



TRIPLE BOTTOM LINE REPORT



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Our report to you

This, our third Triple Bottom Line¹ report is published in conjunction with the Annual Report for The Warehouse Group Limited for the year to 31 July, 2003, which contains a full financial review on the company and is published on its website www.thewarehouse.co.nz

This document provides some top level financial figures about our company but is aimed at enabling stakeholders, including the community, our customers, our team members, our suppliers and our shareholders, to monitor our progress towards business "sustainability"² in which we seek to assess, and actively improve, the social and environmental characteristics of our business. This is a goal that we are strategically committed to, and seek to integrate more fully into our day-to-day operations in the future, both in New Zealand and in Australia, where we are at an earlier stage of our journey into "sustainability."

The Global Reporting Index³ continues to guide the manner in which we have presented this report although it does create some duplication of content from our Annual Report. In the future we are looking to more complete integration of both reports. This year we have invited Landcare Research⁴ to review and comment upon this report and the activity and data beneath it.⁵

¹ Triple Bottom Line Report / Sustainable Development Report: seeks to assess and report on the social and environmental performance of a business in addition to the more commonly reported financial performance

² Sustainable Development: most often defined as "development that meets the needs of the present without compromising the ability of future generations to meet their needs"

³ Global Reporting Index: set of internationally referenced guidelines for Sustainable Development Reporting

⁴ Landcare Research is one New Zealand's independent Crown Research Institutes (CRIs)

⁵ See Page 35



Dear Friends



Stephen R Tindall Founder & Acting Managing Director

Sustainable retailing is a journey. Every step and every contribution matters. Our activities for the past year demonstrate the strong foundation we are building to help us become a more sustainable business.

It is pleasing to see our team members' commitment to The Warehouse's sustainable retail efforts, none better highlighted by

The Warehouse New Zealand Apparel team's success at eliminating over 14 tonnes of unnecessary packing over the 2003 Winter¹. An increasing number of suppliers have also joined us in endeavouring to improve their environmental

We are heartened by the progress made by fellow members of the New Zealand Business Council for Sustainable Development⁵ and the Sustainable Business Network.⁶

We acknowledge the ongoing contribution and inspiration provided by many individuals and organisations.

In particular, this year we would like to thank Landcare Research and their Enviro-Mark program,⁷ Parenting with Confidence⁸ for their work on behalf of New Zealand families and our suppliers who supported their work so generously, The Warehouse Red Shirts 'N Schools'⁹ team, Clean Up New Zealand¹⁰ teams and all The Warehouse team members who contributed to the results contained in this report.

Thank you for your interest in this aspect of our growth as a company and in the wider movement to align business outcomes to a sustainable future.

Sustainable retailing is a journey.

Every step and every contribution matters.

performance.² It is pleasing also to see the early progress being made by The Warehouse Australia and Warehouse Stationery, especially their efforts to connect to the local communities in which they operate.³ Finally, our customers tell us that they can see our efforts and that they view this favourably.⁴

Sustainable development and Triple Bottom Line reporting simply reflect our intention as an organisation to act in a manner that preserves and helps improve the quality of life and environment for generations to come. Because we touch the lives of so many people, we at The Warehouse have a fantastic opportunity to make a positive difference. We also have a responsibility to understand the impact we make on people and the environment.

Stephen Tindall

FOUNDER & ACTING MANAGING DIRECTOR

¹ See page 18

² See page 24

³ See page 30, 32

⁴ See page 21

⁵ www.nzbcscd.org.nz

⁶ www.sustainable.org.nz

⁷ www.enviro-mark.com

⁸ www.parenting.org.nz

⁹ See page 15

¹⁰ www.cleanupnz.org.nz

Business Profile

The Warehouse New Zealand

We are a leading retailer with a business based on offering value for money to our customers in New Zealand and Australia.

In terms of the growth in our floor space and sales we have been New Zealand's fastest growing non-food retailer over the past 21 years.

In the 2003 financial year, the sales for our Red Shed operations in New Zealand totalled \$1351 million and earned an operating profit of \$146.6 million. Our sales on a same store basis (a figure that removes the impact of new store openings) rose by 5.6 percent.

We are committed to delivering lower prices to our customers and to increasing the sizes of our stores and the number of locations in which we operate. At the end of the financial year we had 80 Red Sheds in New Zealand, having opened five new stores during the year. Three were replacement stores and two were stores in new locations.

