THE WAREHOUSE

'Where Everyone gets a Bargain'

ANNUAL REPORT 2001

group executive


GREG MUIR


DAVID WILSON

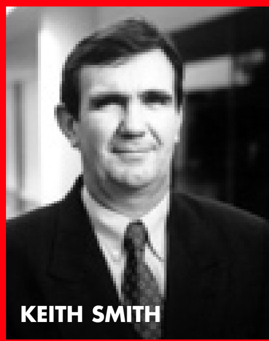

ROBERT SMITH


PAUL HUTCHINSON


BRUCE GORDON


GRAHAM CHAD


NEVILLE BROWN


KEITH SMITH


HAMISH McKENZIE


BRENT WALDRON

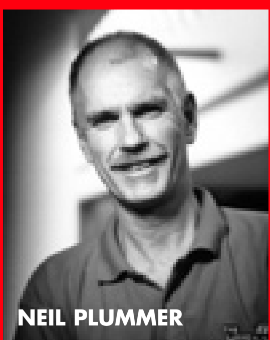

JOAN WITHERS


STEPHEN TINDALL


DAVE RICKARDS


ROBERT CHALLINOR


GLEN INGER


NEIL PLUMMER


JOHN AVERY


JOHN DAHLSEN


GRAHAM EVANS

directors

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highlights of the year

Between 1 August 2000 and 31 July 2001

The Warehouse Group achieved an audited net surplus after tax of $60.8 million

The Warehouse Group achieved sales of $1.665 billion

The Warehouse New Zealand opened nine new stores - six in new locations and three replacement stores

Warehouse Stationery opened nine new stores

The Warehouse Australia opened ten new stores - eight in new locations and two replacement stores

The Warehouse Group generated a positive operating cash flow of $61.8 million

We assisted local clubs and charities in raising $2.6 million for their community needs

Financial Statistics	2001	2000
Sales	$1.665 billion	$1.075 billion
EBITDA+	$170.5 million	$143.6 million
Net Surplus after tax	$60.8 million	$70.5 million
Total Assets	$632.2million	$374.4 million
Equity	$259.2million	$179.3 million
Earnings per share	20.3 cents	24.3 cents
Ordinary Dividends per share	12.5 cents	12.5 cents

+Earnings before interest, taxation, depreciation and amortisation (excl unusual).

Financial Calendar	HALF YEAR	YEAR
Balance date	31 January 2002	31 July 2002
Results announced	March 2002	September 2002
Reports published/dividends paid	April 2002	November 2002
Quarterly sales announced	November 2001	May 2002
	February 2002	August 2002

annual meeting

The Annual Meeting of the company will be held at the Great Northern Room, Ellerslie Convention Centre, Ellerslie Racecourse, Ellerslie, Auckland, on 30 November 2001 at 9.30 am.

This report was printed on Ambassador 50% recycled stock

chief executive officer's *review*

A warm welcome to all stakeholders of The Warehouse.

I am pleased to present my first Annual Report as Chief Executive Officer.

The Warehouse Group achieved an audited tax-paid profit for the twelve months ended 31 July 2001 of $60.8 million.

This profit result is $9.7 million (13.8 percent) below the $70.5 million achieved for the corresponding period ended 31 July 2000.

Total group operating profit before interest, unusual items, goodwill amortisation and taxation for the period was $122.1 million. This is $10.8 million (9.7 percent) above that achieved for the corresponding period in the 2000 year.

Overview

The year ending 31 July 2001 was a challenging one for The Warehouse. We aggressively grew the retail space in New Zealand, in both The Warehouse New Zealand and Warehouse Stationery, and we also took ownership of the Australian operation of Clints and Solly's, now called The Warehouse Australia. Most of the year's challenges were due to the repositioning and transforming of The Warehouse Australia from a bargain store to a discount variety business, similar to the New Zealand Warehouse concept, while still managing continued growth in New Zealand.

During the year, sales rose 54.8 percent to $1,665 million, having reached $1 billion only last year, while New Zealand same-store sales and operating profit increased. Group operating margins as a percentage of sales decreased in the year owing to The Warehouse Australia's negative contribution, the competitive New Zealand market, weaker Australasian currencies and changes in merchandise mix in Warehouse Stationery. The Group result was also impacted by a $3.5 million pre-tax expense for unusual items such as investment writedowns. This compares with a $1.8 million pre-tax benefit in the previous year.

Below is a more detailed discussion of the results of each main business comprising The Warehouse Group.

The Warehouse New Zealand	2001 $000s	2000 $000s	INCREASE %
Sales	1,166,728	1,012,266	15.3%
Operating profit	117,127	106,331	10.2%
Operating margin %	10.0%	10.5%	

The Warehouse New Zealand

The Warehouse New Zealand's sales continued to grow strongly. The operating margin dropped slightly to 10.0 percent (from 10.5 percent last year). This change is caused largely by the compression of gross margin owing to heavy promotional activity undertaken in the fourth quarter combined with the weakness of the New Zealand dollar during the year.

In February 2000 with my move to CEO, David Wilson joined us as General Manager - The Warehouse New Zealand. David was most recently head of store operations at Target Australia. He is a very experienced retailer and is already making a very valuable contribution to our New Zealand business.

Growth in store numbers and retail space continued to be aggressive. During the year The Warehouse opened nine new stores (including three replacements), extended nine and relaid two others. This increased retail space 20.9 percent to 306,838 square metres across seventy-five stores. This increase in retail space of 53,121 square metres was the largest single-year increase in floor space in the history of The Warehouse.

Our customers have responded well to the increase in store numbers and floor space and this is confirmed by other indicators including:

- A 5.1 percent increase in same-store sales.
- The Warehouse accounting for $154 million or 82 percent of the $188 million growth in the New Zealand department store retail sector during the year.
- A 2.9 percent increase in The Warehouse's share of the total department store retail sector to 43.6 percent.
- Weekly paying-customer count up 11.4 percent to 825,000 compared with 740,000 last year.
- An increase in customer's average basket size to $27.20 compared with $26.07 last year.

Warehouse Stationery

Warehouse Stationery continued its exceptional growth with a 48.3 percent increase in sales. The reduction in margin - to 7.0 percent compared with 7.9 percent last year - is attributable to a planned change in the stores' sales mix. That is, a higher proportion of Warehouse Stationery's sales are now comprised of business machines such as computers, facsimiles and printers. It's a large and important market category - essential to the Warehouse Stationery's growth and success - but it customarily has lower margins than those for general stationery items.

Warehouse Stationery	2001 $000s	2000 $000s	INCREASE %
Sales	93,525	63,083	48.3%
Operating profit	6,505	5,005	30.0%
Operating margin %	7.0%	7.9%	

Warehouse Stationery's operating profit was also affected by a significant infrastructural investment required to support the nine new stores added during the year. It takes up to two years for a new Warehouse Stationery store to become profitable which means the recent Warehouse Stationery store rollout programme creates a temporary drag on operating margins that will take up to two years to reverse.

Confirmation that sales growth is not confined to the store rollout programme is confirmed by same-store sales that were up 25.4 percent. The nine new store openings during the year increased Warehouse Stationery's retail space 26.5 percent to 36,775 square metres. A continuing programme of store refurbishment to maximise efficiencies and more new store openings, lead us to be confident of a restoration of operating margins on a larger sales base in our traditional stationery market. However, a planned initiative focusing on the business stationery market (touched on later in this report) is expected to have a negative impact on overall Warehouse Stationery operating margins for the next two to three years.

The Warehouse Australia

The former Clints and Solly's retail stores - which are progressively being transformed and renamed The Warehouse - achieved sales of $404.5 million. This figure represents an estimated increase of 8.8 percent over the same period last year allowing for the removal of wholesale tax in Australia and the introduction of GST.

The Warehouse Australia	2001 $NZ000s
Sales	404,496
Operating profit	(1,537)
Operating margin %	-0.4%

The Warehouse Australia's operating margin for the year was an unsatisfactory -0.4 percent. While macroeconomic conditions in Australia were not supportive for the retail sector generally, much of our weak result in Australia reflects execution difficulties with our format transition, which were further compounded by our decision in April 2001 to quit excess inventory.

When the Australian business was acquired we indicated that it would take two to three years before the business would produce material positive returns to the group. During that time the Australian business would be repositioned to a format similar to The Warehouse in New Zealand. We continue to have confidence in this strategy and there are a number of positive signals that confirm this view:

- As new stores are opened, and as the merchandise range is enlarged and improved, we are seeing a move towards destination shopping and increased weekend trading - visiting The Warehouse for its own sake with faith in the merchandise quality and range - as we experience in New Zealand.

- Customers have responded above our expectations to the new store format. We opened ten new or replacement stores in the period, eight of them in new locations - all are trading significantly ahead of budget.

- New stores will be in the 2,500 to 3,500 square metre range meaning the average store size in Australia will double in the next three years.

- The average sale per customer in Australia ranges from only $A10.70 in the old stores to $A14.73 in the new format stores; that compares with $A22.58 in The Warehouse New Zealand.

- The new format stores are achieving rental to sales costs of between 1 to 1.5 percentage points lower than old format stores. This gap will widen as the new stores grow in coming years.

The Warehouse Group

The consolidation of these figures for The Warehouse New Zealand, Warehouse Stationery and The Warehouse Australia results in the following:

The Warehouse Group	2001 $000s	2000 $000s	INCREASE %
Sales	1,664,749	1,075,349	54.8%
Operating profit	122,095	111,336	9.7%
Operating margin %	7.3%	10.4%	
Tax-paid profit	60,753	70,459	
Tax-paid profit margin	3.6%	6.6%	

While sales rose 54.8 percent and operating profit increased 9.7 percent over the previous year, operating margin as a percentage of sales fell to 7.3 percent for the various reasons described above. Comparing only the New Zealand result against last year, the New Zealand operating margin fell slightly from 10.4 percent to 9.8 percent

Details of store openings during the year

A tangible expression of growth is the increasing store numbers and the subsequent increase in retail space. The following is a detailed list of store openings during the year in review.

The Warehouse New Zealand

Between August 2000 and July 2001 The Warehouse New Zealand opened nine new stores.

- **New stores in new locations** Six stores in new locations: Queenstown, Rangiora, Belfast, Auckland Airport, Hillcrest and Dannevirke.

- **Replacement stores** The other three were replacement stores in Glenfield Mall, Eastgate and Whangaparaoa.

- **Extensions** Nine stores (Petone, Invercargill, Tauranga, Te Awamutu, Manukau, Pukekohe, South City, Nelson and Paraparaumu) were extended.

- **Total store numbers** At the end of the 2001 financial year The Warehouse retail chain in New Zealand consisted of 75 stores representing 306,838 square metres of retail space, an increase of 20.9 percent compared with the end of July 2000.

- **Future plans** During the next financial year The Warehouse plans to open four new stores, three in new locations (Wainuiomata, Motueka and South Dunedin) and one replacement store (Alexandra). We also expect to extend up to five existing stores.

Warehouse Stationery

- **New stores in new locations** Between August 2000 and July 2001 Warehouse Stationery opened nine new stores: Pukekohe, Taupo, Paraparaumu, Timaru, Blenheim, Linwood, Downtown Auckland, Chartwell and St Lukes.

- **Total store numbers** At the end of the 2001 financial year the Warehouse Stationery chain comprised 33 stores representing 36,775 square metres, an increase of 26.5 percent compared with the end of July 2000.

- **Future plans** Warehouse Stationery expects to open up to six new stores during the next year.

The Warehouse Australia

Between August 2000 and July 2001 The Warehouse Australia opened ten new stores.

- **New stores in new locations** Eight of these new stores were in new locations: Loganholm (Qld), Toowoomba South (Qld), Villawood (NSW), Townsville (Qld), Dromana (Vic), Epping (Vic), Deception Bay (Qld) and Woden (ACT)

- **Replacement stores** The other two were replacement stores in Mordialloc (Vic) and Griffith (NSW).

- **Extensions** In addition three stores (Queanbeyan (ACT), Tuggeranong (ACT) and Northcote (Vic)) underwent major extensions.

- **Total store numbers** At the end of the 2001 financial year The Warehouse retail chain in Australia consisted of 117 stores representing 149,766 square metres of retail space.

- **Future plans** During the next financial year The Warehouse Australia plans to open sixteen stores in new locations and two replacement stores.

A change in Australian management

I am pleased to welcome Paul Hutchinson to the role of chief executive for The Warehouse Australia, a position he assumed in October 2001. Paul has had seventeen years in the financial services sector, working with Bank of New Zealand, National Australia Bank and Westpac. His experience has been in retail banking roles involving training, large scale sales management, corporate and business strategy and business integration.

Dave Rickards, the former chief executive, remains a director of The Warehouse Group Limited and an executive director of The Warehouse Australia, based in Australia.

Other highlights of the year

Other significant achievements during the year include:

- Continuing success in the apparel market where sales at The Warehouse New Zealand stores increased 30 percent after having increased by the same percentage last year.

- Healthy growth in the sporting goods sector in which The Warehouse New Zealand increased its sales by 30 percent. Other category increases include Green gardening which enjoyed a 27.5 percent increase in sales.

- The installation of a new automated apparel sortation system in the Wiri distribution facility to support the growth in apparel sales.

- The successful launch of the leading Sanyo brand in New Zealand during October 2000. In every category to which we added Sanyo to our merchandise range we have seen a consequent lift in sales across that category including house brands.

- Reduced shrinkage at The Warehouse New Zealand, Warehouse Stationery and The Warehouse Australia.

- New checkout installations in twenty-one The Warehouse New Zealand stores leading to a 30 percent reduction in checkout transaction times.

- The completion of the standardised store layout plan in all Warehouse Stationery stores.

- The introduction of the leading Hewlett-Packard brand of computers and printers to Warehouse Stationery and a generally enhanced range of business machines.

- The latest ‘People First’ survey showed 88 percent of team members agreed that The Warehouse is ‘Where People Come First’.

The future

Trading since balance date

Since 31 July 2001, the New Zealand group has experienced varied trading conditions. While Warehouse Stationery continued to register record sales in August, with a 49.7 percent increase over the previous year, activity in The Warehouse New Zealand was more subdued with turnover up 6.3 percent over August 2000.

The Warehouse Australia’s sales in Australian dollars for August 2001 were 14.6 percent ahead of the same month last year.

The tragic events of 11 September 2001 had an immediate effect on consumer confidence and business activity around the world. Trading in Australia and New Zealand was depressed for the two to three days after the event. However, trading since then has reverted to normal patterns.

Financial Services

The Warehouse New Zealand and WestpacTrust currently operate The Warehouse Card which has more than 200,000 card holders. On 24 May 2001 The Warehouse and WestpacTrust announced a new joint venture called The Warehouse Financial Services Limited to provide retail financial services through The Warehouse New Zealand’s nation-wide chain of seventy-five retail stores.

The venture combines the expertise and creditability of New Zealand’s largest bank with the distribution success of the country’s largest general merchandise retailer in order to meet growing customer demand for retail financial products and services, and flexibility in accessing them.

At first the joint venture will offer a new range of credit card products as well as a number of insurance products. Other financial products will be added over time.

A new venture for Warehouse Stationery

Warehouse Stationery launched in September 2001 a new business-to-business (B2B) stationery venture directly targeted at commercial customers and small to medium size enterprises. Warehouse Stationery does not currently compete in this sector which means its entry into this market requires significant up-front investment. As a result we do not expect an immediate profit from this new business - negative earnings are being budgeted for the first two years - although potential earnings are high as this sector spends between $600 - $700 million per year on stationery and related office supplies.

The new B2B business will use multiple channels to service its customers (internet, call centre and sales representatives) with order fulfilment undertaken at The Warehouse Wiri distribution centre.

Next year

The year ahead will be full of new challenges and initiatives. Besides the extensive property programme mentioned earlier, there are a number of planned initiatives in merchandising including a television advertising campaign featuring the Jo Seagar 'Seal of Approval' for a range of housewares. This promotion is designed to lift both the profile and the offer of consumables and housewares.

