

dear friends



The publishing of its annual report is an important moment in the year for any company. The annual report constitutes a formal statement of the company's annual financial results set out for the information and benefit of all its shareholders.

But beyond the regulatory requirements, the directors and management of The Warehouse have always used the annual report to talk to all of you, in plain non-jargon language, not only about the year's results but about the directors' plans and expectations for the future. And we've tried to do it in a way that will give you a "sense" and a "feeling" about the operation of your business beyond the dry facts.

We're in business to be profitable in ways that also protect our natural environment and the life quality of future generations. As a company we want to play our part in improving local - as well as global - social and environmental conditions to help build closer communities. I'm therefore proud to say that once again this year our annual report includes a summary report (starting page 37) on our "triple bottom line" which reports on wider issues related to building these closer communities, acknowledging that business has a responsibility to the community of which it is a part. The Warehouse is working to become a world leader in this respect.

This year we have taken the opportunity to review our director fees against the fees paid by other similar sized companies in both New Zealand and Australia. Our fees were last reviewed in November 1999 and given our significant growth we are proposing a resolution at this year's annual meeting to increase directors' fees. I fully support this resolution.

This year is the twentieth anniversary of the opening of the first little Warehouse store in Takapuna so this report sets aside a few pages to mark this significant milestone. As you'll see, we take a brief and nostalgic look back at those twenty years, comparing the past with the present, which I'm sure you'll find interesting.

However, starting in 1982, when we spent a whopping \$30,000, out of my initial \$40,000 investment, on two "intelligent" - for those days - cash registers, which enabled us to stock that first store with supplier-owned merchandise on "sale or return", The Warehouse has grown and prospered *not* by looking back but by looking *ahead*, grasping opportunities, and embracing new technology designed to reduce costs and increase profits.

However since the beginning we have always acknowledged that *the most important aspect of our success*, unquestionably, has been our "people first"-based philosophy to respect the needs and values of each one of our stakeholder groups. Those groups include our team members (there are now twelve thousand of them throughout Australia and New Zealand), our shareholders large and small, the communities in which we are a part of, our suppliers in New Zealand, Australia and around the world, where we support them at every opportunity and, of course, our ever-increasing band of loyal customers who chose to spend nearly two billion dollars with us in the past year.

The importance of this philosophy was brought home to me recently when a new team member in a senior position stated that after four years working in the United States she wanted to return home to work for a "values"-based organisation, and, after research, chose The Warehouse because she believed we were the best candidate that "walked the talk".

I have always believed that if we treat people as we ourselves want to be treated, if we care about providing a bargain to our customers so that their dollars go further and they have more discretionary income, and if we really care about the communities in which we trade, our environment and sustainability, then we have something special and unique that will continue to be recognised and admired, resulting in continued success for the company and its stakeholders for the next twenty years and beyond.

We recognise that the road to becoming a more sustainable company is a very long one, it is a journey that we have only recently embarked on and one that we appreciate is difficult to achieve. We know we have probably only reached the first mile of a thousand mile journey, however we are committed to keep working hard to achieve new milestones each year, measure them and report our progress to our communities.

I have been told by many that we have created a company with a "heart". In fact it's a formula of continuous improvement in which we have a thirst to *learn* new solutions each day so that we can strive to be a truly sustainable organisation. I believe we have the drive and commitment to continue to work towards this goal for as far into the future as we care to imagine.

S. R. Tindall - Founder

Caricatures courtesy of: New Zealand Herald, Murray Webb.