We are planning to open nine new stores in the coming year, four in new locations (Te Kuiti, Snells Beach, Dargaville and Waipapa) and five replacement stores (Whangarei, Hawera, Masterton, Matamata and Henderson).

The Warehouse New Zealand	2003	2002
Sales (\$m)	1,351.0	1,261.6
Operating Profit (\$m)	146.6	140.1
Operating Margin %	10.9%	11.1%
Stores	80	78
Retail Space m ²	360,055	330,343
Operating Assets (\$m)	448.2	403.7

Warehouse Stationery

This operation focuses on the domestic small-office and home-office market and last year its sales rose 32.3 percent to \$164.5 million and its operating profit 121.7 percent to \$9.4 million.

This business operates 39 stores, up from 36 a year earlier, and it launched a business-to-business retailing strategy in

October 2001, which offers small-to-medium size enterprises products via the internet, a call centre or through sales representatives.

Our B2B sales rose by nearly \$13 million to \$16 million in the past year and this operation is expected to achieve breakeven by July next year. This venture now has more than 10,000 customers in the small-office, home-office and small-to-medium size enterprise market.

Warehouse Stationery	2003	2002
Sales (\$m)	164.5	124.4
Operating Profit (\$m)	9.4	4.2
Operating Margin %	5.7%	3.4%
Adjusted Operating Margin %*	8.2%	6.9%
Stores	39	36
Retail Space m ²	45,918	40,406
Operating Assets (\$m)	56.6	36.7

* Excluding the B2B operation.

The Warehouse Australia

In August 2000 we purchased an Australian retail chain operating as "Clints Crazy Bargains" and "Silly Solly's."

Now known as The Warehouse Australia, this operation consists of 130 stores, a net increase of ten stores in the past year.

Our Australian sales were A\$463.3 million last year, an increase of 17.5 percent on those of the previous year. An operating loss of A\$11.9 million was incurred compared with a profit of A\$2.2 million a year previous, and while this is disappointing, we believe the issues relating to that were executional rather than strategic in nature.

During the past year the Australian business underwent significant changes. These were important to enable growth, but they created an element of disruption that was unhelpful to our overall sales and earnings.

Over a period of 13 months we closed and relocated the Blacktown Support Office, closed the Blacktown Distribution Centre and relocated stocks to Mount Hemmant, closed the Mount Hemmant Distribution Centre, and relocated to our new state-of-the art distribution facility at the Port of Brisbane.



We established a single brand within the business with the older legacy stores re-branded "The Warehouse," opened 22 new larger format stores and closed 12 small old format stores. We also implemented two systems that are well proven in our Red Sheds, the merchandising system (TUI) and the inventory management system (TOLAS), in addition we implemented the Oracle financial reporting system.

In the coming year we are focusing on increasing sales per square metre, improving our range and merchandising capabilities, improving stock availability and our marketing and brand awareness. We will also be leveraging the

benefits available from our new Queensland Distribution Centre, opening more stores and working to reduce our cost of doing business.

<i>The Warehouse Australia</i>	2003	2002
Sales (NZ\$m)	519.4	476.0
Operating Profit/Loss (NZ\$m)	(13.4)	2.6
Operating Margin %	(2.6)	0.6%
Stores	130	120
Retail Space m ²	238,470	191,341
Operating Assets (NZ\$m)	193.5	138.8



The Warehouse Store South Dunedin

Corporate Governance¹

Role of the board

The board of directors of the company is elected by shareholders to supervise the management of the company and its subsidiaries.

The board's role is to look after the interests of shareholders and other stakeholders and to ensure the company is properly managed. The board draws on the best practice principles of corporate governance to undertake this role.

The functions of the board include reviewing and approving corporate strategies, overseeing and monitoring the company's performance and management's progress towards achieving the company's strategic goals.

Other functions include the monitoring the company's financial performance, approving the annual and half-year financial reports and liaising with the company's auditors.

The board is also responsible for the appointment and the annual assessment of the performance of the chief executive officer and members of the senior executive team.

It must also ensure effective management processes are in place and approve significant corporate initiatives. Other aspects of the board's role are promoting ethical and responsible decision-making within the company, identifying and ensuring that the significant risks facing the company and its controlled entities are monitored, reported on and controlled as far as possible. Reporting to shareholders is another board responsibility.

