Net surplus	58,206	59,107	82,206	Movement in treasury stock	(400)	(266)	177
Proceeds from the disposal of investments	1,475	-	-	Items classified as investing or financing				Term borrowings	208,524	200,901	201,744	Earnings per share	19.1 cents	19.4 cents	27.0 cents	Movement in minority interests	(249)	(134)	(43)
Advances repaid	881	931	1,706	Net gain on sale of property, plant and equipment	(335)	(1,389)	(1,399)	Bank overdrafts	1,823	-	512	geographical segments				Closing equity	362,508	318,032	315,473
Purchase of fixed assets	(51,501)	(34,705)	(79,911)	Mobile telephone handset capitalisation	(435)	(2,464)	(3,280)	Short term borrowings	-	40,000	3,890	Sales revenue				Accounting policies			
Investment in associate company	-	(6,857)	(6,858)	Other investing and financing activities	640	392	269	Creditors and accruals	153,278	143,754	136,040	The Warehouse New Zealand	741,663	698,637	1,261,629	The financial statements for the six months ended 31 January 2003 have been prepared in accordance with FRS 24 interim financial statements and should be read in conjunction with the previous annual report.			
Advances and ESOP refunds	(34)	(67)	(139)	Total investing or financing adjustments	(130)	(3,461)	(4,410)	Income tax	12,116	11,184	-	Warehouse Stationery	73,234	58,513	124,355	The accounting policies applied are consistent with those used in the previous interim financial statements and annual report.			
Cash consideration paid to acquire subsidiaries	(340)	-	-	Movement in working capital				Total current liabilities	167,217	194,938	140,442	New Zealand	814,897	757,150	1,385,984	The financial statements for the six months ended 31 January 2003 have not been audited. They have been the subject of a review by the auditors pursuant to ICANZ Review Engagement Standards RS-1 for the purpose of fulfilling the Australian Stock Exchange (ASX) listing requirements. A copy of the review report is available on the ASX website.			
Net cash flow from investing activities	(37,940)	(29,460)	(55,710)	Trade debtors and prepayments	(2,262)	(57)	(4,473)	Total liabilities and equity	738,249	713,871	657,659	The Warehouse Australia	282,651	255,799	476,047	Commitments, contingencies and funding lines			
Cash flow from financing activities				Inventory on hand and in transit	(43,566)	(57,994)	(29,375)	Non-current assets				Total sales revenue	1,097,548	1,012,949	1,862,031	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 \$20,122,000 for the completion of store and distribution centre development.			
Increase in term borrowings	22,792	22,408	32,365	Trade creditors and accruals	15,900	16,744	9,029	Property, plant and equipment	244,486	222,581	233,135	Operating profit				At 31 January 2003 the group had unused bank facilities of \$242,518,000.			
Repayment of short term borrowings	(40,065)	(41,430)	(46,215)	Taxation	21,741	21,935	7,227	Investment in listed company	-	1,770	-	The Warehouse New Zealand	96,702	91,903	140,144	Events occurring after balance date			
Dividends paid	(12,744)	(12,834)	(42,832)	Effect of exchange rate movements	(6,077)	(463)	(3,619)	Investment in associated company	8,629	7,212	7,780	Warehouse Stationery	3,804	963	4,241	On 7 March 2003 the directors declared a fully imputed interim dividend of 10.5 cents per share on issue at 11 April 2003, in respect of the six months ended 31 January 2003.			
Net cash flow from financing activities	(30,017)	(31,856)	(56,682)	Total movement in working capital	(14,264)	(19,835)	(21,211)	Advances receivable	3,577	2,823	4,782	New Zealand	100,506	92,866	144,385				
Net increase in cash held	1,283	2,776	95	Net cash flow from operating activities	69,240	64,092	112,487	Future income taxation benefit	3,213	9,314	2,997	The Warehouse Australia	5,116	7,907	2,624				
Opening cash position	4,142	4,022	4,022					Deferred taxation	11,799	7,200	8,463	Total operating profit	105,622	100,773	147,009				
Effect of exchange rate movements	(37)	(5)	25					Goodwill	49,897	63,532	57,109	Gain on property disposals	268	925	1,115				
Closing cash position	5,388	6,793	4,142					Other intangible assets	1,275	3,931	2,240	Logistics re-engineering costs	(7,544)	-	(1,094)				
Closing cash position is represented by:								Total non-current assets	322,876	318,363	316,506	Employee compensation	-	(127)	(253)				
Cash on hand and at bank	7,211	6,793	4,654					Current assets				Goodwill amortisation	(3,579)	(3,825)	(7,554)				
Bank overdrafts	(1,823)	-	(512)					Cash on hand and at bank	7,211	6,793	4,654	Earnings before interest and taxation	94,767	97,746	139,223				
Closing cash position	5,388	6,793	4,142					Short term deposits	36,175	31,325	-	Net interest	(5,965)	(7,206)	(12,250)				
								Debtors and prepayments	21,009	21,885	17,441								
								Current portion of advances receivable	1,645	1,120	1,680								
								Investment in listed company	-	-	1,770								
								Inventory on hand	308,765	282,723	256,048								
								Goods in transit from overseas	40,568	51,662	49,719								
								Income tax	-	-	9,841								
								Total current assets	415,373	395,508	341,153								
								Total assets	738,249	713,871	657,659								



