

# directors' report

The directors of The Warehouse Group Limited ("the company") are pleased to submit their annual report for the year ended 31 July 2002.

## Directors

At the date of this report the directors of the company were:

### Executive directors

S R Tindall, founder  
P G Inger, property director

### Non-executive directors

K R Smith, chairman                      G F Evans  
R L Challinor                                N R Plummer  
J R Avery                                        J C Dahlsen  
J Withers

Apart from John Dahlsen, who was appointed as a director on 6 September 2001, the above directors held office as directors of the company throughout the financial year ended 31 July 2002. Dave Rickards resigned as a director of the company on 11 February 2002.

Details of qualifications, experience and special responsibilities of the directors at the date of this report are set out in the directors' report schedule.

### Directors' meetings

The number of meetings of the board of directors (the "board"), and meetings of committees of the board, and the number of meetings attended by each of the directors of the company during the financial year, are summarised in the table below:

Table of attendance at board and committee meetings for the period 1 August 2001 – 31 July 2002

	Smith	Tindall	Avery	Challinor	Withers	Evans	Dahlsen <sup>2</sup>	Inger	Plummer	Rickards <sup>1</sup>
The Warehouse board	9	9	8	9	9	9	8	9	9	2
Audit committee	4	4	3	4	4	4	3			
Remuneration committee	4	4	4	4	4	4	4			

<sup>1</sup>Dave Rickards resigned on 11 February 2002

<sup>2</sup>John Dahlsen was appointed on 6 September 2001



**Stephen Robert Tindall** (Auckland) ONZM, Dip. Mgt, FNZIM, HonD, Dcom Honoris Causa  
*Founder and executive director appointed 10 June 1994*

Stephen founded The Warehouse in 1982. Previously, Stephen had worked for 12 years with retailer George Court and Sons in a variety of roles, including merchandise manager. The Warehouse was a private company until late 1994 when it was floated on the New Zealand Stock Exchange. Stephen held the position of managing director from 1994 until January 2001, when he was appointed founder.

Stephen is a founder and trustee of The Tindall Foundation, a charitable trust which distributes funds with the aim of helping New Zealanders to reach their full potential using the philosophy of a hand up not a hand out.

Stephen is the current chairman of the New Zealand Business Council for Sustainable Development and a member of the New Zealand Science & Innovation Council.



**Keith Raymond Smith** (Auckland) BCom, FCA  
*Chairman and non-executive director appointed 10 June 1994*

Keith has been involved with The Warehouse since Stephen opened his first store in 1982, providing accounting, tax and corporate advice.

He is a partner and chairman of the National Accounting practice BDO Spicers, chairman of Tourism Holdings Limited and Skellmax Industries Limited, deputy chairman of Genesis Power Limited and a director of a number of private companies.

The main board met formally nine times during the financial year ended 31 July 2002. In addition, directors met throughout the year on matters of strategic planning, committee business, and to attend to business between meetings.

#### Principal activities

The principal activities of the company and its subsidiaries during the financial year ended 31 July 2002 were those of a retailer in New Zealand and Australia.

#### 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 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 which enable them to ensure that the financial statements comply with the Financial Reporting Act 1993.

The consolidated profit from ordinary activities, after income tax, attributable to shareholders for the year ended 31 July 2002, was \$82.2 million (2001: \$60.4 million).

#### Dividends and distribution

The directors declared a dividend of 4.0 cents per share on 5 September 2002. The dividend, fully imputed, will be paid on 25 November 2002 to shareholders registered at 5.00pm on 15 November 2002. This payment, together with the dividend paid on 22 April 2002, brings the total fully imputed dividend in respect of the year to 13.5 cents per share (2001: 12.5 cents per share).

The company paid dividends and distributions during the financial year as set out in the table below:

#### Group paid dividends and distributions for the period 1 August 2001 – 31 July 2002

Security	Payment date	Payment type	Amount paid \$000's	In respect of year ended
Ordinary shares	26 November 2001	Final	12,181	31 July 2001
Ordinary shares	22 April 2002	Interim	28,948	31 July 2002



**John Richard Avery (Auckland) LLB**  
*Non-executive director appointed 10 June 1994*

John is a partner and currently the chairman of law firm Hesketh Henry. He was previously that firm's managing partner for 13 years. His principal areas of work include commercial property, business services and risk management.

John is currently chairman of Independent Timber Merchants Society Limited, Fund Managers Auckland Limited and NSM Contracting Limited. He is also chairman of Eldamos Investments Limited (The Warehouse's property company). Former directorships include The Lawlink Group Limited (chairman) and The Royal New Zealand Ballet.