To ensure it undertakes its responsibilities in an effective manner, the board has performance reviews for individual directors, has four board committees² (Audit; Remuneration, Talent and Nomination; Corporate Governance and Disclosure Committees³) looking at specific areas of the business and ensures that all its members operate within a documented Code of Conduct.

Board composition as of 4 September 2003

Director	Membership classification	Committee membership			
		Audit committee	Remuneration, talent and nomination committee	Corporate governance committee	Disclosure committee
Keith Smith	Non-executive (Chairman)	Member	Member	–	Chairman
Stephen Tindall	Executive	–	Member	–	Member
Glen Inger	Executive	–	–	–	–
John Avery	Non-executive	Member	–	–	–
Joan Withers	Independent	Member	Chairman	Member	–
Graham Evans	Independent	Member	Member	Chairman	–
Neil Plummer	Non-executive	–	–	–	–
Rob Challinor	Independent	Chairman	–	Member	Member
John Dahlsen	Independent	–	–	–	–

¹ A full Corporate Governance Section can be found in our Annual Report 2003

² The terms of reference for all Board Committees can be found at www.thewarehouse.co.nz

³ Membership also includes Chief Financial Officer and Secretary to Board





The Warehouse Group Head Office Auckland New Zealand

The Code of Conduct addresses confidentiality, trading in company securities, the receipt of gifts and entertainment, transparency and the avoiding of conflicts of interest, the use of company information and assets, the delegations of authority and the processes for reporting and resolving ethical issues.

These principles also extend to workplace responsibilities, doing business in an environmentally-responsible manner, the interaction with customers and suppliers and being a fair competitor in all the markets in which it operates.

Team Members

Introduction

"Where people come first" is one of our three values. Like all values, it is something we aspire to, something against which we continually measure ourselves and try to improve.

Our goal is to create an environment where we attract, develop and retain the best people and enable them to give of their best. To achieve this goal we have focused our people initiatives on creating a high-performance learning environment.

Team Member share ownership

During the year we launched our Team Member Share Purchase Scheme to our Australian team members. Under this plan, team members are able to purchase A\$2,340 worth of Warehouse shares through an interest-free loan. The loan is paid off over three to five years with the team member receiving dividends accruing to those shares over this time. Within New Zealand, the scheme operates under section DF7 of the Income Tax Act 1994.

People First Survey

We also introduced a new team member survey tool that focuses on measuring team member engagement. Engagement is a measure of whether a team member would say good things about working at The Warehouse, has a desire to stay with The Warehouse and is motivated to strive for higher performance - the "say, stay, strive" measure. The survey is to be conducted each May and there is a significant focus placed on post-survey action planning – making changes to improve the work environment, based on feedback received through the survey.

The survey tool is provided by Hewitt Associates, an external consultancy with significant international expertise in engagement surveys. By using them we are able to compare our engagement results with other employers, both within New Zealand and overseas.

In our first engagement survey this year:

- *81 percent of team members said "given the opportunity, I tell others great things about working here"*

- *84 percent of team members "would not hesitate to recommend The Warehouse / Warehouse Stationery to a friend seeking employment"*
- *78 percent of team members said "The Warehouse / Warehouse Stationery inspires me to do my best every day"*

Employee Assistance Programme

To help ensure the well-being of our team members, we offer them access to the services of independent professional counsellors through our Employee Assistance Programme (EAP). The programme pays for team members to attend up to three sessions with a counsellor during work time. In the past year 211 team members used this service, with the average being 2.39 sessions per team member.

Diversity

Equal Employment Opportunities

We are an equal opportunity employer and have been a member of the EEO Employers Group since 1997. The EEO Trust (www.eeotrust.org.nz) encourages people seeking work to look for jobs with EEO Employer Group members.

Team member benefits

Team members have access to a range of benefits, these include:

- *Long service leave*
- *Staff discounts*
- *Sports leave*
- *Staff share purchase plan*
- *"Planit" personal financial planning service*
- *Discounted group medical scheme*
- *Paid birthday day off*
- *Annual staff conference*
- *Wellness support policy*
- *Employee assistance programme*
- *Team member uniforms*



Attrition rate

The team member resignation rate for the past year was 27.4 percent, up from 23.5 percent in the previous year. The primary drivers for team members choosing to leave The Warehouse were for personal reasons and opportunities for career progression outside of The Warehouse.

Whilst there has been an increase in attrition since last year, the retail sector typically has a high turnover and our attrition rates are below the average for the Australasian Retail Sector (33 percent).