The merchandise team is also adding new brands such as Hanes, Rio and Hey Sister to the apparel offer while the Head brand (racquets) will be added to the sporting department. In the operations area customers will benefit when another eighteen stores are refitted with the new 'sprint' checkouts that reduce checkout times by up to 30 percent.

Meanwhile the operations team has identified forty projects to improve in-store operations with the focus on improving customer interaction and service.

A farewell to Neil Plummer

At the end of this year Neil Plummer, who has been with The Warehouse for nearly twelve years, and has been our merchandise director since 1994, is stepping down from that role. I would like to add a personal note of thanks to Neil. He has been wonderfully supportive of me during the transition from Stephen Tindall. Additionally, he has been a tower of strength and inspiration in Australia. During the last year he has spent most weeks there, helping us transform the business. My very sincere thanks to Neil and his wife Judith for helping build the platform for growth. While Neil will be missed, he leaves behind the best buying team in Australasia, uniquely positioned to keep delivering the bargains.

Conclusion

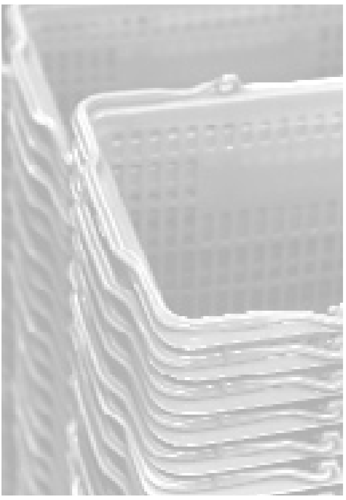
Despite the reduced margins and profit reported in this the company's seventh annual report, the foundation of future sustainable growth of sales and profits, in both New Zealand and Australia, continues to be laid.

The investment in Australia is based on a three-year strategy which we are certain is well-founded and now requires sound execution for real benefits to accrue. We were all disappointed with the early executional mistakes that disrupted our first 6 to 9 months in Australia. However, the situation has been well recovered and I offer my sincere thanks to the Australian management team for their support and significant efforts over the last 6 months. Meanwhile the New Zealand retail operation continues to remain the chief value driver of the group and is a long way from reaching saturation.

I am most appreciative of the support and efforts of our directors, our management teams and the 11,500 team members across Australia and New Zealand.

Finally a huge thank you to Stephen for the opportunity to lead this exciting business and for his unflagging enthusiasm, passion and ongoing support.

Greg Muir
Chief Executive Officer



triple bottom line *summary report*

This year The Warehouse produced its first triple bottom line report. A triple bottom line report is a means of measuring and reporting on all three elements of business performance: economic performance, social equity and environmental responsibility.

This report reviews these measures from the point of view of our shareholders, suppliers, team members, the community and our customers.

A full version of the report will be available on The Warehouse website www.thewarehouse.co.nz later this year.

The Warehouse vision and values

The vision

To be the leading community provider of products and services to provide a sustainable quality of life for all people.

The values

The Warehouse is a values based business. Its key values are

- People first everywhere.
- Where everyone gets a bargain.

Team members

People First survey result

Every six months The Warehouse surveys its team members. These confidential surveys provide important feedback to ensure The Warehouse refines and improves its 'People First' policies. A key measure of attitudes is expressed in agreement with the statement: I believe The Warehouse is 'Where People Come First'. In August 2001, 88 percent of team member respondents agreed with that statement, unchanged from a year ago.

Health and safety

Our health and safety vision is 'a place of work where no one is injured through environmental conditions or unsafe acts'. During the 2001 year the lost time injury frequency rate (a measure of work hours lost per 100,000 of hours worked) rose to 3.24 from 2.90. Part of this rise may be due to improvements in reporting systems. This increase is disappointing and requires increased focus on injury prevention.

Team member share ownership

Having team members who act and behave like owners is important to achieve superior financial performance in The Warehouse. At the end of August 2001, 2,902 or 64 percent of eligible New Zealand team members (those who work twenty hours or more a week for The Warehouse) held The Warehouse shares.
Approximately 1,500 Australian team members also were shareholders from shares granted as part of the purchase of the Australian operations.

Shareholders

Economic performance is not reported separately in this section as it already constitutes the bulk of this annual report. However, three items are especially interesting and important under this heading in the context of triple bottom line reporting.

- In the 2001 year shareholders received ordinary dividends of $38.5 million.
- A shareholder who invested $1,000 (at $2.50 per share) in the initial float of The Warehouse in November 1994 would, by 30 September 2001, have grown their initial investment to $7,197 (if they reinvested their dividends in additional The Warehouse shares) which is equivalent to an annualised compound return of 36.5 percent.
- It is performance like this that keeps shareholders happy, and shareholder numbers have risen from 10,645 to 15,002 in the last twelve months.

Customers

Two measures of how we interact with customers are 'customer count' and 'average basket size per customer'. In the last twelve months the customer count rose 12 percent to 42.9 million, and the average customer expenditure per visit rose 4.3 percent to $27.20.

Product safety

Under the Fair Trading Act 1986 and Consumer Guarantees Act 1993, The Warehouse has a

responsibility to ensure products meet safety standards. One measure of performance in this area is the number of notified product recalls. There were three publicly notified recalls in 2001, one less than last year.

Customer services

Checkout times have been identified in customer surveys as a major irritant. One major project launched was the development of new 'sprint' checkouts that reduce checkout processing times by 30 percent. To date twenty-one stores have been fitted with the new checkouts. The company is working on thirty-one separate projects to improve its interaction with customers.

Customer complaints

The Warehouse does not have a system to nationally capture customer complaints but does have procedures to measure and report incidents where products caused harm or damaged property. During the year ended July 2001 there were 67 reported stock incidents. Within the year under review 84 percent had been resolved.

The community

Fundraising

The Warehouse has always supported groups in the communities in which it operates. Support is provided through nationally organised campaigns, local store activities, and fundraising in stores. Many initiatives are store-based, not attracting publicity. In the twelve months to 31 July 2001 The Warehouse provided support of $2.6 million, up from $2.3 million a year earlier.

School partnerships

The Warehouse continued its involvement in New Zealand schools through such organisations as Partners New Zealand Trust and First Foundation Project. This project has our team members working with teachers and students in schools to form a closer relationship between business and schools.

Clean Up New Zealand Trust

In September 2000, 140,000 volunteers took part in Clean Up New Zealand, organised by communities for communities, and about 37 percent of The Warehouse team members took part in those efforts. The Warehouse has been a principal sponsor of this event since 1999, contributing $100,000 in the 2000 year.

The Tindall Foundation

The Tindall Foundation was established in 1995 to improve the quality of life of New Zealanders by helping develop projects and initiatives that will benefit communities. Stephen and Margaret Tindall gifted shares to the foundation equivalent to 23 percent of The Warehouse Group. The trust has received $60.1 million in dividends or bonus issues since 1995.

Property

We respect the rights of local communities to plan their environments, and the building consent success rate indicates how in tune we are with a community's planning vision. We aim to have 100 percent of planning applications granted; this was achieved in both 2000 and 2001.

Warehouse policy is to, where possible, locate stores within the existing retail precinct to maintain the integrity of the retail area. Of the 39 non-metropolitan Warehouse stores only nine are not in town centres or edge-of-centre locations.

This year we commissioned Social Audit NZ to study the impact on the community of two new Warehouse stores. Initial findings from the surveys show the impact on the local community as being very positive with 85 percent of respondents in the Wainuiomata survey indicating the new store would have a positive impact on their family. A full version of the survey results for Wainuiomata and Dannevirke will be included on The Warehouse website later this year.

Suppliers

As a leading retailer in Australasia The Warehouse understands its leadership and influencing role in promoting ethical and sustainable sourcing of products and services. We have a number of such initiatives:

Environmental Choice

Environmental Choice New Zealand is an environmental labelling programme to inform consumers. To date our sales of Environmental Choice product have been disappointing. The number of licensed products in the current range is 32, up from 30 a year ago. Environmental Choice made up 0.099 percent of The Warehouse New Zealand sales in the year ended 31 July 2001.

Timber procurement policy

The Warehouse has made a commitment to purchase wood only from sustainable forests. For the financial year ended July 2001, nine percent of Warehouse furniture sales were from forests that have received Forest Stewardship Council certification or similar status.

It is our view that our goal - to source only timber with FSC or similar certification by the end of 2003 - will not be achieved. Such timber is in short supply and customers are reluctant to pay the premium price.

Supplier code of conduct

The Warehouse is committed to legal compliance and ethical business practices. Because The Warehouse buys products from all over the world, it is important to work with partners who follow fair, decent and legal labour practices and who agree to our supplier code of conduct. The code covers such things as supplier employment practices, working conditions, and compliance with local laws.

Enviro-Mark NZ™

Because the achievement of certification to international environment management standards is beyond the resources of many of our suppliers, The Warehouse supports suppliers undertaking the Enviro-Mark NZ™ internet-based five-step certification programme.

Packaging standards

The Warehouse has developed packaging specifications for its suppliers. While we have recorded some successes - such as replacing expanded polystyrene with newsprint in CD packaging, and removing stuffing in men's footwear - there are significant challenges in this area. We are endeavouring to measure the impacts of our work in packaging reduction and report these results in coming years.

Supporting New Zealand Made

The Warehouse is committed to increasing the opportunities for New Zealand manufacturers to supply The Warehouse. This strategy involves measuring the number and value of New Zealand Made product, identifying best candidate products for import replacement, working with buyers and manufacturers to successfully buy new product, and promoting New Zealand Made products to manufacturers, customers and team members.

Other key areas

Waste

The Warehouse is tackling waste reduction in three areas:

- In 1999 the company launched a programme of zero waste to landfill. By July 2001, forty-six stores were in the programme.

- The company is trying to reduce packaging in the products it buys. Packaging guidelines - published in April 2000 - are available to suppliers.

- The Warehouse currently provides recycling facilities at six stores, encouraging customers to recycle paper, glass and aluminium.

Energy efficiency

Energy use is a significant expenditure for The Warehouse, and the energy management team in The Warehouse has made substantial savings on energy costs. For example, in seven years the air-conditioned volume of The Warehouse stores has increased dramatically but average power consumption per square metre of retail space has been halved, from an original 200kWh/m^2 to 100kWh/m^2. Another example is the fitting of new lamps at The Warehouse stores which produce 20 percent more light intensity with 17 percent less energy consumption.

In 2001 The Warehouse gained New Zealand industry acknowledgement by taking three awards at the Energy Efficiency Conservation Authority Awards:
- The Commercial Services Award,
- The Energy Manager Award (Wayne Inger); and
- The Supreme Winner Award

- as testimony to the results it has gained from energy efficiency.

CO^2 emissions

Global climate change is seen by most governments to require internationally-concerted action. The Warehouse is committed to firstly understanding its impact by measuring its greenhouse gas emissions which are implicated in global climate change.

The Warehouse commissioned the Landcare Research Emissions/Biodiversity Exchange project team (EBEX21™) to provide this assessment. The results show that the largest source of greenhouse gases is from our electricity use in spite of the fact that two-thirds of New Zealand's electricity is sourced from non-polluting hydroelectric dams.

EBEX21™ calculates that a native forest of 1,321 hectares would be needed to capture and store an equivalent amount of carbon dioxide from the atmosphere. The Warehouse is discussing with the EBEX21™ team the opportunities to further reduce greenhouse gas emissions and offset the remainder with native bush regeneration.

corporate governance *statement*

Role of the Board

The Board of Directors of The Warehouse Group Limited ("the company") is elected by the shareholders to supervise the management of the company and its subsidiaries. It establishes the company's objectives and medium-term strategic plan, defines the strategies for achieving these objectives and plans, and approves the company's annual budget.

The Board monitors management's performance relative to these goals and plans, and has delegated day-to-day management of the company to the Chief Executive Officer.

Table of Attendance at Board and Committee meetings for the year 1 August 2000 – 31 July 2001

	Smith	Tindall	Avery	Brass[1]	Challinor	Withers	Evans	Inger	Plummer	Rickards[2]
The Warehouse Board	9	9	8	2	9	9	8	8	9	6
Audit Committee	3	3	3	1	3	3	2			
Remuneration Committee	3	3	3	1	3	3	3			

[1]Philip Brass resigned on 24 November 2000

[2]Dave Rickards was appointed on 24 November 2000

Board Operations and Membership

The composition of the Board is determined in accordance with the following principles and guidelines:

- It should comprise at least seven directors of whom a majority should be non-executive.
- The chairperson must be a non-executive director.
- The directors should have an appropriate range of qualifications and expertise.
- The Board should meet at least nine times a year, and follow meeting guidelines set down to ensure all directors are made aware of, and have available, all necessary information for them to participate in an informed discussion of all agenda items.

Members of the Board of Directors The directors in office at the date of this statement were:

Director	Board Membership	Committee Membership (Audit)	Committee Membership (Remuneration)
K R Smith	Non-executive director, Chairman	Member	Chairman
J R Avery	Non-executive director	Member	Member
G F Evans	Non-executive director	Member	Member
J C Dahlsen	Non-executive director, appointed 6 September 2001	Member	Member
R L Challinor	Non-executive director	Chairman	Member
J Withers	Non-executive director	Member	Member
S R Tindall	Executive director, Founder		Member
P G Inger	Executive director, Property		
N R Plummer	Executive director, Merchandise		
D Rickards	Executive director, The Warehouse Australia		

The full Board met formally nine times during the financial year ended 31 July 2001. In addition, directors met throughout the year on matters of strategic planning, committee business, and to attend to business between meetings.

On 24 November 2000, Philip Brass resigned as a director of The Warehouse Group and Dave Rickards was appointed on the same date. John Dahlsen was appointed as a director on 6 September 2001. Both John Dahlsen and Dave Rickards, being casual appointees, will retire at the 30 November 2001 Annual Meeting and offer themselves for re-election.

Board Committees

The Board has two formally constituted committees: the Audit Committee and the Remuneration Committee.

Audit Committee It is the Board's responsibility to ensure that an effective internal control framework exists within the business. Accordingly, the Board has established an audit committee which operates under a charter approved by the Board. The charter, last reviewed in March 2001, includes internal controls to deal with both the effectiveness and efficiency of significant business processes, including:

- The safeguarding of assets.
- The maintenance of proper accounting records.

- The reliability of financial information.
- Other non-financial considerations such as the benchmarking of operational key performance indicators.
- Directing and monitoring the internal audit function.
- Nomination of the external auditor and reviewing the adequacy of the scope and quality of the annual statutory audit and half-year audit or review. The committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports.

All members of this committee are non-executive directors, with the exception of the Founder. The committee met three times during the year.

Remuneration Committee The Board is responsible for determining and reviewing compensation arrangements for the directors, the Chief Executive Officer, and the executive management team.

The Board has established a remuneration committee comprising all non-executive directors and the Founder. The committee met three times during the year.

Board Responsibilities

As the Board acts on behalf of, and is accountable to, the shareholders, it seeks to identify the expectations of the shareholders as well as other regulatory and ethical expectations and obligations. In addition, it is responsible for identifying areas of significant business risk, and ensuring arrangements are in place to adequately manage those risks.

The Board seeks to discharge these responsibilities in a number of ways. The responsibility for the operation and administration of the consolidated entity is delegated by the Board to the Chief Executive Officer and the executive management team. The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities, and has in place procedures to assess the performance of the Chief Executive Officer and the executive management team. The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the Board, and it has a number of mechanisms in place to ensure this alignment is achieved. In addition to the establishment of the committees referred to above, other mechanisms include:

- Board approval of a strategic plan which encompasses the company's vision, mission and strategy statements, designed to meet stakeholders' needs and manage business risk.
- Implementation of operation plans and budgets by management, and Board monitoring of progress against budget; this includes the establishment and monitoring of key performance indicators (both financial and non-financial) for all significant business processes.
- Procedures to allow directors, in the furtherance of their duties, to seek independent professional advice at the company's expense.

Board Meetings

Scheduling and selection of agenda items for Board

Board meetings are scheduled in advance. The Chairman of the Board and the Company Secretary draft the agenda for each Board meeting, and distribute it in advance to members of the Board. Each Board member is free to suggest the inclusion of items on the agenda.