**Peter Glen Inger (Auckland)**  
*Executive director appointed 5 October 1994*

Glen has had 21 years in retailing, spending the first 7 years with Woolworths commencing as a management trainee advancing to management positions within both the variety and supermarket divisions.

Glen joined Stephen Tindall in 1988 playing a key part in the expansion of The Warehouse stores leading to an ownership in the Waikato and Central North Island franchise. Then in 1994 the franchise companies were amalgamated into The Warehouse Group and floated on the New Zealand Stock Exchange. He is a founding director and shareholder of The Warehouse and has been involved in many aspects of the company, including national roles in buying, operations and property. He now has direct responsibility for all property and store development in New Zealand and Australia.

## Auditor

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

## State of affairs

In the opinion of the directors there were no significant changes in the state of affairs of the company and its subsidiaries that occurred during the financial year under review that are not otherwise disclosed in this report or the chief executive officer's report.

## Entries in the interests register

Directors have declared interests in the following transactions with the company during the financial year:

- The company paid legal fees to a company in which Mr J R Avery, has an interest.
- The company paid consulting fees to a company in which Mr R L Challinor and Mr J C Dahlsen, have an interest.
- The company paid commission, rent and other fees to companies in which Mr N R Plummer, has an interest.
- The company paid accounting and other fees to a company in which Mr K R Smith, has an interest.
- The company paid rent to a company in which Mr P G Inger, has an interest.

The details of these transactions are given in note 31 to the financial statements "Related Parties".

## Remuneration of directors

Non-executive directors received the following directors' fees during the financial year ended 31 July 2002:

K R Smith	\$65,000
J R Avery	\$40,000
R L Challinor	\$30,000
J Withers	\$30,000
G F Evans	\$40,000
J C Dahlsen	\$53,000
N R Plummer	\$23,333

N R Plummer received director's fees from 1 January 2002 following his retirement as the director of merchandising.

S R Tindall and P G Inger did not receive remuneration as directors of the company. Further details of these transactions are given in note 5 to the financial statements "Directors' Remuneration".

## Options plans

On 18 March 2002 the following directors were granted options independently valued at \$0.50 each, in accordance with the 2001 fixed price share option plan:

R L Challinor	20,000
J Withers	20,000

The options were granted to the directors in lieu of \$10,000 of director's fees.



**Robert Lanham Challinor** (Auckland) BCom, FCA, FCIS, CMA  
*Non-executive director appointed 28 November 1996*

A former partner in international accounting firm, Deloitte, and former merchant banker, Rob is currently a partner and director of Investment Bankers, Northington Partners Limited. He is also chairman of state owned enterprise Mighty River Power Limited and Australasian human resource consultancy Sheffield Limited.

Other directorships include publicly listed Ports of Auckland Limited and Australasian advisory board membership of international strategy consultants L.E.K. Consulting. Former directorships include National Australia Bank NZ Limited, Electricity Corporation of New Zealand Limited, Tower Health and Life Limited and Television New Zealand Limited.



**Graham Francis Evans** (Auckland)  
*Non-executive director appointed 1 July 1998*

Graham has over 40 years experience in the New Zealand retail sector. He was managing director of Woolworths (NZ) Limited for 14 years until 1998. He is currently a director of Tatua Co-operative Dairy Company Limited and he is also a member of the Advisory Committee to Millbrook Resort and Country Club.

Former directorships include director of Franklins Pty Limited and the NZ Retailers Federation.

## Directors' Shareholdings as at 31 July 2002

	Beneficial Interest		Non-beneficial Interest		Related Party	
	2002	2001	2002	2001	2002	2001
J R Avery	-	-	74,254,920	74,771,920	405,145	402,928
R L Challinor	2,394	-	-	-	-	-
G F Evans	11,202	5,000	-	-	-	-
P G Inger	3,250,000	4,254,714	2,569,722	2,524,779	2,750,000	3,350,000
N R Plummer	543,879	543,879	-	-	-	-
K R Smith	-	-	77,656,638	77,711,695	4,800	4,800
S R Tindall	84,141,524	84,717,281	76,130,473	76,202,105	9,600	9,600
J Withers	6,414	4,000	-	-	-	-
J C Dahlsen	13,700	13,700	-	-	-	-

### Directors' shareholdings as at 31 July 2002

The relevant interests of directors and associated persons in the share capital of the company at 31 July 2002 are set out above.

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

The shareholding held non-beneficially 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 2001: 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 500,000 shares (July 2001: 900,000 shares).

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 2001: 539,996 shares).