Interim Report 2003



20 Years of Bargains

- Group sales up **8.4%** to **\$1.098 billion**
- Operating earnings up **4.8%** to **\$105.6 million**
- Net profit after tax (adjusted for the Australian logistics restructuring charge) up **7.2%**
- Interim dividend up **10.5%** to **10.5 cents**

Note: All references to dollars are NZ Dollars unless otherwise stated.

dear shareholders

After adding back one-off logistics restructuring costs of \$7.5 million (pre-tax), The Warehouse Group Limited ('The Warehouse') achieved a record unaudited tax-paid profit for the six months ended 31 January 2003 of \$63.5 million. This profit result is 7.2 percent above the \$59.2 million achieved for the corresponding period ended 31 January 2002.

Group operating performance

Sales

Group sales for the six months ended 31 January 2003 were \$1,098 million comprising of \$742 million from The Warehouse New Zealand stores, \$73 million from Warehouse Stationery and \$283 million from The Warehouse Australia. Total Group sales were up 8.4 percent from a year ago.

Operating earnings

Total Group operating earnings before interest, unusual items and taxation for the period were \$105.6 million. This is \$4.8 million or 4.8 percent above that achieved for the corresponding period last year.

Tax-paid profit and operating cashflows

Reported tax-paid profit for the period under review was \$58.2 million before minority interests. This represents a 1.7 percent fall over the previous comparable period. The Group tax-paid profit margin was 5.3 percent compared with 5.8 percent a year earlier. Normalised for logistics restructuring, the profit margin was unchanged at 5.8 percent.

As noted, a pre-tax provision of \$7.5 million (A\$7.0 million) has been made for costs arising from redundancy, asset write-downs and restructuring costs associated with the closure of The Warehouse Australia NSW distribution facility at Blacktown, Sydney. The facility closed on 7 February 2003 with the existing Brisbane and Melbourne DC's taking over distribution for all NSW as an interim step.

In the absence of this charge, after-tax earnings would have been 7.2 percent above the same period last year. Group operating cashflow rose 8.0 percent to \$69.2 million from \$64.1 million a year earlier.

Segment results

The Warehouse New Zealand

The Warehouse New Zealand 'Red Shed' retail stores recorded a 6.2 percent increase in sales in the six months ended January 2003. Operating earnings before interest, taxation and unusual items rose 5.2 percent to \$96.7 million.

While second quarter sales growth was less than anticipated, the earnings result for Red Sheds was solid with operating margins declining only slightly to 13.04 percent from 13.15 percent in the corresponding period last year.

The business is not complacent about its position in the New Zealand market and is increasing its focus to develop and execute strategies that will grow both sales and earnings in the Red Sheds.

The Warehouse New Zealand	Six months ended			Change
	31 January 2003	31 January 2002		
Sales (\$m)	741,663	698,637		6.2%
Operating profit (\$m)	96,702	91,903		5.2%
Operating margin %	13.04%	13.15%		

In February 2003, The Warehouse trialled a range of jewellery in four stores. Early results from those trials have been very positive and the company now plans to roll out the jewellery offer to all stores by the end of 2003.

Between August 2002 and January 2003, The Warehouse New Zealand opened three new stores, two stores in new locations (Fraser Cove - Tauranga, Bell Block - New Plymouth) and one replacement store (Alexandra). During the period, five stores were extended (Kaikohe, Cambridge, Papamoa, Taupo and Oamaru). One store was closed during this period.

The Warehouse New Zealand retail chain consisted of 79 stores, representing 352,961 square metres of retail space, an increase of 11.1 percent over January 2002.

The Warehouse intends to open a new store in Balclutha before the end of July 2003 and is targeting to open 31,500 square metres of retail space before Christmas 2003. This will be made up of seven new stores of which four are replacement stores. Up to three extensions are also planned in this period.

Warehouse Stationery

Warehouse Stationery sales were 25.2 percent ahead of the same period last year.