Board presentations, and access to team members and independent advice The Board has complete access to any The Warehouse team member.

The Board encourages management to schedule presentations at Board meetings by managers who:

- Can provide additional insight into the items being discussed because of their personal involvement.
- Have future potential that management believes should be demonstrated to the Board.

The Board can also request, through the Chairman, independent professional advice at the company's cost in any circumstances warranting additional assurance.

Directors and executive share trading

The Board has adopted a code of practice modelled on the Securities Amendment Act 1988, and the subsequent Insider Trading (Approved Procedures for the Company Officers) Notice 1996.

In May 2001 the code of practice was amended with directors and senior management only permitted to deal in the company's shares, options or other securities in the six week period commencing one day after release of the interim and annual financial result.

Those team members defined as senior management are determined from time-to-time by the Chief Executive Officer. All The Warehouse team members must obtain written consent from the Chief Executive Officer or Company Secretary prior to dealing in The Warehouse share or option transactions.

Directors and senior management are prohibited from short term trading in company shares.

Financial statements and dividend

The directors are required by the Companies Act 1993, to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group as at the end of the financial year, and of the financial performance and cash flows for the financial year.

The directors consider that in preparing the financial statements the company has used appropriate accounting policies, consistently applied and supported by reasonable prudent judgements and estimates, and that all financial reporting standards, which they consider to be applicable, have been followed. The directors also have responsibility for ensuring that the company keeps accounting records which disclose, with reasonable accuracy, the financial position of the company and the group, and which enable them to ensure that the financial statements comply with the Financial Reporting Act 1993.

The directors declared a final dividend of 4.0 cents per share on 26 July 2001. The final dividend, fully imputed, will be paid on 26 November 2001 to shareholders registered at 5.00pm on 16 November 2001. This payment, together with the interim dividend paid on 23 April 2001, brings the total fully imputed ordinary dividend for the year to 12.5 cents per share (2000 ordinary dividend: 12.5 cents per share).

Keith Smith
Chairman

"It's the best thing that's happened to Dannevirke for years, bringing employment and a lot of positive feeling."

a big store makes a *big difference* to a small town

The July 2001 opening of a new Warehouse store in the southern Hawkes Bay town of Dannevirke was a milestone in more ways than one.

For a start the large store (around 3,500 square metres) is located right on High Street, the town's main street. And the population of just twelve thousand - 5,500 in the town and 6,500 in the surrounding area - is the smallest catchment for any Warehouse store.

The Dannevirke project started in 1996 when Stephen Tindall was contacted by a Dannevirke resident asking that The Warehouse consider her town for a new store. At the time the local catchment was thought to be too small to support a store. However, Stephen encouraged the resident to survey the local retailers to see whether or not a new store would be welcome.

So the eager customer conducted her own survey with the result that, of thirty-six local stores, twenty-three were in favour of The Warehouse opening in the town. As a result of this survey, and the persistence of the petitioner, Glen Inger visited the town and met with the local council. Now, five years later, the town's initiative, perseverance and co-operation have resulted in a new and leading-edge Warehouse store on the site of an old, semi-condemned and unwanted wooden hotel.

Dannevirke could become a model for other provincial towns. Because The Warehouse's experience - supported by reports from local communities - is that a new Warehouse store works in a small town in the same way as a large anchor tenant works in a big-city mall, thus helping, not hurting, local retailers. In fact it rejuvenates the town by attracting and keeping local shoppers in the local shopping area.

And what about Dannevirke locals and team members? What do they think?

Dannevirke store manager Alan Vonk reports that the store employs forty-two people, thirty-nine of whom live locally. One of them, Chris McRae, is typical. A former police officer in the town, well known for his police work as well as for his involvement in local rugby, Chris is now the store's loss prevention officer.

"The Warehouse is going to be great for Dannevirke," he says. "The best thing that's happened for years, bringing employment and a lot of positive feeling. It's going to keep people in town."

This feeling is confirmed by Alan Vonk who says he's always getting positive feedback from local retailers.

"Local business is definitely up since we opened," he says. "Obviously local people have stopped travelling out of town for their basics, which is a big boost for the local economy."

Social Audit NZ is currently completing an independent survey on the business impacts of the new Warehouse on Dannevirke retailers, and the results will be available on The Warehouse website later this year.

"The Hewlett-Packard range positions us as a leading and serious player in the business market."

poised for growth: the country's biggest Warehouse Stationery store

If any store epitomises Warehouse Stationery's past, present and future it must be the big South City store in Christchurch.

In a past life it was a red shed store that The Warehouse simply outgrew. But 'too small' for The Warehouse is often just perfect for Warehouse Stationery, which is exactly what happened in South City. In August 1999 - when the new Warehouse store opened over the road, in South City Mall - Warehouse Stationery moved into the vacant store from much smaller premises in Moorhouse Avenue.

The old Moorhouse Avenue store was, in fact, the first Warehouse Stationery store in the South Island. Now, with a young and enthusiastic team of twenty-six, and a retail space of 2,612 square metres, South City is the largest Warehouse Stationery store in the country. Appropriately, it exemplifies Warehouse Stationery's new, universal 'look and feel', and has easily and successfully embraced the wide range of initiatives the company has taken with store planning and layout as well as the important move into the business machines market.

"Unlike the home and school stationery market - where customers come to the store - the business machine market requires heavy and knowledgeable servicing," says store manager Liz Whiting. "But it's big business, and it's steady all year. And, like all Warehouse Stationery stores around the country, we're ready for this new stage of growth."

Liz, who was also manager at the Moorhouse Avenue store, and supervised the move to South City, says that South City already services the areas small and large businesses with an excellent range of office furniture including desks, chairs, workstations and storage.

"We've got the biggest office furniture sales in the South Island," she says. "So the Hewlett-Packard range is ideal for us and our customers. It positions us as a leading and serious player in the business market. And, through AGC, we offer on-the-spot finance to small businesses and start-ups."

South City is also ideally located to capitalise on moves into the business market.

"We're only a few blocks from the CBD," says Liz. "And we've got plenty of parking right at the door. We're ready for growth."

And Warehouse Stationery continues to grow. Having planned to open seven new stores in the year to 31 July 2001 the company actually opened nine, and plans to open another six during the 2002 financial year. At thirty-nine stores, that will give Warehouse Stationery the greatest number of outlets of any home or commercial stationery business in the country.

"The new stores are already recording a 38 percent increase in the value of the average sale."

The new Villawood store - in Sydney's west - opened in April, is one of the ten new Warehouse stores opened in Australia during the 2001 financial year. As a result, it marks the turning point between old and new in The Warehouse Australia's transition, setting the standard in Australia for size, design and merchandise.

The store's character and size are signs of things to come, and of the growth - in both average store size and to a lesser degree total store numbers - planned for The Warehouse Australia to meet its home country's vast potential for The Warehouse formula. For example the company plans to open at least sixteen new stores in the year ended July 2002 and a further twenty new stores a year for the next two years; that's nearly sixty new stores - at least - most of which will be replacement stores.

And these new stores will be bigger - much bigger - ensuring that the average The Warehouse Australia store size will double within the three year forecast expansion period. That greater size, combined with improved merchandise and merchandising, and more standard lines sourced directly from Australia, will allow The Warehouse Australia to provide greater appeal to its existing customers while also reaching out beyond the confines of the traditional 'bargain-bazaar' sector.

a big store suggests *big growth* in Australia

Its large size - 2,855 square metres of retail space, and a total staff of fifty-four, and the fact that it was planned from the ground up, means that it incorporates all the proven features of the New Zealand model. Indeed, the concrete floor, air conditioning, pallet racking, signage styles, natural light through the roof, and red Warehouse shirts everywhere, could almost succeed in fooling loyal New Zealand customers that they are in a New Zealand store. However, the yellow fixtures and blue crates betray the store's links with its Clints heritage, staff and customers.

It's been a smooth transition for Villawood. For example, support manager Zane Kostiw, formerly the Clints manager in nearby Parramatta - a small store, now closed - brought all the full-time staff with him from the Parramatta store. Others came from Clints store in Bankstown - including, says Zane with a smile, the legendary and popular Irene. The store manager, Laurie Murphy, was a new addition to the team and came from the supermarket sector.

The indicators are positive. For example, compared with its old-format stores, The Warehouse Australia's new stores are already recording a 27 percent increase in the number of items purchased per customer per visit, and a 38 percent increase in the value of the average sale. They're remarkable numbers that verify the value of the company's New Zealand experience and suggest a bright future for The Warehouse in Australia.

Shareholders wanting to see and understand what the future looks like for The Warehouse in Australia should visit the new store in Villawood. It's a forty-five minute Cityrail journey from Sydney's Central station; catch the Liverpool train via Regents Park on the Inner West line.

founder's *report*

"Greg's steady approach gives me every reason to be confident about our company's future in New Zealand and Australia."

This annual report is the first from our new chief executive, Greg Muir. Greg is a dynamic and vastly experienced professional manager who applies a steady hand to the company's management. His style is strong, calm and visionary which makes him the ideal steward of our assets and our future. Greg's steady approach gives me every reason to be confident about our company's future in New Zealand and Australia.

While I may have partially withdrawn from the company's day-to-day affairs I have actually been busier than ever. And it's all due to the continuing success of The Warehouse, and its unique people-based culture. Even the 1994 decision to float the company was driven partly by the desire to reward our team members and our customers by giving them ownership in the business. Many team members and customers took up shares then and continue to participate in the company's success. Perhaps you are one of them.

Part of my ongoing involvement at The Warehouse is as 'keeper' of this culture and I am delighted to report that in our latest 'People First' survey 88 percent of team members agreed that 'The Warehouse is where people come first'.

As chair of the New Zealand Business Council for Sustainable Development, I am pleased that this year we've been able to include a report on sustainable development in our Triple Bottom Line Report summarised on page 11. Meanwhile, at a local community level, we continue to work hard to integrate our stores into smaller communities, and our work with Social Audit New Zealand, in both Wainuiomata and Dannevirke, exemplifies this approach.

I am also exceptionally proud of the team's efforts in supporting the raising of $2.6 million for local charities, sporting and community groups, up from $2.3 million last year.

As usual the company has enclosed a copy of The Tindall Foundation's annual report. I'm sure you're as proud as I am that our company's success contributes so much to the foundation's objectives which will soon be extended to Australia in keeping with the company's Australian contribution.

We'll be saying farewell to Neil Plummer soon. Over the last twelve years Neil has been a true friend and one of The Warehouse's most loyal people. His outstanding ability has been reflected in the company's success and I'm glad to say that he's agreed to make himself available for special projects in his semi-retirement. I join all the team members in wishing him a happy and successful future.

I would also like to thank all team members in Australia and New Zealand, whether they're full-time, part-time or casual, for their outstanding efforts to make The Warehouse a successful place for all its stakeholders.

Finally, I hope you can join us at your company's annual meeting this year and I look forward to meeting as many of you as I can.

Stephen Tindall
Founder

farewell, *neil plummer*

"I feel privileged and lucky to have been part of The Warehouse success. I've had the time of my life."

Merchandise director Neil Plummer is used to setting goals; he's been doing it throughout his retail career since he started - aged seventeen - as a cadet trainee at Woolworths. Now, as he comes to the end of another career phase, he's setting a new and quite different goal: to run the New York marathon in 2003, just after his 50th birthday. It'll take a bit of training but given his track record it's a very achievable goal.

Neil has been The Warehouse merchandise director, and a board member, since the company went public in 1994. He started on 2 April 1990 - "I remember it well," he says - after nearly twenty years moving through the L. D. Nathan retail businesses ending as marketing manager for the AWL division. His extensive retail knowledge, especially of sourcing and buying product, made him the perfect choice when The Warehouse was expanding its buying team.

Now, as Neil is about to step down from his role as an executive director, he looks back with pleasure and pride at the company's growth over the last few years.

"When I started we had just reached sales of sixty million dollars," he says. "We had fewer than twenty stores. Now The Warehouse has seventy-five stores and we're in Australia planning to open twenty new stores a year."

Neil can take a lot of credit for the company's Australian success. He recalls that he and Stephen Tindall made the first trip there in April 1999. By 2000 he was there 'a couple of times a month'. Now he's in Australia Monday to Thursday every week.

Now that chapter is ending. But at only forty-eight this is not 'retirement time' for Neil. He still enjoys travelling, buying and trading, and will continue going to the United States - his model for retailing - and to China which he considers the ideal source for successful merchandisers.

The key to Neil's buying and merchandising success is probably his easy, relaxed manner - he's just 'one of the team' - and this typically Warehouse attitude comes through when he reminisces.

"One of the real highlights for me has been the development and growth of our people," he says. "I've taken a lot of pleasure from that. It's helped make this the best job in New Zealand."

And of the company's success: "I feel privileged and lucky to have been part of The Warehouse success," he says. "I've had the time of my life."

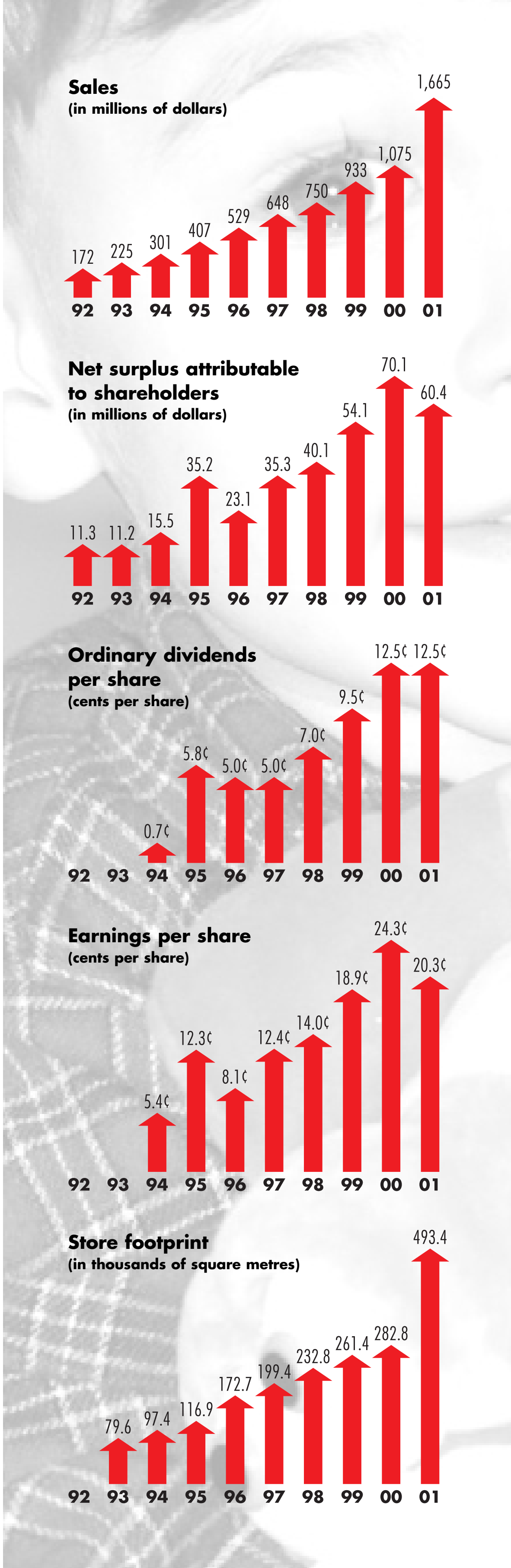
Now, as he moves into a new time in his life, he'll have more time to spend with his wife, Judith, who, he says, has been 'an inspiration', and his four children. He wants to fish more. To get involved with rugby coaching and management. And he wants to get his golf handicap (18) down.