Messrs P G Inger, K R Smith and S R Tindall held non-beneficially the same parcels of 2,569,722 shares (July 2001: 2,524,779 shares) as trustees of The Warehouse Management Trustee Company Limited.

#### Directors' indemnification

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

This insurance includes indemnity costs and expenses incurred to defend an action that falls outside the scope of the indemnity.



**Joan Withers (Auckland) MBA**  
*Non-executive director appointed 1 July 1998*

Former CEO of The Radio Network Limited, with extensive experience in media management. Joan is a director of a number of companies including Auckland International Airport, Tourism Holdings Limited, Meridian Energy and Auckland Trotting Club. She is also a trustee of the Royal New Zealand Ballet and the Counties Manukau Pacific Trust and chairman of the Centre for Clinical Research and Effective Practice. Former directorships include Ceramco Corporation.



**John Christian Dahlsen (Melbourne) LLB, MBA**  
*Non-executive director appointed 6 September 2001*

John is a commercial solicitor and company director based in Melbourne. A former consultant and partner of the national law firm Corrs Chambers Westgarth, he is currently a director of Australia and New Zealand Banking Group Limited, Southern Cross Broadcasting (Aust) Limited, chairman of J.C. Dahlsen Pty Limited and an advisory board member of L.E.K Consulting (Australasian Advisory Board).

Previous positions have included chairman of Woolworths Limited, The Herald & Weekly Times Limited, Melbourne Business School Limited and deputy chairman of Myer Emporium Limited.

To manage this risk the company has indemnity insurance with a highly rated insurer. The total cost of this insurance during the year ended July 2002 was \$34,000.

### Substantial security holders

The following information is given in accordance with section 26 of the Securities Amendment Act 1988 and is stated as at 30 September 2002. The total number of voting securities of the company at that date was:

#### Substantial securities as at 30 September 2002

Holder	Relevant interest	Date of notice
S R Tindall	160,519,681	13 May 2002
K R Smith	78,907,394	11 December 2000
J R Avery	76,254,920	11 December 2000
M M Tindall	69,713,064	11 December 2000

### Share dealings

During the year the following directors acquired or disposed of equity securities in the company as shown below:

#### Directors' share transactions

Share transactions	Date of transaction	Number of ordinary shares acquired/(disposed)	Dollar consideration
J R Avery	12/09/2001	(200,000) <sup>2</sup>	\$1,220,000
	12/09/2001	(17,000) <sup>2</sup>	\$104,040
	21/09/2001	(200,000) <sup>2</sup>	\$1,176,000
	15/03/2002	(100,000) <sup>2</sup>	\$695,000
	26/03/2002	2,217 <sup>1</sup>	\$15,539
R L Challinor	22/04/2002	2,394 <sup>1</sup>	\$17,621
G F Evans	25/03/2002	2,202 <sup>1</sup>	\$15,345
	03/04/2002	4,000	\$28,920
P G Inger	12/09/2001	(904,714)	\$5,518,755
	21/09/2002	(700,000)	\$4,116,000
K R Smith	15/03/2002	(100,000) <sup>2</sup>	\$695,000
S R Tindall	23/04/2002	(500,000)	\$3,625,000
	23/04/2002	(75,757)	\$499,996
	23/04/2002	(116,575) <sup>2</sup>	\$769,395
J Withers	19/04/2002	2,414 <sup>1</sup>	\$17,911
K R Smith; S R Tindall; P G Inger as trustees of The Warehouse Management Trustee Company Limited	various	44,943 <sup>2</sup>	

1 During the year four directors exercised options under the "Outperform the market share option plan". On exercise, those directors received the value of the options in the form of ordinary shares in the company. The details of these transactions are given in note 5 to the financial statements "Directors' Remuneration".

2 Non-beneficial interest as trustee.

### Information used by directors

No member of the board of the company, or any subsidiary, issued a notice requesting to use company information received in their capacity as directors which would not otherwise have been available to them.

The July 2002 Annual Report contained in this publication is signed for and on behalf of the board of directors on 5 September 2002.



K R Smith  
Chairman



**Neil Raymond Plummer (Auckland)**  
*Non-executive Director appointed 5 October 1994*

Neil has over 30 years of experience in the retail industry with nearly 12 years service with The Warehouse and previous experience with Woolworths (NZ). Neil has been The Warehouse merchandise director and an executive board member of The Warehouse since the company listed in November 1994. Following his retirement as merchandise director in December 2001, Neil remains on the board as a non-executive director.

Neil is currently a non-executive director of McDonald Vadco Limited and Home and Leisure International Pty Limited.