

# The Directors' Report

The directors of The Warehouse Group Limited ("the company") are pleased to submit to shareholders their annual report for the year ended 31 July 2003. Over the past year the company thoroughly reviewed the governance standards of the group in light of the recommendations of the ASX corporate governance council on good governance and best practice, and similar proposals from the New Zealand Exchange. The changes made as a result of that review are noted in the Corporate Governance section of this report.



Keith R Smith

B.Com, FCA. Chairman  
and non-executive director

## Directors

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

### Executive directors

S R Tindall, founder and acting managing director  
P G Inger, property director

### Non-executive directors

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

The above directors each held office as a director of the company throughout the financial year ended 31 July 2003.

Details of the directors' qualifications and experience are detailed in the Board Profile section of this report. Their special responsibilities and attendances at the date of this report, are set out in the table below.

## 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:

The main board met formally nine times during the financial year ended 31 July 2003. 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 controlled entities during the financial year ended 31 July 2003 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.

## Table of attendance at board and committee meetings

for the year 1 August 2002 – 31 July 2003

	No of meetings	Smith	Tindall	Avery	Challinor	Withers	Evans	Dahlsen <sup>1</sup>	Inger	Plummer
The Warehouse board	9	9	9	8	8	9	9	9	9	9
Audit committee	4	4	3	3	4	4	4	2		
Remuneration, talent and nomination committee	4	4	4	4	4	4	4	4		
Corporate governance committee	3				3	3	3			

<sup>1</sup> John Dahlsen ceased to be an audit committee member on 28 November 2002.

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 ordinary shareholders for the financial year ended 31 July 2003 was \$75.4 million (2002: \$82.2 million).

### 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 controlled entities that occurred during the financial year under review that are not otherwise disclosed in this report or in the acting managing director'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 partnership in which Mr J R Avery, a director, has an interest.
- The company paid commission, rent, supplier payments and other fees to companies in which Mr N R Plummer, a director, has an interest.
- The company paid accounting and other fees to a partnership in which Mr K R Smith, a director, has an interest.
- The company paid rent to a company in which Mr P G Inger, a director, has an interest.

The details of these transactions are given in Note 34 to the financial statements, "Related parties".

### Dividends and distribution

The directors declared a dividend of four cents per share on 4 September 2003. The dividend, fully imputed, will be paid on 24 November 2003 to shareholders registered at 5.00pm on 14 November 2003. This payment, together with the interim dividend paid on 22 April 2003, brings the total fully imputed dividend for the year to 14.5 cents per share (2002 ordinary dividend: 13.5 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 year 1 August 2002 – 31 July 2003

Security	Payment date	Payment type	Amount paid (\$000s)	In respect of year ended	
Ordinary Shares	25 November 2002	Final	12,199	31 July 2002	Paid
Ordinary Shares	22 April 2003	Interim	32,077	31 July 2003	Paid

### Remuneration of directors

The total remuneration available to non-executive directors is fixed by shareholders at the annual meeting. On 29 November 2002 shareholders approved the director fee pool limit at \$489,000.

Non-executive directors received the following directors' fees during the financial year ended 31 July 2003:

	2003	2002
K R Smith	75,000	65,000
J R Avery	50,000	40,000
R L Challinor	40,000	30,000
J Withers	40,000	30,000
G F Evans	50,000	40,000
J C Dahlsen	74,000	53,000
N R Plummer	50,000	23,333
<b>Total</b>	<b>379,000</b>	<b>281,333</b>

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 16 April 2003 the following directors were granted options independently valued at \$0.91 each in accordance with the 2003 share option plan. Except for P G Inger the options were granted in lieu of \$10,000 of director's fees.

J Withers	10,989
R L Challinor	10,989
P G Inger	225,000

### Directors'

## Options Holdings

as at 31 July 2003

	Options granted 16 April 2003	Options granted 18 March 2002	Options granted 16 July 2001
R L Challinor	10,989	20,000	19,157
G F Evans	–	–	19,157
P G Inger	225,000	–	170,000
J Withers	10,989	20,000	19,157

## Directors' Shareholdings

as at 31 July 2003

	Beneficial interest		Non-beneficial interest		Related party	
	2003	2002	2003	2002	2003	2002
J R Avery	–	–	74,253,420	74,254,920	405,145	405,145
R L Challinor	2,394	2,394	–	–	–	–
G F Evans	11,202	11,202	–	–	–	–
P G Inger	3,250,000	3,250,000	2,953,988	2,569,722	2,750,000	2,750,000
N R Plummer	543,879	543,879	–	–	–	–
K R Smith	–	–	78,039,404	77,656,638	54,300	4,800
S R Tindall	84,141,524	84,141,524	76,514,739	76,130,473	9,600	9,600
J Withers	6,414	6,414	–	–	–	–
J C Dahlsen	13,700	13,700	–	–	–	–

Major shareholdings in which more than one director has an interest in the same parcel of company 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 2002: 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 2002: 500,000 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 2002: 539,996 shares).

- Messrs P G Inger, K R Smith and S R Tindall held non-beneficially the same parcels of 2,953,988 shares (July 2002: 2,569,722 shares) as trustees of The Warehouse Management Trustee Company Limited.

### Share dealings

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

## Directors' share transactions

Share transaction	Date of transaction	Number of ordinary shares acquired/(disposed)	Dollar consideration
K R Smith and J R Avery as trustees of the Selwyn Trust	01/04/2003	(1,500) ordinary	\$8,355
K R Smith, S R Tindall and P G Inger as trustees of The Warehouse Management Company Ltd	Various	384,266 ordinary	Pursuant to the Trust Deed

### Substantial security holders

The following information is given in accordance with section 26 of the Securities Amendment Act 1988. According to notices received the following persons were substantial security holders in the company as at 30 September 2003:

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

### 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 employees of the company 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.

To manage this risk the company has indemnity insurance with a highly rated insurer. The total cost of this insurance during the year ended August 2003 was \$38,300.

### Information used by directors

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

Signed on behalf of the board of directors on 4 September 2003.



K R Smith  
CHAIRMAN