"But, above all," he says. "I have to train for that marathon."

ten year review

	01 JULY	00 JULY	99 JULY	98 JULY	97 JULY
Financial Results ($000s)					
Sales Revenue	**1,664,749**	**1,075,349**	**932,769**	**750,220**	**647,852**
Operating Profit	**122,095**	**111,336**	**85,202**	**62,456**	**55,322**
Interest	(14,927)	(4,786)	(2,925)	(6,742)	(7,592)
Goodwill and exceptional items	(11,353)	1,502	182	1,826	1,441
Net surplus before taxation	**95,815**	**108,052**	**82,459**	**57,540**	**49,171**
Taxation expense	(35,062)	(37,593)	(28,030)	(17,202)	(13,728)
Net surplus after taxation	**60,753**	**70,459**	**54,429**	**40,338**	**35,443**
Minority interest	(348)	(406)	(376)	(229)	(169)
Net surplus attributable to shareholders	**60,405**	**70,053**	**54,053**	**40,109**	**35,274**
Ratios					
Operating margin %	7.3%	10.4%	9.1%	8.3%	8.5%
Tax paid return on average net assets %	27.5%	40.1%	31.9%	25.2%	25.5%
Net interest cover (times)	8.2 x	23.3 x	29.1 x	9.3 x	7.3 x
Ordinary dividend per share (cents)	12.5 c	12.5 c	9.5 c	7.0 c	5.0 c
Earnings per share (cents)	20.3 c	24.3 c	18.9 c	14.0 c	12.4 c
Financial Position ($000s)					
Current assets	314,996	193,961	177,331	147,991	146,601
Current liabilities	(193,218)	(185,153)	(145,657)	(96,846)	(119,094)
Working capital	**121,778**	**8,808**	**31,674**	**51,145**	**27,507**
Deferred taxation	14,389	2,205	7,049	5,318	4,040
Fixed assets and investments	230,151	166,401	154,296	140,585	153,555
Intangible assets	72,709	11,881	7,050	1,518	1,745
Term liabilities	(179,785)	(10,000)	(30,000)	(30,000)	(37,500)
Net assets	**259,242**	**179,295**	**170,069**	**168,566**	**149,347**
Ratios					
Current assets to current liabilities	1.63 :1	1.05 :1	1.22 :1	1.53 :1	1.23 :1
Net debt to equity	87.1%	50.9%	38.0%	33.9%	58.0%
Equity to total assets	41.0%	47.9%	49.2%	57.1%	48.8%
Cashflows ($000s)					
Operating cashflow	61,843	70,560	68,694	61,550	35,750
Capital expenditure	77,776	65,443	52,407	42,082	34,870
Operating Statistics					
Number of retail team members	11,503	7,264	5,613	5,006	4,724
Total retail stores at year end					
The Warehouse New Zealand	75	69	69	67	62
Warehouse Stationery	33	24	18	17	13
The Warehouse Australia	117	-	-	-	-
Weighted average sales per store ($000s)					
The Warehouse New Zealand	15,493	14,616	12,782	10,934	10,030
Warehouse Stationery	3,063	3,004	2,623	2,085	2,039
The Warehouse Australia	3,447	-	-	-	-
Retail area at year end (square metres)					
The Warehouse New Zealand (m^2)	306,838	253,717	240,589	215,942	188,371
Warehouse Stationery (m^2)	36,775	29,062	20,768	16,824	11,055
The Warehouse Australia (m^2)	149,766	-	-	-	-
Weighted average sales per square metre ($)					
The Warehouse New Zealand	3,963	4,039	3,763	3,450	3,400
Warehouse Stationery	2,719	2,487	2,382	2,214	2,441
The Warehouse Australia	2,901	-	-	-	-

96 MARCH	95 MARCH	94 MARCH	93 MARCH	92 MARCH
528,614	**407,142**	**300,813**	**224,699**	**171,862**
33,352	**48,514**	**25,924**	**17,909**	**17,666**
(5,746)	(1,805)	(2,501)	(791)	(331)
3,539	2,167	(964)	-	-
31,145	**48,876**	**22,459**	**17,118**	**17,335**
(7,964)	(13,655)	(6,974)	(5,879)	(6,004)
23,181	**35,221**	**15,485**	**11,239**	**11,331**
(72)	8	-	-	-
23,109	**35,229**	**15,485**	**11,239**	**11,331**
6.3%	11.9%	8.6%	8.0%	10.3%
19.5%	43.4%	34.0%	32.4%	52.5%
5.8 x	26.9 x	10.4 x	22.6 x	53.4 x
5.0 c	5.8 c	0.7 c	-	-
8.1 c	12.3 c	5.4 c	-	-
155,911	103,512	72,918	52,796	
(169,702)	(65,814)	(48,117)	(44,424)	
(13,791)	**37,698**	**24,801**	**8,372**	
3,011	1,967	1,319	-	
140,529	89,433	45,918	33,691	
2,049	-	-	-	
(8,273)	(15,894)	(22,914)	-	
123,525	**113,204**	**49,124**	**42,063**	**27,244**
0.92 :1	1.57 :1	1.52 :1	1.19 :1	1.72 :1
92.4%	4.4%	74.7%	47.8%	28.1%
41.0%	58.1%	40.9%	48.6%	53.0%
(14,645)	28,684	10,503	17	
88,708	45,097	22,850	10,052	
4,562	3,455	2,794		
59	53	50	47	42
10	8	5	3	1
-	-	-	-	-
8,661	7,682	6,016	4,781	4,092
2,093	1,771	1,523	1,394	500
-	-	-	-	-
165,307	112,301	94,733	77,844	
7,432	4,552	2,694	1,765	
-	-	-	-	
3,681	3,810	3,541	3,078	
2,987	2,960	2,363	2,089	
-	-	-	-	



1. The 1992 to 1994 accounts are reconstructed accounts for the group as detailed in the prospectus dated 12 October 1994.
2. Earnings per share is based on the weighted average number of shares on issue during the year, and adjusted for bonus issues.
3. Dividends per share have been adjusted for bonus issues.
4. The 1992-3 years are not stated where they are not applicable, non-comparable or not available.

statement of *financial performance*

For the year ended 31 July 2001

	NOTE	GROUP 01 $000	GROUP 00 $000	PARENT 01 $000	PARENT 00 $000
Operating revenue					
Sales revenue		1,664,749	1,075,349	-	-
Other revenue	2	21,304	30,210	38,552	97,852
Total operating revenue		**1,686,053**	**1,105,559**	**38,552**	**97,852**
Net surplus before taxation	4	95,815	108,052	38,544	97,836
Taxation expense	7	(35,062)	(37,593)	2	5
Net surplus after taxation		60,753	70,459	38,546	97,841
Minority interests		(348)	(406)	-	-
Net surplus for the year		**60,405**	**70,053**	**38,546**	**97,841**
Earnings per share	9	20.3 cents	24.3 cents		

statement of *movements in equity*

For the year ended 31 July 2001

	NOTE	GROUP 01 $000	GROUP 00 $000	PARENT 01 $000	PARENT 00 $000
Total equity at beginning of year		179,295	170,069	159,289	122,236
Net surplus attributable to					
Parent company shareholders		60,405	70,053	38,546	97,841
Minority interest shareholders		348	406	-	-
Total recognised revenues and expenses		60,753	70,459	38,546	97,841
Contributions					
Issue of shares	11	59,232	-	59,232	-
Issue of options	11	-	1,210	-	1,210
Total contributions		59,232	1,210	59,232	1,210
Distributions					
Dividends paid and provided to shareholders	10	(38,550)	(61,877)	(38,550)	(61,877)
Dividends paid to minority interest shareholders		(301)	(485)	-	-
Total distributions		(38,851)	(62,362)	(38,550)	(61,877)
Capital Reductions					
Shares repurchased	11	(3,229)	-	(3,229)	-
Share options forfeited	11	(287)	(121)	(287)	(121)
Total capital reductions		(3,516)	(121)	(3,516)	(121)
Movement in foreign currency translation reserve	12	369	-	-	-
Movement in treasury stock	13	1,960	40	-	-
Total equity at end of year		**259,242**	**179,295**	**215,001**	**159,289**

The accompanying statement of accounting policies and notes form part of these financial statements

statement of *financial position*

As at 31 July 2001

	NOTE	GROUP 01 $000	GROUP 00 $000	PARENT 01 $000	PARENT 00 $000
Equity					
Share capital	11	214,288	155,738	214,288	155,738
Treasury stock	13	(2,517)	(4,477)	-	-
Foreign currency translation reserve	12	369	-	-	-
Retained earnings		46,655	27,634	713	3,551
Attributable to shareholders of the company		258,795	178,895	215,001	159,289
Minority interests		447	400	-	-
Total Equity		259,242	179,295	215,001	159,289
Non-Current Liabilities					
Term borrowings	22	179,785	10,000	-	-
Current Liabilities					
Bank overdrafts	22	395	-	-	-
Short term borrowings	22	50,105	63,816	-	-
Creditors and accruals	21	130,545	89,823	-	-
Provision for dividend	10	12,173	11,514	12,173	11,514
Current portion of term borrowings	22	-	20,000	-	-
Total Current Liabilities		193,218	185,153	12,173	11,514
Total Equity and Liabilities		**632,245**	**374,448**	**227,174**	**170,803**
Fixed Assets and Capital Work in Progress	14	224,349	161,303	-	-
Investments and Intangibles					
Advances receivable	19	3,542	2,098	-	-
Investments	23	2,260	3,000	-	-
Investments in group companies	15	-	-	42,000	42,000
Intangible assets	16	72,709	11,881	-	-
Total Investments and Intangibles		78,511	16,979	42,000	42,000
Future income taxation benefit	7	8,579	-	-	-
Deferred taxation asset	8	5,810	2,205	-	-
Total Non-Current Assets		317,249	180,487	42,000	42,000
Current Assets					
Cash, bank in funds and deposits		4,417	2,470	123	106
Receivables and prepayments	20	21,157	15,718	-	-
Current portion of advances receivable	19	1,545	851	-	-
Inventory on hand	24	227,265	140,326	-	-
Goods in transit from overseas		49,126	30,298	-	-
Dividend receivable		-	-	12,173	11,514
Advances to subsidiary companies		-	-	170,480	115,935
Taxation receivable	7	11,486	4,298	2,398	1,248
Total Current Assets		314,996	193,961	185,174	128,803
Total Assets		**632,245**	**374,448**	**227,174**	**170,803**

On behalf of the Board of Directors, 6 September 2001.

Keith Smith – Chairman

Stephen Tindall – Founder

The accompanying statement of accounting policies and notes form part of these financial statements

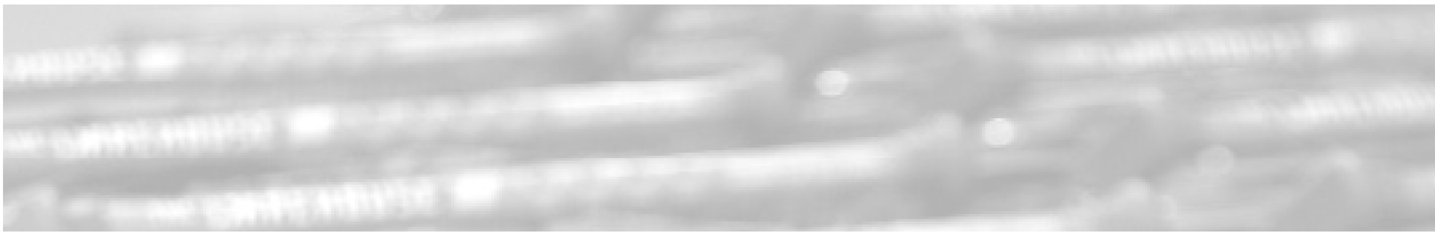
statement of cash flows

For the year ended 31 July 2001

	NOTE	GROUP 01 $000	GROUP 00 $000	PARENT 01 $000	PARENT 00 $000
Cash Flows from Operating Activities					
Receipts from customers		1,680,683	1,090,378	-	-
Interest received		486	117	-	-
Taxation receipts		-	-	-	596
Dividends received from subsidiary companies		-	-	37,891	67,629
Payments to suppliers and staff		(1,556,913)	(979,945)	(8)	(3)
Interest paid		(15,357)	(4,871)	-	-
Taxation paid		(47,056)	(35,119)	-	-
Net Cash Flows from Operating Activities		**61,843**	**70,560**	**37,883**	**68,222**
Cash Flows from Investing Activities					
Proceeds from sale of fixed assets		10,313	37,466	-	-
Staff share purchase advances repaid		818	950	-	-
Advances to third parties repaid		972	2,820	-	-
Net cash received from divestment of pharmacy business	26	7	-	-	-
Purchase of fixed assets		(77,776)	(65,443)	-	-
Purchase of investments		(490)	(3,090)	-	-
Advances to third parties		(550)	(630)	-	-
Advances to subsidiary companies		-	-	1,171	664
Refund of staff share purchase advances terminated		(123)	(39)	-	-
Cash consideration paid to acquire Australian subsidiary	25	(60,287)	-	-	-
Borrowings of Australian subsidiary acquired	25	(34,718)	-	-	-
Cash Flows from Investing Activities		**(161,834)**	**(27,966)**	**1,171**	**664**
Cash Flows from Financing Activities					
Short term borrowings		-	22,556	-	-
Term borrowings		157,865	-	-	
Repayment of short term borrowings		(13,711)	-	-	-
Repayment of term borrowings		-	(4,000)	-	-
Dividends paid		(39,037)	(68,835)	(39,037)	(68,835)
Dividends paid to minority shareholders		(301)	(485)	-	-
Repurchase of share capital		(3,229)	-	-	-
Cash Flows from Financing Activities		**101,587**	**(50,764)**	**(39,037)**	**(68,835)**
Net (Decrease) / Increase in Cash Held		1,596	(8,170)	17	51
Opening cash position		2,470	10,640	106	55
Effect of exchange rate movements		(44)	-	-	-
Closing Cash Position		**4,022**	**2,470**	**123**	**106**
Closing Cash Position is represented by					
Cash, bank in funds and deposits		4,417	2,470	123	106
Bank overdrafts	22	(395)	-	-	-
Closing Cash Position		**4,022**	**2,470**	**123**	**106**

The accompanying statement of accounting policies and notes form part of these financial statements

	NOTE	GROUP 01 $000	GROUP 00 $000	PARENT 01 $000	PARENT 00 $000
Reconciliation of Net Surplus After Taxation with Net Cash Flows from Operating Activities					
Reported net surplus after taxation		**60,753**	**70,459**	**38,546**	**97,841**
Non-cash items					
Depreciation		36,746	22,935	-	-
Goodwill amortisation	17	8,726	325	-	-
Option plan amortisation		1,896	3,074	-	-
Mobile telephone handset amortisation	18	9,732	6,245	-	-
Movement in deferred tax	8	(2,109)	4,844	-	-
Bonus issue		-	-	-	(35,975)
Other non-cash adjustments		473	407	-	-
Total non-cash items		**55,464**	**37,830**	**-**	**(35,975)**
Items classified as investing or financing activities					
Net gain on sale of fixed assets		(2,426)	(5,662)	-	-
Mobile telephone handset capitalisation	18	(6,528)	(10,957)	-	-
Mobile telephone rebate reclassified to working capital	18	-	(2,369)	-	-
Write off advances receivable		457	-	-	-
Investment impairment loss	23	1,230	-	-	-
Other investing and financing activities		(438)	1,116	1,146	1,206
Total investing and financing adjustments		**(7,705)**	**(17,872)**	**1,146**	**1,206**
Changes in assets and liabilities					
Trade creditors		990	9,984	-	-
Taxation		(8,108)	(3,601)	(1,150)	(639)
Trade receivables and prepayments		(333)	(3,387)	-	38
Dividend receivable		-	-	(659)	5,751
Inventory on hand and in transit		(36,687)	(22,853)	-	-
Effect of exchange rate movements		(2,531)	-	-	-
Total changes in assets and liabilities		**(46,669)**	**(19,857)**	**(1,809)**	**5,150**
Net cash flows from operating activities		**61,843**	**70,560**	**37,883**	**68,222**



notes to and forming part of the *financial statements*

For the year ended 31 July 2001

1. Statement of Accounting Policies

Reporting Entity

The Warehouse Group Limited is a company registered under the Companies Act 1993, and is listed on the New Zealand and Australian Stock Exchanges. The Warehouse Group Limited is an issuer for the purposes of the Financial Reporting Act 1993. The financial statements and group financial statements of The Warehouse Group Limited have been prepared in accordance with the New Zealand Financial Reporting Act 1993.