Team member attrition rates

July 2001	30.4%
July 2002	23.5%
July 2003	27.4%

Workforce Analysis**Employment profile (as at July 2003)**

Number of Team Members	Full-Time	Part-Time/Casual	Total
Warehouse Stationery	532	436	968
The Warehouse (NZ)	3,410	4,313	7,723
The Warehouse (Aus)	1,673	4,944	6,617
TOTAL	5,615	9,693	15,308

Geographic Split

New Zealand	8,691
Australia	6,617
TOTAL	15,308

Full-Time Equivalent Units

	July 2003	July 2002
Warehouse Stationery	685	578
The Warehouse (NZ)	5,147	4,670
The Warehouse (Aus)	2,173	2,109
TOTAL	8,005	7,357

The number of team members rose from 11,988 in July 2002 to 15,308 in July 2003. This increase reflects greater recruitment of part-time and casual team members. The current work force is made up of 5,615 full-time team members and 9,693 part-time and casual team members.

Recruitment and Selection

A new recruitment and selection process was introduced in 2002 and over the last 12 months we have reviewed and refined the process to support a simplified but targeted recruitment and selection.

Training in recruitment and selection has been integrated with our Management Development Framework to ensure all new appointments to leadership roles receive the skills necessary to ensure selection of the best people.

Our recruitment process ensures candidates go through a consistent, fair and objective process to ensure the best person for the role is selected. The success of our recruitment process is evidenced by our low attrition rate relative to

external benchmarks, reduced timeframes to recruit for a vacancy (current average time to recruit is seven days) and our ability to take advantage of lower cost recruitment methods.

Payroll and HR Information System

During the past year we have introduced a new Time and Attendance, Payroll and HR Information System supplied by PayGlobal. Initial focus for implementation of the integrated system, known as HORIS, has been on the time and attendance and payroll system to support increased labour efficiency and reporting within stores.

Team Members

Over the next 12 months our further focus will be on implementing a labour scheduling tool to better improve the scheduling of team members to match workloads and utilising the people modules within the system to support our people strategies.

Management Development Framework

Our Management Development Framework has been established to ensure that all managers at The Warehouse are competent in the range of skills and behaviours required to carry out their role effectively. The framework also ensures that any team member interested in a management role has a clear understanding of the competencies and behaviours they will be required to develop and demonstrate.

- *Recognise and encourage performance that delivers superior results.*

During the last year we have established a broadband remuneration structure for all salaried team members to support broad based skill development and continuous performance improvement. For team members on wages we have introduced performance based pay-scales aligned to our performance management framework and the development of specialist skills. This enables team members to be recognised for their performance as well as the skills required for their role.

All permanent team members are eligible to receive incentive payments based on the business performance and the team member / team's contribution to that success.

Our goal is to create an environment where we develop, attract and retain the best people and enable them to give of their best.

All Warehouse managers are assessed against the framework through the performance management process, any development needs identified and a plan implemented to develop these competencies. Additionally, for all new managers there are "required training" elements which are programmes that new managers are required to attend within a specified period following their appointment.

The Management Development Framework ensures all Warehouse managers demonstrate a consistent level of practice in core Warehouse Management Competencies and we have a talent pool of new managers across the business to compete for all management vacancies, increasing the level of internal promotions into management positions.

Remuneration

The Warehouse's Remuneration Strategy objectives are to:

- *Ensure remuneration practices support the achievement of our key business drivers;*
- *Enable The Warehouse to attract and retain the best people;*

Performance Management

Our performance management framework was launched in 2002 focusing on providing leaders with the skills and competencies to encourage and support team members to give their best.

Over the last 12 months we have refined the framework, reinforcing training to managers and team members and



strengthening the alignment between individual objectives and key performance indicators as the key drivers for business success.

We have also focused on utilising the outcomes of performance reviews as an input to changes to remuneration to reinforce a performance culture.

Health And Safety

Our vision for Health and Safety is to create "a place of work where no one is injured through environmental or unsafe acts". The lost time injury frequency rate (LTIFR) or the number of work-related accidents resulting in lost time per 100,000 hours worked is a tiny measure of how we are progressing in achieving our vision. As at 31 July 2003 our LTIFR was 2.21 which continues the downward trend from 2.71 in 2002.

Initiatives put in place in the last 12 months include the training of 350 managers in Health and Safety with specific focus on improving manager understanding and knowledge and skills to create a safer work environment. This training has been backed up by specific health and safety objectives for managers. There has also been significant focus placed on implementing key strategies to address risk areas including hazard management, contractor management and critical incident management.