Warehouse Stationery recorded an operating margin of 5.2 percent compared with 1.6 percent a year earlier. Warehouse Stationery launched its 'business to business' (B2B) sales channel in late 2001 and this business is tracking well against plan. The result for Warehouse Stationery includes a pre-tax operating loss of \$1.5 million in B2B for the six months ended January 2003 compared with a loss of \$2.2 million in the prior period. Excluding B2B, the Warehouse Stationery operating margin would have been 7.9 percent.

Warehouse Stationery	Six months ended			Change
	31 January 2003	31 January 2002		
Sales (\$m)	73,234	58,513		25.2%
Operating profit (\$m)	3,804	963		295.0%
Operating margin %	5.2%	1.6%		

Warehouse Stationery is now a genuine multi-channel business that can further extend its presence into the stationery and business machines market.

Warehouse Stationery opened five new stores, four stores in new locations (Invercargill, Whakatane, Fraser Cove - Tauranga and Belfast - Christchurch) and one replacement store (Napier). One store was closed during that period. As at 31 January 2003 the Warehouse Stationery retail chain consisted of 39 stores representing 45,918 square metres of retail space (an increase of 13.6 percent over January 2002).

Warehouse Stationery expects to open up to two additional stores by the end of July 2003.

The Warehouse Australia

Expressed in Australian dollars, The Warehouse Australia achieved a 19.4 percent increase in sales over the corresponding period last year. Operating earnings for The Warehouse Australia were A\$4.5 million compared with A\$6.5 million a year ago. Operating earnings continue to be impacted by costs associated with the rapid store opening programme and the establishment of infrastructure to support future sales growth.

The Warehouse Australia (in Australian dollars)	Six months ended			Change
	31 January 2003	31 January 2002		
Sales (A\$m)	249.7	209.1		19.4%
Operating profit (A\$m)	4.5	6.5		-30.8%
Operating margin %	1.8%	3.1%		

During the first half of the year, the Australian team successfully executed closure of the legacy Blacktown distribution centre. In the second half of the year the focus turns to opening our new state of the art Queensland distribution centre and integrating the New Zealand core information technology systems into the Australian business.

Between August 2002 and January 2003, The Warehouse Australia opened eleven new format stores (Albury Central, Bundaberg, Booval, Campbelltown, Cannon Hill, Dandenong, Helensvale, Innisfail, Mildura, Townsville and Wagga Wagga) and closed three small stores.

As at 31 January 2003 The Warehouse Australia consisted of 128 stores representing 216,300 square metres of retail space (an increase of 28.3 percent over January 2002).

The Warehouse Australia plans to open up to ten large format stores before the end of July 2003 and on 12 March 2003 opened its first store in South Australia. The move into South Australia is an exciting growth opportunity as the chain is currently not represented in that State.

Financial position

Assets employed

Total assets rose \$24.4 million to \$738.2 million. Total inventories including goods in transit were \$15 million higher than the same period last year. New Zealand Group inventory rose 8.2 percent while The Warehouse Australia recorded an 11.6 percent increase.

Inventory per square metre of retail space in New Zealand fell 2.8 percent compared with the same period last year. In Australian dollar terms, inventory per square metre of retail space in The Warehouse Australia fell 1.7 percent compared with the same period last year.

Borrowings

Total debt, less cash on hand, at 31 January 2003 was \$166.9 million, 17.7 percent less than at the same period last year. Debt to debt plus equity improved to 31.5 percent from 38.9 percent a year earlier. Net interest cover for the six months was 17.7 times (14.0 times in January 2002).

Trade since balance date

The Warehouse New Zealand sales in the month of February 2003 were up 7.9 percent from the same period in 2002. Warehouse Stationery sales including B2B for the same month were up 15.9 percent. In Australian dollars terms, The Warehouse Australia February 2003 sales were 11.5 percent higher than the same month last year.

Dividend

The Directors have declared a fully imputed interim dividend of 10.5 cents per share, this is an increase of 1 cent (or 10.5 percent) over the 9.5 cents paid last year.

Books close for entitlement to the interim dividend on 11 April 2003 with the payment being made on 22nd April 2003.

Keith R Smith
Chairman

10 March 2003

Greg Muir
Chief Executive Officer

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

Secretary to the Board

Mark Fennell

Group executive

Greg J Muir

Chief executive officer

Luke N Bunt

Chief financial officer

Bruce P Gordon

GM, Non-retail

Paul G Hutchinson

CEO, The Warehouse Australia

Hamish O McKenzie

GM, People

Mark D Powell

GM, Logistics

Robert W Smith

GM, Warehouse Stationery

David G Wilson

GM, The Warehouse New Zealand

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Shareholder register enquiries and details

Investors with enquiries about transactions, changes 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
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Website: www.thewarehouse.co.nz

Stock exchange listings

New Zealand and Australia (WHS)

Company numbers

A.R.B.N. 094 719 089
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