Measurement Base

The accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position on an historical cost basis are followed by the group.

Specific Accounting Policies

The following specific accounting policies which materially affect the measurement of financial performance and the financial position have been applied:

(a) Basis of Consolidation

The consolidated financial statements include the parent company and its subsidiaries, in-substance subsidiaries and joint venture investments. Subsidiaries and in-substance subsidiaries have been consolidated using the purchase method. All significant intercompany transactions are eliminated on consolidation.

(b) Joint Ventures

Where the group invests in joint ventures, the group's share of revenues, expenditures, assets and liabilities are included in the appropriate categories within the financial statements.

(c) Investments in Associate Companies

Associate companies have been reflected in the consolidated financial statements on an equity accounting basis which shows the groups share of retained surpluses in the Statement of Financial Performance and its share of post acquisition increases or decreases in net assets, in the consolidated Statement of Financial Position.

(d) Statement of Cash Flows

For the purposes of the Statement of Cash Flows, cash comprises cash on hand and in transit, bank in funds and short term deposits offset by bank overdrafts. Cash flows relating to short term and long term borrowings are presented as net cash flows, as gross cash inflows and outflows include day to day cash management.

(e) Fixed Assets

Fixed assets are stated at cost and depreciated on a straight line basis to allocate the cost, less any residual value, over their useful life. Where a fixed asset is disposed of, the gain or loss recognised in the Statement of Financial Performance is calculated as the difference between the sale price and the carrying amount of the fixed asset.

Estimated useful life of fixed assets:

Freehold land	indefinite
Freehold buildings	50 - 100 years
Store fittings and equipment	4 - 10 years
Computer equipment	2 - 5 years
Vehicles	5 - 8 years
Work in progress	Not depreciated

(f) Income Tax

The income tax expense charged to the Statement of Financial Performance includes both the current year provision and the income tax effects of timing differences calculated using the liability method.

Tax effect accounting is applied on a comprehensive basis to all timing differences. A debit balance in the deferred tax account, arising from timing differences or income tax benefits from income tax losses, is recognised only if there is virtual certainty of realisation.

(g) Inventories

Inventories are stated at the lower of cost, determined on an average cost basis, and net realisable value.

(h) Investments in Listed Companies

Investments in listed companies are stated at cost, except where the directors believe there has been a permanent impairment in the value of the investment. Where the directors believe there has been a permanent impairment the investments are written down to the expected net realisable value.

(i) Leases

Group entities lease certain land and buildings. Certain plant and equipment are also leased for short terms. Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are included in the determination of the net surplus in equal instalments over the lease term.

(j) Goodwill

Goodwill arising on the acquisition of a group company represents the excess of purchase price paid over the fair value of the identifiable net assets acquired. Goodwill is stated at cost and amortised on a straight line basis over five to ten years based on the expected benefits to be derived.

(k) Share Options

Outperform the Market Share Option Plan

The fair value of the share option when granted is recognised in equity and as an intangible asset representing the future service to be provided to the company by the team members receiving the options. This asset is amortised on a straight line basis from the grant date until the earliest exercise date.

New Share Option Plan
An employee compensation cost is recognised to the extent that the market price of the shares when the share option is granted exceeds the price paid for the shares by the team member upon exercising.

(l) Mobile Telephone Handsets
Mobile telephone handsets are sold below cost as an inducement to customers and can only be used in conjunction with telephone cards supplied exclusively by The Warehouse. The net unrecovered cost from the sale of mobile telephone handsets is recognised as an asset and amortised on a straight line basis over the period during which benefits from the sale of telephone cards are expected to be received. The maximum amortisation period is two years, subject to adjustment for churn.

(m) Financial Instruments
The group is party to the following financial instruments with off-balance sheet risk:

- Letters of credit to secure future purchasing requirements
- Forward exchange contracts and currency options to reduce exposure to fluctuations in foreign currency exchange rates
- Interest rate swaps and forward rate agreements to reduce exposure to fluctuations in interest rates

Letters of credit exposures are disclosed as contingent liabilities in the financial statements until valid documents are received and terms, as set out in the letter of credit, are met.

Foreign currency forward exchange contracts and currency options are used to hedge foreign currency transactions. Any exposure to gains or losses on these foreign exchange derivatives are generally offset by a related loss or gain on the item being hedged.

Any amounts paid or received on interest rate swaps or forward rate agreements are recognised as an interest expense over the period of the underlying debt hedged.

Financial instruments are not used for the purpose of trading or speculation.

All other financial exposures are recognised in the Statement of Financial Position.

(n) Foreign Currencies
Transactions in foreign currencies are converted to New Zealand currency at the exchange rate ruling at the date of the transaction.

Short term transactions covered by forward exchange contracts are measured and reported at the forward rates specified in those contracts.

At balance date foreign monetary assets and liabilities are translated to New Zealand currency at the closing exchange rate, and exchange variations arising from these translations are recognised in the Statement of Financial Performance.

(o) Translation
The assets and liabilities of independent foreign operations are translated at the closing exchange rate. Revenue and expense items are translated using an average exchange rate for the period. Foreign currency exchange differences are taken to the foreign currency translation reserve.

The following exchange rates were used to translate the groups Australian business:

	Australian Dollar Exchange rate
Acquisition rate	0.7790
Closing rate	0.8159
Average rate	0.7912

Changes in Accounting Policies
There have been no material changes in accounting policies. All policies have been applied on bases consistent with those used in previous periods.

notes to and forming part of the *financial statements* - continued

For the year ended 31 July 2001

	NOTE	GROUP 01 $000	GROUP 00 $000	PARENT 01 $000	PARENT 00 $000
2. Other Revenue					
Interest income		488	127	2	-
Rental income		2,889	3,172	-	-
Income from the sale of mobile telephone handsets	18	5,847	13,812	-	-
Rebates from the sale of mobile telephone airtime		6,629	4,538	-	-
Dividend revenue from subsidiaries		-	-	38,550	97,852
Gain on sale of properties		2,749	5,636	-	-
Gain on sale of fixed assets		-	26	-	-
Net foreign currency exchange gain		25	-	-	-
Store fire loss of profits insurance claim		-	483	-	-
Other income		2,677	2,416	-	-
Total other revenue		**21,304**	**30,210**	**38,552**	**97,852**

	NOTE	NZ 01 $000	AUS 01 $000	GROUP 01 $000	GROUP 00 $000
3. Geographical Segments					
Operating revenue					
Sales revenue		1,260,253	404,496	1,664,749	1,075,349
Other revenue		21,067	237	21,304	30,210
Total operating revenue		**1,281,320**	**404,733**	**1,686,053**	**1,105,559**
Operating profit		123,632	(1,537)	122,095	111,336
Gain on property disposals				2,749	5,636
Business origination costs				(783)	(3,809)
Divestment of pharmacy business	26			(1,059)	-
Investment impairment loss	23			(1,230)	-
Employee compensation	11			(2,304)	-
Goodwill amortisation	17			(8,726)	(325)
Earnings before interest				110,742	112,838
Interest				(14,927)	(4,786)
Taxation expense	7			(35,062)	(37,593)
Net surplus after taxation				**60,753**	**70,459**
Total assets		**436,977**	**195,268**	**632,245**	**374,448**
Operating margin %		9.8%	(0.4)%	7.3%	10.4%
Operating profit / Total assets %		28.3%	(0.8)%	19.3%	29.7%

The group operates predominantly in the retail sector, and until 1 August 2000 these operations were based entirely within New Zealand.

	NOTE	GROUP 01 $000	GROUP 00 $000
4. Net Surplus Before Taxation			
After charging			
Bad debts written off		1,523	286
Provision for doubtful debts		(378)	619
Business origination costs		783	3,809
Investment impairment loss	23	1,230	-
Employee compensation	11	2,304	-
Loss on sale of fixed assets		323	-
Donations		240	323
Interest on borrowings		15,415	4,913
Leasing costs		60,642	26,613
Net foreign currency exchange loss		-	79
Amortisation and depreciation			
Depreciation		36,746	22,935
Goodwill	17	8,726	325
Option plan		1,896	3,074
Mobile telephone handsets	18	9,732	6,245

5. Auditors' remuneration

Auditing financial statements of the group	315	161
Other services	362	572

6. Directors' remuneration

Directors' fees paid to non-executive directors:		
K R Smith	65	60
J R Avery	40	30
R L Challinor	30	30
P Brass (retired 24 November 2000)	10	30
J Withers	30	30
G F Evans	30	30
	205	**210**

The maximum amount of directors fees including options issued to non-executive directors is set at $315,000 per year.

Remuneration and benefits provided by way of salaries and bonuses to executive directors:		
S R Tindall	339	480
P G Inger	391	386
N R Plummer	390	387
D Rickards (appointed 24 November 2000)	275	-
	1,395	**1,253**

Executive directors do not receive directors fees. The stated remuneration of executive directors relates to their capacities as team members. The remuneration stated above for D Rickards is for a full twelve month period. In addition, D Rickards received 8,357 ordinary shares with a taxable value of $50,960 as part of a share issue to the groups' Australian team members (refer Note 25).

Option plans

On 16 July 2001 the following directors were granted options independently valued at $0.52 each in accordance with the 2001 share option plan (refer Note 27).

	Options Granted 000s
P G Inger	170
R L Challinor	19
J Withers	19
G F Evans	19

On 16 March 2001 the following directors exercised options granted in accordance with the 'outperform the market share option plan' (refer Note 27).

	Options Exercised 000s	**Ordinary Shares 000s**	**Taxable Value $000**
P G Inger	240	126	1,109
N R Plummer	300	158	1,386

For the year ended 31 July 2001

7. Taxation

	NOTE	GROUP 01 $000	GROUP 00 $000	PARENT 01 $000	PARENT 00 $000
Net surplus before taxation		**95,815**	**108,052**	**38,544**	**97,836**
Taxation calculated at 33%		31,619	35,657	12,720	32,286
Adjustment for Australian taxation rates		439	-	-	-
Prima facie income taxation		32,058	35,657	12,720	32,286
Adjusted for the tax effect of					
Non taxable dividends		(77)	(254)	(12,722)	(32,291)
Business origination costs		90	743	-	-
Goodwill amortisation		2,654	107	-	-
Option plan amortisation		617	1,014	-	-
Other non deductible expenditure		464	300	-	-
Section DF7 notional interest on staff share purchase plan		(76)	(91)	-	-
Income tax expense on profit		35,730	37,476	(2)	(5)
Income tax under / (over) provided in prior year		(668)	117	-	-
Total income tax expense		**35,062**	**37,593**	**(2)**	**(5)**
Deferred taxation	8	2,109	(4,844)	-	-
Current year taxation payable		37,171	32,749	(2)	(5)
Taxation receivable at beginning of year		(4,298)	(697)	(1,248)	(609)
Taxation balances acquired		(7,659)	-	-	-
Taxation (paid) / received		(44,752)	(35,119)	-	596
Supplementary dividends		(1,146)	(1,206)	(1,146)	(1,206)
Use of money interest and other adjustments		-	(25)	(2)	(24)
Effect of exchange rate movements		619	-	-	-
Taxation receivable at end of year		(20,065)	(4,298)	(2,398)	(1,248)
Less future income taxation benefits receivable after more than 1 year		(8,579)	-	-	-
Taxation receivable within 1 year		**(11,486)**	**(4,298)**	**(2,398)**	**(1,248)**

An income tax loss incurred in Australia has been recognised as a taxation benefit. The future realisation of this taxation benefit is subject to the continuance of meeting the requirements of the Australian income tax legislation. There are no unrecognised timing differences or unrecognised income tax losses carried forward.

	GROUP 01 $000	GROUP 00 $000	PARENT 01 $000	PARENT 00 $000
Imputation Credit Account				
Memorandum account				
Imputation credit at beginning of year	13,330	28,364	99	99
Taxation payments made	27,400	34,300	-	-
Credits attached to dividends paid	(17,526)	(49,848)	(17,526)	(49,848)
Credits attached to dividends received	148	510	17,526	49,848
Adjustments to previous years	(38)	4	-	-
Imputation credit at end of year	**23,314**	**13,330**	**99**	**99**

The parent company, together with its New Zealand guaranteeing subsidiary companies, form a consolidated group for income tax purposes. Accordingly the group imputation credit account movements reported above are for the tax group, and are available to shareholders through their shareholding in the parent company.

	GROUP 01 $000	GROUP 00 $000
8. Deferred Taxation		
Balance at beginning of year	2,205	7,049
Taxation balances acquired	1,488	-
Recognised in the Statement of Financial Performance	2,109	(4,844)
Effect of exchange rate movements	8	-
Balance at end of year	**5,810**	**2,205**
Deferred taxation asset consists of:		
Depreciation differences	(563)	(97)
Differences arising from capitalising mobile telephone handsets	(1,549)	(2,606)
Holiday pay and other payroll related accruals	5,103	3,141
Investment impairment loss	406	-
Provisions and other timing differences	2,413	1,767
Total deferred taxation	**5,810**	**2,205**

	GROUP & PARENT 01 $000	GROUP & PARENT 00 $000	ORDINARY SHARES 01 000s	ORDINARY SHARES 00 000s
9. Earnings Per Share				
Group net surplus / Weighted average number of shares on issue	60,405	70,053	298,255	287,846
Net surplus per share (cents per share - cps)			20.3 cps	24.3 cps

Earnings per share is calculated by dividing the group net surplus after taxation and minority interests by the weighted average number of ordinary shares on issue during the year. The previous year's comparatives are adjusted for the March 2000 1:1 bonus issue.

	GROUP & PARENT 01 $000	GROUP & PARENT 00 $000	ORDINARY SHARES 01	ORDINARY SHARES 00
10. Dividends and Bonus Issues				
Interim dividend - fully imputed	25,864	24,462	8.5 cps	8.5 cps
Interim special dividend - fully imputed	-	25,901	-	9.0 cps
Final dividend - fully imputed	12,173	11,514	4.0 cps	4.0 cps
Adjustment to previous years final dividend payment	513	-	-	-
Total dividends paid and provided in cash (cents per share - cps)	38,550	61,877	12.5 cps	21.5 cps
Bonus issue provided from retained earnings (25 cents per share)	-	35,975		
Total distributions to shareholders	**38,550**	**97,852**		

A final dividend of 4 cents per share was declared by the Board 26 July 2001. The previous year's dividends per share are adjusted for the March 2000 1:1 bonus issue.

notes to and forming part of the *financial statements* - continued

For the year ended 31 July 2001

	NOTE	GROUP & PARENT 01 $000	GROUP & PARENT 00 $000	ORDINARY SHARES 01 000s	ORDINARY SHARES 00 000s
11. Share Capital					
Share capital at beginning of year		155,738	118,674	287,857	143,877
Shares issued at $4.55 per ordinary share		58,067	-	12,762	-
Shares issued at $5.83 per ordinary share		1,165	-	200	-
Shares issued to acquire Australian subsidiary	25	59,232	-	12,962	-
Share options exercised	27	-	-	4,066	85
Share options granted		-	1,210	-	-
Share options forfeited		(287)	(121)	-	-
Shares repurchased		(395)	-	(557)	-
1:1 bonus issue at $0.25 per ordinary share	10	-	35,975	-	143,895
Share capital at end of year		**214,288**	**155,738**	**304,328**	**287,857**

All ordinary shares have equal voting rights and share equally in dividends and surplus on winding up.

Share options exercised

The first tranche of options granted in accordance with the 'outperform the market share option plan' became exercisable on 16 March 2001 and during the seven days that followed 7,878,000 options at share prices ranging between $5.75 and $5.97 were exercised. During the year a total of 8,292,000 options were exercised at share prices ranging between $5.42 and $6.12 resulting in the issue of 4,066,000 shares.

As a result of the options being exercised the company incurred an employee compensation expense. This expense arises on the difference in taxation rates between PAYE paid on behalf of the team members and the taxation credit available to the group. The payment of PAYE on behalf of the team members and available as a taxation credit has been treated as a taxation payment in the Statement of Financial Position and Statement of Cashflows.