The Warehouse and Warehouse Stationery have continued as accredited employers under the ACC Partnership Programme at secondary level reflecting our high safety management standards.

In the 2002/2003 financial year there were no prosecutions under the Health and Safety in Employment Act 1992. There has been only one prosecution of The Warehouse (in 2001) since 1997.

Warehouse People Union is the organisation that represents union members from The Warehouse and Warehouse Stationery.



Membership

The collective contract relating to non-union team members expired on June 30 this year, which meant that staff members were faced with the decision of either joining a Union, and therefore remaining on a collective agreement, or moving to an individual contract. The Union visited all stores throughout the country and as a result of this Union membership increased by 88 percent. Current membership is 2,350 people, which amounts to 33 percent of the total number of The Warehouse team members in New Zealand.

Collective Agreement Negotiations

Ratification of new collective agreements was achieved in August this year for both The Warehouse, and for the first time, Warehouse Stationery union members. New pay scale and career steps were agreed for the Distribution Centres, as were revisions to the overall pay scale to provide better opportunities for individual advancement and to recognise specialist skills and jobs. Negotiations during the year upheld the "good faith bargaining" requirements of the Employment Relations Act.



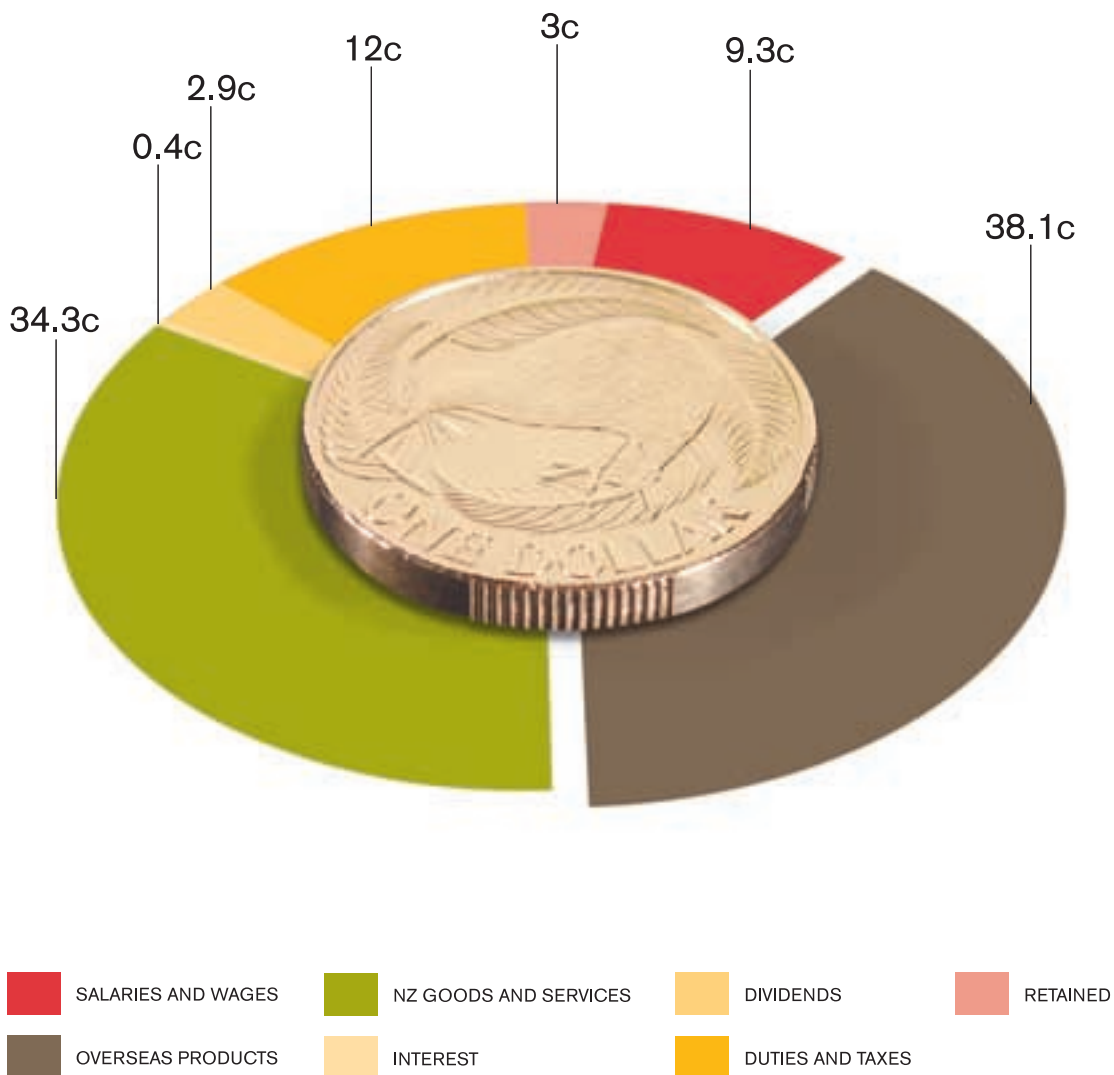
The Warehouse Dollar 2003

Where your money goes!

When you spend a dollar in one of our Big Red Sheds you might have wondered where it goes.

Even though imported products are a very important part of the exciting range of goods we sell, about 62 cents in every dollar you spent with The Warehouse this year was initially retained and circulated within the New Zealand economy. Selling "The Warehouse" Bargains to New Zealanders enabled

us to directly employ 3410 fulltime and 4313 part time team members across the country. Approximately 12 cents in the dollar goes to the government in taxes and duties. Goods and services purchased in New Zealand, including NZ made products which we sell, account for a further 34 cents. Our mostly New Zealand shareholders received dividends of around 3 cents for every "dollar" purchase and we were able to retain 3 cents within the company to invest in future growth.



The Community

Community Initiatives

With 80 stores throughout New Zealand, more than 7000 team members and nearly 950,000 paying customers per week, The Warehouse is interacting with a large cross section of the New Zealand population on a daily basis. In addition to our commitment to provide great value products our recognition of the importance of the communities within which we operate is reflected in the special section of our strategic dashboard¹ now occupied by Community and Society.

Our initiatives in this area encompass a diverse range of activities such as The Red Shirts in Schools program, our community fundraising and sponsorship activity, our Social Audit study of rural town impacts, public meetings associated with the establishment of new stores, and our ongoing efforts to minimise waste and maximise recycling. Through our New Zealand Business Council for Sustainable Development membership we are involved in key projects such as the Youth Employment Project, in partnership with the Mayors Taskforce for Jobs.

Rural Store Impacts – Dannevirke case study

The Warehouse Dannevirke opened in July 2001. At that time we commissioned Social Audit New Zealand¹ to survey the local business community about the perceived state of the local business district and the anticipated impact of this new store. A follow up study of this group was carried out 18 months later in addition to a household survey.

The three components of the social impact assessment were:

- A questionnaire survey of retail and other businesses located in Dannevirke;
- Key informant interviews.
- A telephone survey of almost 300 households

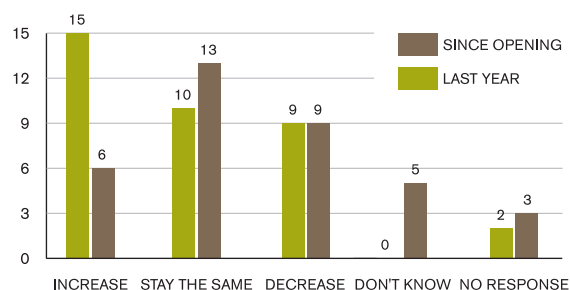
A total of 36 businesses (out of 84 in the city) responded to the questionnaire survey. The survey was supplemented with 15 more businesses by interview, and four key informant interviews. A telephone survey was also conducted which

reached 289 households. Results from the business survey were compared to the equivalent survey conducted when the store first opened.

The research found that the arrival of our store was generally viewed positively, and in particular, several local businesses supported the idea that we are acting as an anchor for the local shopping district. The information below is extracted from the survey.

Impact on other Businesses

Businesses were asked what effect the new Warehouse store had had on their sales volume, both the change over the last year and since it opened.



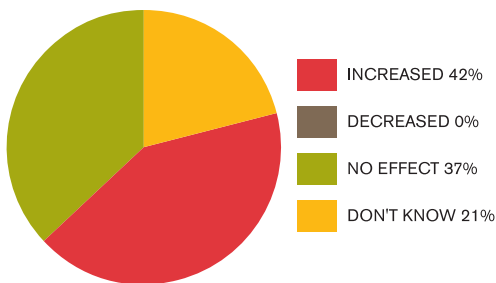
- Over 40 percent of businesses recorded an increase in sales over the last year while only 16 percent had experienced a rise over the whole 18 month period of The Warehouse's operations.
- A quarter of firms experienced a decrease in sales over both the 12 and 18 month periods.
- The six businesses that commented, which experienced either increases or decreases in sales, said that The Warehouse was not the cause of the change. The state of the rural economy was seen as a much more important determinant.