	Taxable Value $000
Total taxable value of options exercised by team members	38,458
Taxation credit available to the group calculated at 33% thereon	(12,691)
PAYE paid on behalf of team members	14,995
Employee compensation	**2,304**

Shares repurchased

In November and December 2000 the group repurchased 557,000 shares on the open market for $3,229,000 at share prices ranging between $5.65 and $6.30 per share. The repurchased shares were cancelled for $395,000 at $0.71 per share, with the premium of $2,834,000 being transferred to retained earnings.

	GROUP 01 $000	GROUP 00 $000
12. Foreign Currency Translation Reserve		
Foreign currency translation reserve at beginning of year	-	-
Arising on translation of the Australian business	369	-
Foreign currency translation reserve at end of year	**369**	-

	NOTE	GROUP 01 $000	GROUP 00 $000	ORDINARY SHARES 01 000s	ORDINARY SHARES 00 000s
13. Treasury Stock					
Treasury stock at beginning of year		4,477	4,517	1,869	959
Staff share purchase plan forfeited		392	259	81	64
1:1 bonus issue at $0.25 per ordinary share		-	240	-	960
Allocated to staff share purchase plan		(2,217)	-	(893)	-
Shares issued to staff in lieu of cash remuneration		(135)	(539)	(56)	(114)
Treasury stock at end of year		**2,517**	**4,477**	**1,001**	**1,869**
Ordinary shares held by the trustee of the share purchase plan					
Unallocated treasury stock				1,001	1,869
Allocated to staff share purchase plan	27			1,524	832
				2,525	**2,701**
Percentage of share capital				0.83%	0.94%

Shares held by the trustee are fully paid and carry the same voting rights as other issued ordinary shares. Voting rights attached to the shares are held by the trustee, and dividends paid on unallocated shares are retained by the trustee for the benefit of the group. The directors may appoint or remove any trustee by directors' resolution.

14. Fixed Assets

	Group 2001			Group 2000		
	Cost $000	Accum Depn $000	Book Value $000	Cost $000	Accum Depn $000	Book Value $000
Freehold land	25,906	-	25,906	18,905	-	18,905
Freehold buildings	70,755	4,777	65,978	48,855	3,785	45,070
Store fittings and equipment	155,266	69,194	86,072	101,165	51,370	49,795
Computer equipment	60,181	33,538	26,643	44,719	30,092	14,627
Vehicles	13,462	7,078	6,384	4,047	2,661	1,386
Work in progress	13,366	-	13,366	31,520	-	31,520
Total fixed assets	**338,936**	**114,587**	**224,349**	**249,211**	**87,908**	**161,303**

Valuation

The directors, having taken into consideration purchase offers, independent and government valuations and other known factors, have assessed the fair value of freehold land and buildings to be $117,697,000 (2000 - $105,837,000). The directors' valuation was approved by the Board 6 September 2001.

15. Investments in Group Companies

	Principal Activity	Country of Incorporation	Shareholding 2001 %	Shareholding 2000 %
Guaranteeing subsidiaries				
The Warehouse Limited	Retail	New Zealand	100%	100%
The Warehouse Group (Australia) Pty Limited (formerly Colonel Clints Crazy Bargain Stores Pty Limited)	Retail	Australia	100%	-
Warehouse Stationery Limited	Retail	New Zealand	100%	100%
Eldamos Investments Limited	Store property owner	New Zealand	100%	100%
Gallery Prints Limited	Retail	New Zealand	50%	50%
Waikato Valley Chocolates Limited	Chocolate factory	New Zealand	50%	50%
Warehouse Management Trustee Company Limited	Share plan trustee	New Zealand	100%	100%
Non guaranteeing subsidiary				
The Warehouse Investments Limited (formerly Care Chemist Limited)	Administration	New Zealand	100%	50%
Non guaranteeing associate company and joint venture				
The Warehouse Financial Services Limited	Financial services	New Zealand	49%	-
Lincoln West Limited	Store property owner	New Zealand	50%	50%

At 31 July 2001, the percentage shareholdings noted above were held in significant subsidiary companies, associates and joint ventures. All these companies have 31 July balance dates with the exception of The Warehouse Financial Services Limited which has a 30 September balance date.

notes to and forming part of the *financial statements* - continued

For the year ended 31 July 2001

	NOTE	GROUP 01 $000	GROUP 00 $000
16. Intangible Assets			
Goodwill	17	67,773	1,397
Mobile telephone handsets	18	4,694	7,898
Outperform the market share option plan	27	242	2,424
Pharmacy franchises		-	162
Total intangible assets		**72,709**	**11,881**
17. Goodwill			
Balance at beginning of year		1,397	1,722
Acquisitions			
The Warehouse Group (Australia) Pty Limited	25	77,843	-
The Warehouse Investments Limited	26	498	-
Goodwill arising from acquisitions		78,341	-
Amortisation		(8,726)	(325)
Effect of exchange rate movements		(3,239)	-
Balance at end of year		**67,773**	**1,397**
18. Mobile Telephone Handsets			
Balance at beginning of year		7,898	817
Handsets capitalised			
Income from the sale of handsets		(5,847)	(13,812)
Cost of handsets sold		12,375	24,769
Net handsets capitalised		6,528	10,957
Rebate reclassified to working capital		-	2,369
Handset amortisation including allowance for churn		(9,732)	(6,245)
Balance at end of year		**4,694**	**7,898**
19. Advances Receivable			
Advances on shares allocated to staff under the staff share purchase plan	27	4,765	2,244
Other advances		322	705
Total advances receivable		5,087	2,949
Less advances receivable within 1 year		(1,545)	(851)
Total advances receivable after more than 1 year		**3,542**	**2,098**
20. Receivables and Prepayments			
Trade receivables		10,416	8,328
Provision for doubtful debts		(310)	(688)
Net trade receivables		10,106	7,640
Prepaid expenses and interest		2,813	2,171
Property development advance		199	1,379
Property settlements receivable on unconditional sale agreements		8,039	4,528
Total receivables and prepayments		**21,157**	**15,718**

Trade credit sales are on 30 day terms.
Property development advances are repayable on demand.
Property settlements are receivable according to the terms set out in the unconditional sale and purchase agreements.

	NOTE	GROUP 01 $000	GROUP 00 $000
21. Creditors and Accruals			
Trade creditors		93,186	54,322
Goods in transit creditors		17,899	15,386
Accrued staff entitlements		15,641	20,115
Property development payables		3,819	-
Total creditors and accruals		**130,545**	**89,823**

Trade creditor terms are between 7-90 days.

22. Borrowings

	NOTE	GROUP 01 $000	GROUP 00 $000
Bank overdrafts		**395**	**-**

The interest rate at 31 July 2001 was 7.85% (2000 – 8.35%) on New Zealand dollar overdrafts and 8.70% on Australian dollar overdrafts.

	NOTE	GROUP 01 $000	GROUP 00 $000
Short term borrowings			
Over night borrowings		10,105	43,816
90 day borrowings		40,000	20,000
	28	**50,105**	**63,816**
Term borrowings			
Repayable within six to twelve months		-	20,000
Repayable within one to two years		-	10,000
Repayable within two to five years		179,785	-
Total term borrowings	28	**179,785**	**30,000**

Negative pledge deed

Bank borrowings are subject to a negative pledge deed which replaced the previous debenture trust deed from October 2000. The negative pledge deed provides a guarantee to the group's banking institutions that the parent and its guaranteeing group companies (refer Note 15) will comply with certain debt ratio's and restrictive covenants.

23. Investments

	NOTE	GROUP 01 $000	GROUP 00 $000
Listed investment			
e-Ventures Limited (cost)		3,000	3,000
Impairment provision		(1,230)	-
		1,770	3,000
Investment in associate			
The Warehouse Financial Services Limited (cost)		490	-
Total investments		**2,260**	**3,000**

e-Ventures Limited

The directors believe there has been a permanent impairment to the value of the group's shareholding in e-Ventures Limited, and have written down the value of the investment to the estimated net asset backing. The market value of these shares as at 31 July 2001 was $1,450,000 (2000 - $2,650,000)

The Warehouse Financial Services Limited

In July 2001 the group paid $490,000 to subscribe for 49% of the formation share capital of The Warehouse Financial Services Limited. The remaining 51% of the capital being purchased by the group's partner in this venture, Westpac Holdings-NZ-Limited. From August 2001 The Warehouse Financial Services Limited will offer a range of financial services to potential customers within New Zealand. The operation of The Warehouse Credit Card and the credit card book were also transferred to the new venture in August 2001. There was no change in the group's share of the associate's equity from the date of formation as The Warehouse Financial Services Limited had not commenced any trading activities before 31 July 2001.

24. Inventory

In some instances where goods have been purchased locally, the supplier retains title to the goods until payment has been made. No inventories have been specifically or separately pledged as security for any liabilities.

notes to and forming part of the *financial statements* - continued

For the year ended 31 July 2001

GROUP 01

$000

25. Acquisition of The Warehouse Group (Australia) Pty Limited

On 1 August 2000 the group acquired 100% of the shares in The Warehouse Group (Australia) Pty Limited (formerly Colonel Clints Crazy Bargain Stores Pty Limited), a discount retail chain operating in Australia. Details of the acquisition are as follows:

	$000
Consideration comprises	
Shares issued	59,232
Tax credit receivable	(5,463)
Cash	60,287
Effect of exchange rate movements	(35)
Total consideration	114,021
Net assets acquired	
Fixed assets	35,682
Deferred tax	1,488
Current assets	73,971
Current liabilities	(40,245)
Borrowings	(34,718)
Total net assets acquired	36,178
Goodwill	**77,843**

Share Consideration

The ordinary shares issued to satisfy the acquisition consideration are subject to restrictive covenants. The 9,051,000 ordinary shares issued to the vendors in October 2000 and January 2001 can not be sold without the consent of the directors within two years of the issue date. The remaining share consideration of 3,911,000 ordinary shares issued to team members of The Warehouse Group (Australia) Pty Limited in November 2000 and March 2001 are partially restricted with team members unable to sell more than fifty percent of their share entitlement within three years of the issue date.

Deferred Consideration

A potential deferred consideration of up to $11 million Australian dollars will become payable should the acquired Australian business achieve certain earnings targets by the year 2003.

26. Divestment of Pharmacy Franchise Business

In June 2001 the group terminated its pharmacy franchise business. As a consequence of exiting this business the group acquired the remaining 50% interest in The Warehouse Investments Limited (formerly Care Chemists Limited). The total costs of exiting the pharmacy business are as follows:

	$000
Cash consideration	37
Less cash balances acquired	(44)
Net cash received	(7)
Add current liabilities acquired	505
Goodwill arising on acquisition	498
Existing goodwill	334
Total goodwill written off	832
Fixed assets and pharmacy advances written off	1,059
Pre-tax cost of pharmacy divestment	1,891
Taxation	(301)
Total after tax cost of pharmacy divestment	**1,590**

27. Option and Share Purchase Plans

Grant Date	Exercise Period	Exercise Price $	Number on issue 2000 000s	Issued During the Year 000s	Exercised During the Year 000s	Lapsed During the Year 000s	Number on Issue 2001 000s
Outperform the Market Share Option Plan							
16/12/1998	16/03/2001 - 15/03/2002	-	8,689	-	(8,284)	(243)	162
16/12/1999	15/10/2001 - 15/10/2002	-	450	-	-	-	450
22/12/1999	22/03/2002 - 21/03/2003	-	685	-	(8)	(90)	587
			9,824	-	(8,292)	(333)	1,199
New Share Option Plan							
16/07/2001	16/03/2004 - 31/05/2004	$7.15	-	6,989	-	-	6,989
Total Options			**9,824**	**6,989**	**(8,292)**	**(333)**	**8,188**
Staff Share Purchase Plan (Under Section DF7 Income Tax Act 1994)							
31/01/1995	31/01/1998 - 31/01/2000	$1.75	3	-	(3)	-	-
31/01/1997	31/01/2000 - 31/01/2002	$2.00	206	-	(84)	-	122
31/01/1997	31/01/2000 - 31/01/2002	$1.30	6	-	(2)	-	4
31/07/1997	31/07/2000 - 31/07/2002	$3.00	73	-	(29)	-	44
31/05/1999	31/05/2002 - 31/05/2004	$4.79	544	-	(2)	(77)	465
18/05/2001	18/05/2004 - 18/05/2006	$4.04	-	893	-	(4)	889
Total Shares			**832**	**893**	**(120)**	**(81)**	**1,524**

Outperform the market share option plan

Share options were granted to team members during 1998 and 1999 in accordance with the option plans approved by shareholders at the 1998 and 1999 annual meetings. The number of shares each option convert to once exercised is based on the gain in the group's share price relative to the New Zealand Stock Exchange 40 Gross Index over the period following grant date until the exercise date. The options have no nominal value and were granted to team members for no cash consideration. The fair value of the options at grant date has been recognised in equity and as an intangible asset. The intangible asset, which represents the value of the service provided to the group by the team members, is amortised over the period from grant date until the earliest exercise date.

New share option plan

The 'outperform the market share option plan' benchmarked against the New Zealand Stock Exchange 40 Gross Index is no longer appropriate with results now dependent on the group's Australasian performance. The new share option plan approved by shareholders at the special general meeting on 28 June 2001 introduced fixed price share options with an exercise price set 'out of the money'. The exercise price is based on a growth target over the period from grant date until the commencement of the exercise period. The target growth rate is currently set at 13% compounded annually (after adjusting for dividends), reflecting a level of performance the directors' believe shareholders would desire.

The directors' after taking into consideration the characteristics of the new plan, believe that the value of the options granted to team members should be accounted for under the terms of APB25. The standard requires the group to recognise as a cost the difference between the market price of the shares when the options are granted and the exercise price paid by team members. Accordingly the group has not recognised any cost for the share options granted.

A maximum of 7,500,000 options can be offered to Australian and New Zealand team members selected at the discretion of the directors prior to 16 March 2002, and thereafter for each of the next three years. On 15 August 2001 a further 398,000 options were granted to team members bringing the total of options issued under the new plan to 7,387,000 (324 team members).

Staff share purchase plan (under Section DF7 Income Tax Act 1994)

The Warehouse Management Trustee Company acts as trustee for the team members' share purchase plan. At regular intervals the trustee offers shares to permanent team members of the group resident in New Zealand with service in excess of 750 hours per year. Shares are offered at a price set by the trustee and issued from treasury stock under Section DF7 of the Income Tax Act 1994, to a maximum consideration of $2,340 per employee in any three year period. Team members accepting the share offer are provided financial assistance on an interest free basis, payable over five years in regular instalments.

The shares allocated to team members are held in trust for a three year restrictive period, and then until outstanding advances are fully repaid. If a team member terminates employment during the restrictive period, the shares are returned to treasury stock and may be reissued at the discretion of the trustees.

For the year ended 31 July 2001

	GROUP 01 $000	GROUP 00 $000
28. Financial Instruments		
Off-balance sheet financial instruments		
Forward exchange contracts and currency options		
Contract amounts	237,638	165,121
Valuation at balance date	238,648	179,238
Notional principal of interest rate derivatives		
Matched to borrowings	113,538	40,000
Short term 90 day seasonal hedges	-	30,000

The parent has no off-balance sheet financial instruments.

Interest rate risk

Borrowings are partially hedged, by a combination of interest rate swaps and forward rate agreements. The directors regularly review the amount, and the mix of interest rate derivatives used for hedging purposes. The calculation of the effective interest rates and repricing periods of the group borrowings in the table below, includes the effect of these interest rate derivatives.

	Interest Rates 2001 %	Interest Rates 2000 %	Group 2001 $000	Group 2000 $000
Short term borrowings				
Reprices within six months	6.15%	7.05%	10,105	53,816
Reprices within six to twelve months	6.03%	5.82%	10,000	10,000
Reprices within one to two years	7.07%	-	20,000	-
Reprices within two to five years	6.76%	-	10,000	-
Total short term borrowings	**6.61%**	**6.86%**	**50,105**	**63,816**
Term borrowings				
Reprices within six months	5.31%	-	106,247	-
Reprices within six to twelve months	5.57%	7.70%	12,256	20,000
Reprices within one to two years	5.47%	6.03%	24,513	10,000
Reprices within two to five years	5.72%	-	36,769	-
Total term borrowings	**5.43%**	**7.14%**	**179,785**	**30,000**

Currency risk

The group enters into forward exchange contracts and currency options to reduce the currency risks associated with purchasing goods in foreign currencies. The group's overseas purchases are principally denominated in US dollars, and the group's policy since March 1998 has been to cover between 35% and 65% of the forecasted US dollar commitments on a rolling twelve month basis. Where other specific currency exposures are known, the group hedges these risks as they arise.

Credit risk

Financial instruments that potentially subject the group to credit risk principally consist of bank balances, off balance sheet financial instruments, receivables and advances.

The group's deposits and off balance sheet financial instruments are placed only with major banks within limits approved by the directors. Team members advanced funds to purchase shares in accordance with the share purchase plan, are not given the shares until the advances are fully repaid. Agreements for the sale of property are entered into only with parties of high credit quality, and title and possession do not pass until settlement. The group performs credit evaluations on customers requiring credit but generally does not require collateral. Concentrations of credit risk with respect to trade receivables are limited due to the minor nature and spread of such accounts. There were no other concentrations of credit risk at balance date.

The Warehouse Card (a private label credit card) did not expose the group to any credit risk during the year ended 31 July 2001 as credit was granted through Westpac Banking Corporation on a non-recourse basis. In August 2001 the group acquired a 49% share of the credit risk of The Warehouse Card business when the groups associate company, The Warehouse Financial Services Limited purchased the credit card book.

	GROUP 01 $000	GROUP 00 $000	PARENT 01 $000	PARENT 00 $000
Maximum exposures to credit risk at balance date are:				
Cash, bank in funds and deposits	4,417	2,470	123	106
Trade receivables and advances	15,392	11,968	170,480	115,935
Property settlements receivable on unconditional sale agreements	8,039	4,528	-	-
Total exposure to credit risk	**27,848**	**18,966**	**170,603**	**116,041**

Credit facilities

The group had bank funding facilities (including letters of credit, but excluding seasonal facilities) of $408,554,000 available at 31 July 2001 (2000 - $180,000,000). The amount undrawn after borrowings and outstanding letters of credit was $135,019,000 (2000 - $42,822,000).

Fair values

The estimated fair values of the group's financial instruments which differ from the carrying values are as follows:

	Carrying Amount 2001 $000	Fair Value 2001 $000	Carrying Amount 2000 $000	Fair Value 2000 $000
Group				
Investments in listed companies	1,770	1,450	3,000	2,650
Off-balance sheet financial instruments				
Forward exchange contracts and currency options	-	1,010	-	14,117
Interest rate swaps and forward rate agreements	-	698	-	323
Bank letters of credit issued to secure future purchasing requirements	-	(43,250)	-	(36,994)
Bank letters of credit issued to secure deposit on Australian acquisition	-	-	-	(6,368)

The fair value of the bank letters of credit has been determined on the face value of the credit. The fair value of the interest rate derivatives, forward exchange contracts, currency options and investment in listed companies are based on the quoted market price of the financial instrument or comparable financial instruments.

It was not practicable to estimate the fair value of the staff share purchase plan advances as there is no market for the advances and the timing of repayment is uncertain.

29. Contingent Liabilities

	GROUP 01 $000	GROUP 00 $000
Bank letters of credit issued to secure future purchasing requirements	43,250	36,994
New Zealand Stock Exchange bond	75	75
Total contingent liabilities	**43,325**	**37,069**

The parent company had no contingent liabilities (2000 - nil).

The group has a contingent liability for guarantees and bonus points, which cannot be reliably estimated. The Warehouse Limited and Warehouse Stationery Limited both offer a money back guarantee on goods sold, and any cost of making good a customer's purchase is accounted for when incurred.

The Warehouse Card (a private label credit card) operates a bonus points system on purchases made using the card. The bonus points may be redeemed for discount in conjunction with particular marketing promotions. The Warehouse Card business and any obligations under the bonus points system were transferred to the groups associate company, The Warehouse Financial Services Limited in August 2001. The liability for bonus points transferred to the associate has been capped at $300,000 with any excess liability arising being paid by The Warehouse Limited.

notes to and forming part of the *financial statements* - continued

For the year ended 31 July 2001

30. Commitments

	GROUP 01 $000	GROUP 00 $000
Capital commitments		
Contracts entered into for capital expenditure within the next twelve months which have not been provided for in the Statement of Financial Position	3,376	13,375
Lease commitments		
The group has the following non-cancellable operating lease commitments which relate to leases of store premises:		
Due within one year	67,045	30,281
Due within one to two years	57,544	29,151
Due within two to five years	107,969	77,010
Due after five years	113,832	66,796
Total lease commitment	**346,390**	**203,238**

The parent company had no capital or lease commitments (2000 - nil).

31. Related Parties

The group has paid for professional services at normal commercial rates from the following firms in which a director has an interest:

	GROUP 01 $000	GROUP 00 $000
BDO Spicers (K R Smith - Partner)	86	79
Hesketh Henry (J R Avery - Partner)	514	409
L.E.K Consulting Pty Limited (R L Challinor - Advisory Board member)	125	569
Argent Networks Limited (S R Tindall - Indirect shareholder through No 8 Ventures Management Limited)	405	-
Total professional fees paid to related parties	**1,130**	**1,057**

The group has paid store and distribution centre rents to the following property companies in which a director has an interest:

	GROUP 01 $000	GROUP 00 $000
Volandu Pty Limited (D Rickards - Shareholder/Director)	2,022	-
O'Neill & Rickards Partnership (D Rickards - Partner)	1,837	-
Kyber Investments Limited (N R Plummer - Shareholder/Director)	404	412
Rent paid to related parties	**4,263**	**412**

In July 2001 the group sold two properties to the following companies in which a director has an interest:

	Sale Proceeds $000	**Book Value $000**	**Gain on Sale $000**
Mt Druitt store - New South Wales, Australia			
Volandu Pty Limited (D Rickards - Shareholder/Director)	3,792	3,244	548
Pukekohe Warehouse Stationery store and tenancies - New Zealand			
Pukeko Creek Limited (P G Inger - Shareholder/Director)	1,648	1,437	211

The directors having taken into consideration independent valuations and purchase offers approved the sale of the above two properties at the July 2001 board meeting. The sale proceeds received were commensurate with current market values for both properties.

Directors are entitled to purchase goods at normal staff discount. Other specific Director's disclosures are made in Note 6. No related party debt has been written off or forgiven during the year.

the auditor's *report*

ERNST & YOUNG

Auditor's Report
To the Shareholders of The Warehouse Group Limited

We have audited the financial statements on pages 26 to 44. The financial statements provide information about the past financial performance of the company and group and their financial position as at 31 July 2001. This information is stated in accordance with the accounting policies set out on pages 30 and 31.

Directors' Responsibilities
The directors are responsible for the preparation of financial statements which comply with generally accepted accounting practice in New Zealand and give a true and fair view of the financial position of the company and group as at 31 July 2001 and of their financial performance and cash flows for the year ended on that date.

Auditor's Responsibilities
It is our responsibility to express an independent opinion on the financial statements presented by the directors and report our opinion to you.

Basis of Opinion
An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the directors in the preparation of the financial statements; and
- whether the accounting policies are appropriate to the circumstances of the company and the group, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Ernst & Young undertakes consulting projects for the company and group.

Unqualified Opinion
We have obtained all the information and explanations we have required.

In our opinion:
- proper accounting records have been kept by the company as far as appears from our examination of those records; and
- the financial statements on pages 26 to 44:
  - comply with generally accepted accounting practice in New Zealand; and
  - give a true and fair view of the financial position of the company and group as at 31 July 2001, and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 6 September 2001, and our unqualified opinion is expressed as at that date.

Ernst + Young

Auckland

directors' disclosures

Share Transactions	Number of Shares Acquired/(Disposed)	Dollar Consideration	Date of Transaction
S R Tindall, K R Smith and P G Inger			
Non-beneficial trustees of The Warehouse Management Trustee Company Limited	(158,487)	Pursuant to Trust Deed	Various
K R Smith			
Non-beneficial as trustee	(125,900)	734,860	12/03/01
	(12,100)	70,180	13/03/01
	(20,000)	122,200	26/03/01
	(274,936)	1,652,174	29/03/01
	(70,000)	406,000	02/04/01
	(16,131)	94,366	03/04/01
	(83,487)	483,751	04/04/01
	(12,928)	74,595	05/04/01
	(229,518)	1,372,178	06/04/01
	(200,000)	1,207,000	11/04/01
J R Avery			
Non-beneficial as trustee	(42,002)	249,912	04/12/00
	(307,998)	1,789,468	06/12/00
	(50,000)	292,000	08/12/00
	(100,000)	555,000	13/12/00
	17,000	94,350	15/03/01
P G Inger			
Beneficial interest	1,067	6,167	28/09/00
	(3,000)	18,540	28/11/00
	(23,526)	139,980	01/12/00
	(42,002)	249,912	04/12/00
	(307,998)	1,789,468	06/12/00
	(50,000)	292,000	08/12/00
	(50,000)	290,500	12/12/00
Related party	(50,000)	290,500	12/12/00
	(650,000)	3,607,500	13/12/00
Related party	(550,000)	3,052,500	13/12/00
	(50,000)	286,500	15/12/00
Related party	(50,000)	286,500	15/12/00
	117,630	676,373	21/03/01
	(27,630)	167,990	21/03/01
	(90,000)	548,100	23/03/01
	2,714	16,148	02/04/01
N R Plummer			
Beneficial Interest	1,020	5,896	28/09/00
	(125,900)	734,860	12/03/01
	(12,100)	70,180	13/03/01
	147,038	845,469	21/03/01
	(76,679)	470,209	26/03/01
	(10,372)	63,788	28/03/01
	(322,885)	1,938,573	29/03/01
	(60,000)	360,000	30/03/01
	2,714	16,148	02/04/01
	(70,000)	406,000	02/04/01
	(16,131)	94,366	03/04/01
	(83,487)	483,751	04/04/01
	(12,928)	74,595	05/04/01
	(229,518)	1,372,178	06/04/01
	(200,000)	1,207,000	11/04/01
S R Tindall			
Beneficial Interest	1,314	7,595	21/11/00
	2,484	14,780	03/04/01

Share Transactions	Number of Shares Acquired/(Disposed)	Dollar Consideration	Date of Transaction
G Evans			
Beneficial Interest	5,000	29,250	20/03/01
P Brass			
Beneficial Interest	(10,000)	56,237	11/10/00
J Withers			
Beneficial Interest	1,000	6,290	22/03/01
D Rickards			
Beneficial Interest	4,181,272	Pursuant to Sale & Purchase Agreement	27/10/00
	99,930	Pursuant to Sale & Purchase Agreement	27/10/00
Related party	8,357	38,024	23/03/01
	8,357	38,024	23/03/01

Directors shareholdings as at 31 July 2001

	Beneficial Interest		Non-beneficial Interest		Related Party	
	2001	2000	2001	2000	2001	2000
J R Avery	–	–	74,771,920	75,254,920	402,928	402,928
R L Challinor	–	–	–	–	–	–
G F Evans	5,000	–	–	–	–	–
P G Inger	4,254,714	5,427,459	2,524,779	2,683,266	3,350,000	4,000,000
N R Plummer	543,879	1,613,107	–	–	–	–
K R Smith	–	–	77,735,695	78,939,182	4,800	4,800
S R Tindall	84,717,281	84,713,483	76,202,105	76,360,592	9,600	9,600
J Withers	4,000	3,000	–	–	–	–
D Rickards	4,289,559	–	–	–	8,357	–
J C Dahlsen	13,700	–	–	–	–	–

Major Shareholdings in which more than one director has an interest in the same parcel of shares are as follows:

The shareholding held non-beneficiary by Messrs J R Avery, K R Smith and S R Tindall are the same parcels of shares as to 73,343,992 shares (July 2000 73,343,992 shares)

The shareholding held beneficially and non-beneficially by Messrs P G Inger and J R Avery are the same parcels of shares as to 900,000 shares (July 2000 1,400,000)

The shareholding held beneficially and non-beneficially by Messrs N R Plummer and K R Smith are the same parcels of shares as to 539,996 shares (July 2000 1,584,996)

Messrs P G Inger, K R Smith and S R Tindall held non-beneficially the same parcels of 2,524,779 shares (July 2000 2,683,266 shares) as trustees of The Warehouse Management Trustee Company Limited.

Remuneration of Directors

Remuneration and other benefits provided to directors of The Warehouse Group Limited during the accounting period under review are disclosed in Note 6 of the Financial Statements.

Remuneration paid and benefits provided by way of salaries, bonuses and exercising share options to executive directors is disclosed in Note 6 of the Financial Statements.

Other Interests

As provided by Section 162 of the Companies Act 1993 and in accordance with the company's constitution, the group has provided insurance for, and indemnities to, directors and employees of the company and it's subsidiaries for losses from actions undertaken in the course of their legitimate duties.

There were no disclosures of interest in any other transactions or the use of company information entered into the interests register during the period under review.

During the period under review, there were related party payments in respect of professional fees, rents and property sales. Details of these payments are disclosed in Note 31 of the Financial Statements.

directors' *disclosures* - continued

Substantial Security Holders

According to notices given under the Securities Amendment Act 1988, substantial security holders in The Warehouse Group Limited as at 1st October 2001 are as follows:

	Date of Notice	Relevant Interest
S R Tindall	11 December 2000	161,054,287
K R Smith	11 December 2000	78,907,394
J R Avery	11 December 2000	76,254,920
M M Tindall	11 December 2000	69,713,064

More than one voting interest may exist in the same voting securities. The number of voting securities included in more than one relevant interest as are follows:

	Common Relevant Interest
S R Tindall	76,007,470
K R Smith	76,007,470
J R Avery	73,343,992
M M Tindall	72,713,064

The total number of voting securities of The Warehouse Group Limited as at 1st October 2001 was 304,451,850.

Voting Rights

On a show of hands, each holder of ordinary shares is entitled to one vote. On a poll, one vote is counted for every ordinary share.

Stock Exchange Listing

The ordinary shares of The Warehouse Group Limited are listed on the New Zealand Stock Exchange and the Australian Stock Exchange.

Dividend Policy

The dividend policy of The Warehouse Group Limited is that 50% of the net surplus after taxation will be paid by way of dividend to shareholders.

Disclosure of Interest

The following are general disclosures entered in to the interests register pursuant to section 140(2) of the Companies Act 1993:

Mr K R Smith - Chairman

Chairman	New Zealand Flower & Garden Show Ltd
Chairman	Tourism Holdings Ltd
Chairman	Healthcare Holdings Ltd
Chairman	BDO New Zealand Ltd and subsidiaries
Chairman	Electronic Navigation Ltd
Deputy Chairman	Genesis Power Ltd
Director	Lowe Corporation Ltd and subsidiaries
Director	Enterprise Motor Group Ltd and subsidiaries
Director	Cooper Henderson Motors (1993) Ltd
Director	James Raymond Holdings Ltd
Director	Wickliffe Ltd
Director	Gwendoline Holdings Ltd
Partner	BDO Spicers

Mr J R Avery

Chairman	Hesketh Henry
Chairman	Independent Timber Merchants Society Ltd
Chairman	Fund Managers Auckland Ltd
Director	The Selwyn Foundation
Director	Osterley Nominees Ltd
Director	NSM Contracting Ltd

Mr R L Challinor

Chairman	Sheffield Ltd
Chairman	Tower Health and Life Ltd
Chairman	Mighty River Power Ltd
Director	Ports of Auckland Ltd
Joint Venture Committee Member	Copthorne Waitangi Resort
Australasian Advisory Board Member	L.E.K. Consulting (Australasian Advisory Board)
Director/Shareholder	Northington Partners Ltd

Mrs J Withers

Chairman	Centre for Clinical Research and Effective Practice
Director	Auckland International Airport Ltd
Director	Auckland Trotting Club Inc.
Director	Meridian Energy Ltd
Director	Tourism Holdings Ltd
Trustee	Royal New Zealand Ballet

Mr G F Evans

Director	Frucor Beverages Group Ltd
Director	Tatua Co-operative Dairy Company Ltd

Mr J C Dahlsen

Director	Australia and New Zealand Banking Group Ltd
Director	Southern Cross Broadcasting (Australia) Ltd
Director	Mining Project Investors Pty Ltd
Director	The Smith Family and J.C. Dahlsen Pty Ltd
Advisory Board Member	L.E.K. Consulting (Australasian Advisory Board)

Mr S R Tindall

Director (Company representative)	eVentures New Zealand Ltd
Director	U-Click Ltd
Director	Stevtin Ltd
Director	Aspiring Technology Ltd
Director	Deep Video Image Ltd
Director	Squishvc Ltd
Director	Tindall Family Holdings Ltd
Director	Noticeboard Ltd

Mr N R Plummer

Director/Shareholder	Lady Ruby Properties Ltd
Director	Khyber Investments Ltd
Director	Group Variety Pty Ltd
Director	Anaheim Investments Ltd

Mr P G Inger

Director	Journey's End Ltd
Director	Journey's End Number Two Ltd
Director	Pukeko Creek Ltd

Mr D Rickards

Director/Shareholder	Volandu Pty Ltd
Director/Shareholder	General Variety Pty Ltd
Director/Shareholder	Group Variety Pty Ltd
Director/Shareholder	State Group Pty Ltd
Director/Shareholder	Shopping Variety Pty Ltd
Director/Shareholder	Queensland Discounters Pty Ltd
Director/Shareholder	Fireright Pty Ltd
Director/Shareholder	O'Neills Property Company Pty Ltd
Director/Shareholder	Cashbound Pty Ltd
Partner	O'Neill and Richards Partnership

shareholders ***statistics***

Twenty Largest Registered Shareholdings as at 1 October, 2001

	Number of Ordinary Shares	Percentage of Ordinary Shares
S R Tindall	84,717,281	27.83%
The Tindall Foundation (trustees M M Tindall & S R Tindall & J R Avery & K R Smith)	66,323,220	21.78%
National Nominees New Zealand Limited[1]	26,408,965	8.67%
Westpac Banking Corporation - State Street[1]	12,629,151	4.15%
The Trustees Executors and Agency Company of New Zealand Limited[1]	7,506,542	2.47%
Citibank Nominees (New Zealand) Limited[1]	6,181,522	2.03%
N D O'Neill & S J O'Neill[2]	4,281,202	1.41%
D P Rickards & K A Rickards[2]	4,281,202	1.41%
ANZ Nominees Limited[1]	3,516,453	1.16%
S R Tindall & K R Smith & J R Avery (as trustees)	3,389,844	1.11%
R G Tindall & G M Tindall & J R Avery & K R Smith & S R Tindall (as trustees)	3,000,000	0.99%
ANZ Life Limited[1]	2,827,334	0.93%
J A Inger	2,750,000	0.90%
P G Inger	2,750,000	0.90%
AMP Superannuation Tracker Fund Limited[1]	2,524,934	0.83%
Premier Nominees Limited[1]	2,154,583	0.71%
The National Mutual Life Assurance of Australia Limited[1]	1,618,233	0.53%
Accident Rehabilitation and Compensation Insurance Corporation[1]	1,134,773	0.37%
BNZ Nominees Limited[1]	1,102,852	0.36%
Westpac Superannuation Nominees (NZ) Limited[1]	955,367	0.31%
	240,053,458	78.85%

[1]Shareholdings held in New Zealand Central Securities Depository Limited (NZCSD). Total holdings in New Zealand Central Security Depository Limited were 81,686,470 (26.83%).

[2]These shares are subject to restrictive covenants and cannot be sold without the consent of the directors before 30 October 2002, (refer Note 25 of the Financial Statements).

Distribution of Ordinary Shares as at 1 October, 2001

SIZE OF SHAREHOLDING	Number of Shareholders		Shares Held	
1 - 999	5,374	35.82%	2,501,322	0.82%
1,000 - 4,999	7,788	51.91%	16,287,878	5.35%
5,000 - 9,999	1,016	6.77%	6,555,581	2.15%
10,000 - 499,999	786	5.24%	27,479,886	9.03%
500,000 - 999,999	19	0.13%	12,529,092	4.12%
Over 1,000,000	19	0.13%	239,098,091	78.53%
	15,002	100.00%	304,451,850	100.00%
REGISTERED ADDRESS OF SHAREHOLDERS				
Auckland and Northland	4,285	28.56%	227,202,108	74.63%
Waikato and Central North Island	3,793	25.28%	8,090,680	2.66%
Lower North Island and Wellington	2,379	15.86%	47,716,709	15.67%
Canterbury, Marlborough and Westland	1,748	11.65%	6,421,286	2.10%
Otago and Southland	1,011	6.74%	2,362,665	0.78%
Australia	1,664	11.09%	12,296,680	4.04%
Other Overseas	122	0.82%	361,722	0.12%
	15,002	100.00%	304,451,850	100.00%

other statutory *information*

Team members receiving remuneration and other benefits exceeding $100,000 per annum

The number of team members or former team members, not being directors, who received remuneration and other benefits valued at or exceeding $100,000 during the period under review are stated below:

Remuneration ($000)	Number of Team Members: Including Shares Issued[1] 2001	Excluding Shares Issued 2001	Excluding Shares Issued 2000
100–110	31	19	6
110–120	23	13	12
120–130	14	14	6
130–140	10	11	5
140–150	15	7	4
150–160	23	10	1
160–170	10	4	7
170–180	7	5	1
180–190	5	2	6
190–200	8	6	1
200–210	7	1	–
210–220	15	2	1
220–230	12	–	3
230–240	6	2	3
240–250	1	–	1
250–260	1	1	–
260–270	2	1	–
270–280	2	2	–
280–290	4	–	2
290–300	2	1	1
300–310	1	–	–
310–320	5	–	1
320–330	8	–	1
330–340	2	1	–
340–350	1	1	–
350–360	1	–	–
360–370	1	–	–
370–380	3	1	2
380–390	1	1	1
390–400	2	1	–
400–410	1	–	–
420–430	1	–	1
430–440	2	–	–
440–450	2	–	–
450–460	5	–	–
460–470	1	–	–
470–480	1	–	–
480–490	1	–	–
490–500	1	–	–
500–510	1	–	–
520–530	–	–	1
540–550	1	–	–
570–580	2	–	–
590–600	2	–	–
620–630	1	–	–
630–640	2	1	–
640–650	1	–	–
650–660	2	–	–
670–680	2	–	–
680–690	2	–	–
710–720	1	–	–
740–750	2	–	–
820–830	1	–	–
1,030–1,040	1	–	–
1,180–1,190	1	–	–
1,190–1,200	1	–	–
1,310–1,320	1	–	–
1,390–1,400	1	–	–
1,540–1,550	1	–	–
2,010–2,020	1	–	–
2,200–2,210	1	–	–
	266	107	67

[1]During the period under review team members exercised share options under the 1998 'outperform the market share option plan' (refer Note 11 of the Financial Statements) which resulted in shares being issued to certain team members. Where shares have been issued, the total remuneration has been adjusted to include the value of shares issued. The taxable value of the options exercised by team members was $38.5m as at 31 July 2001. This amount represents 3.97% of the $968m increase in shareholder value that occurred between the options grant date in December 1998 and the date upon which the options could first be exercised (16 March 2001).

During the period under review, qualifying Australian team members were issued 3,911,000 shares in The Warehouse Group Limited as part of the purchase of Clints Crazy Bargain Stores Pty Limited. Where shares have been issued, the total remuneration has been adjusted to include the value of the shares issued (refer Note 25 of the Financial Statements).

Dividend

A final dividend of 4 cents per share, payable on 26 November 2001, has been approved by the directors. The transfer books and Register of Shareholders of the company will close at 5.00pm on Friday 16 November 2001.

Auditor

In accordance with Section 200 of the Companies Act 1993, the group auditor Ernst & Young, will continue in office.

Annual Report

The July 2001 Annual Report contained in this publication is signed for and on behalf of the board of directors on 6 September 2001.

Keith Smith – Chairman

Stephen Tindall – Founder

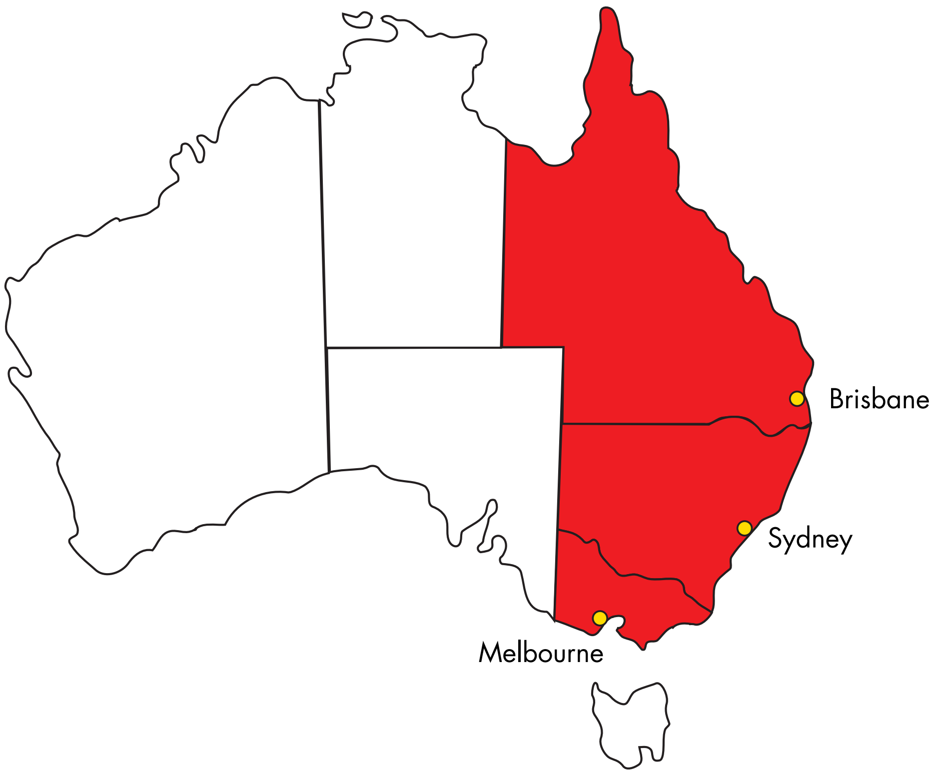
where... Australia

New South Wales
- Armidale
- Bankstown
- Bega
- Blacktown
- Cambelltown
- Cessnock
- Coffs Harbour
- Cowra
- Dubbo
- Figtree
- Gosford
- Goulburn
- Katoomba
- Kempsey
- Lithgow
- Macquarie Fields
- Maitland
- Mt Druitt
- Narellan
- Newcastle
- North Rocks
- Orange
- Parkes
- Penrith
- Port Macquarie
- Shellharbour
- Singleton
- St Marys
- Tamworth
- Taree
- Villawood
- Warrawong

Queensland
- Ballina
- Beenleigh
- Biloela
- Bowen
- Buddina
- Bundaberg Central
- Bundaberg South
- Cannonvale
- Childers
- Cleveland
- Dalby
- Deception Bay
- Emerald
- Gatton
- Gladstone
- Goondiwindi
- Grafton
- Gympie
- Hervey Bay
- Kingaroy
- Lismore
- Loganholme
- Longreach
- Mackay Central
- Mackay North
- Maroochydore
- Maryborough
- Mermaid Waters
- Mount Isa
- Nambucca
- Noosa
- Ocean Shores
- Proserpine
- Rockhampton Central
- Rockhampton North
- Rockhampton Shopping Fair
- Roma
- Sarina
- Toowoomba - Central
- Toowoomba - North
- Toowoomba - South
- Townsville
- Tweed Heads
- Warwick
- Yamanto
- Yeppoon

Victoria
- Airport West
- Albury North
- Bairnsdale
- Ballarat
- Bayswater
- Benalla
- Bendigo
- Carrum Downs
- Collingwood
- Cranbourne
- Dromana
- Echuca
- Endeavour Hills
- Epping
- Geelong
- Griffith
- Lilydale
- Meadow Heights
- Moe
- Mordialloc
- Morwell
- Northcote
- Resevoir
- Ringwood
- Sale
- Shepparton
- Sunbury
- Sunshine
- Swan Hill
- Traralgon
- Wagga
- Wangaratta
- Warrnambool
- Werribee
- Wodonga

ACT
- Belconnen
- Queanbeyan
- Tuggeranong
- Woden



directory...

Directors
Keith R Smith – BCom, FCA
Chairman
John R Avery – LLB
Robert L Challinor – BCom, FCA, FCCM, CMA
John C Dahlsen – LLB, MBA
Graham F Evans
P Glen Inger
Property Director
Neil R Plummer
Merchandise Director
Dave Rickards
Executive Director, The Warehouse Australia
Stephen R Tindall – OMNZ, FNZIM, Dip. Mgt
Founder
Joan Withers – MBA

Group Executive
Greg J Muir – BA, MBA
Chief Executive Officer
Neville C Brown – BCA
Information Services
Graham L Chad
Logistics
Bruce P Gordon – Dip. Bus, FAIBF
GM, Non-Retail
Paul G Hutchinson
CEO, The Warehouse Australia
Hamish O McKenzie – LLB, BA
People
Robert W Smith
GM, Warehouse Stationery
Brent D Waldron – MCom (Hons), CA, CTP
Chief Financial Officer
David G Wilson – BSc
GM, The Warehouse New Zealand

Secretary to the Board
Mark Fennell

Place of Business
26 The Warehouse Way
Akoranga Drive, Northcote
PO Box 33-470, Takapuna
Auckland, New Zealand
Tel 64-9-489 7000
Fax 64-9-489 7444

Registered Office
C/- BDO Spicers
Level 8, Westpac Tower
120 Albert Street
PO Box 2219, Auckland
New Zealand

New Zealand Share Registrar
Computershare Registry Services Limited
Level 2, 159 Hurstmere Road,
Takapuna, North Shore City
Private Bag 92119,
Auckland 1020
New Zealand
Tel 64-9-488 8777
Fax 64-9-488 8787
Email: enquiry@computershare.co.nz

Australian Share Registrar
Computershare Registry Services Pty Limited
Level 3, 60 Carrington Street,
Sydney, NSW 2000
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

where... New Zealand

Auckland
- Auckland Airport
- Albany
- Balmoral
- Birkenhead
- Botany Downs
- Clendon
- Downtown
- East Tamaki
- Glenfield
- Henderson
- Lincoln Centre
- Manukau
- Milford
- Mt Albert
- Mt Wellington
- New Lynn
- Newmarket
- Pakuranga
- Papakura
- St Lukes
- Westgate
- Whangaparaoa

Wellington
- Johnsonville
- Kilbirnie
- Lower Hutt
- Paraparaumu
- Petone
- Porirua
- Upper Hutt
- Wellington

Rest of NI
- Cambridge
- Chartwell
- Dannevirke
- Feilding
- Gisborne
- Hamilton
- Hastings
- Hawera
- Hillcrest
- Kaitaia
- Kaikohe
- Levin
- Masterton
- Matamata
- Morrinsville
- Napier
- New Plymouth
- Palmerston North
- Papamoa
- Pukekohe
- Rotorua
- Taupo
- Tauranga
- Te Awamutu
- Te Rapa
- Thames
- Tokoroa
- Wanganui
- Whakatane
- Whangarei

Christchurch
- Belfast
- Barrington
- Bush Inn
- Eastgate
- Hornby
- Linwood
- Papanui
- South City

Rest of SI
- Alexandra
- Ashburton
- Blenheim
- Dunedin
- Gore
- Greymouth
- Invercargill
- Nelson
- Oamaru
- Queenstown
- Rangiora
- Timaru