¹ www.socialaudit.co.nz



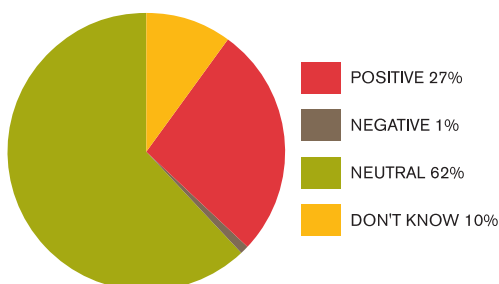
Impact on the Range of Goods

A large format retailer can also increase the range of goods available locally, especially in a town where other national chains have closed. This is indeed the perception of Dannevirke residents. Forty two percent of the sample believe the range of goods available locally has improved since The Warehouse opened and no-one felt the range had diminished.



Impact on the Range of Shops

Fears are sometimes raised that the introduction of a new Warehouse store to a rural town such as Dannevirke will restrict the range of retail choices available to shoppers. This fear does not seem to be borne out in Dannevirke. Just over a quarter of the sample think the opening of The Warehouse has had a positive impact on the range of shops. Only three households (1 percent) think it has been negative. Over 60 percent think it has had no effect.



We intend to continue to monitor the effects that our business is having on the Dannevirke community, so that we can better understand the social impacts that our operations have on all such communities and we are continuing to develop programmes that measure and improve our community responsiveness.

Red Shirts 'N Schools

Red Shirts 'N Schools is about having our team members develop helpful and productive relationships with their local primary, intermediate and secondary schools throughout New Zealand.

It's about providing a hand up for schools and their students by having our team members sharing their skills, experiences, facilities and equipment and working in partnership with schools and their students. It is not about providing handouts.

Between September last year and February this year the scheme was launched to all our Area and Store Managers, who were introduced to the vision and objectives of the programme and the 'tools' required to make it happen.

At the end of the business year 48 stores have established relationships with schools and of those, 38 had completed activities involving them. The target for the first year of the programme was for each region to develop partnerships with four schools, making a total of 36 partnerships nationwide.

The activities of Red Shirts 'N Schools are being celebrated with team members through the bi-monthly internal newsletter, The Red Shirts Rave.

Activities undertaken so far include working with schools in areas such as science fairs, zero waste schemes, work experience, social responsibility, book launches, planting and landscaping programmes, as well as safety, career, sports, tuition and special interest activities like fashion.



Red Shirts Programme in action at Albany Store

The Community

Zero Waste

We are currently reviewing our Zero Waste program, which had the goal of having all our stores providing customer-recycling services by the end of 2002.

Although we are still sending all recyclables and landfill to three central points for further sorting, we have identified a number of issues that need to be resolved.

Firstly the quality of materials collected varies widely from store to store and that means our landfill residue often contains materials that could be recycled. It also means that separated recyclables are frequently contaminated by landfill material, which cannot be recycled.

Secondly, the practice of sending residual landfill to our recycling centres prior to final disposal is inefficient.

The likely outcome of our review will be a new system that offers more incentives for greater care to be taken in the separation and recovery of recyclables, is more efficient, and which utilises local disposal for any residual landfill.

Unfortunately the introduction of customer recycling stations at the entrance to our stores has compounded the problems we have encountered, as many users ignore our recycling messages and indiscriminately use our recycling receptacles as "rubbish bins". Our review will encompass ways in which we might improve these behaviours.



Global Warming Reductions

This year The Warehouse has continued to devote resources to reduce and limit our energy consumption and greenhouse gas emissions through remote automated control systems and the responsible use of air conditioning refrigerants.



Remote monitoring of store air conditioning

With our extensive expansion through new retail stores and distribution centres, the energy team has focused on new innovations to reduce energy consumption and raw materials used. Large store and distribution centre designs now use centrally located dry-type main distribution transformers to limit the size of low voltage mains and sub-mains cables. There are two main benefits from this approach: less energy lost and reductions in the size and length of conductors used – 400kg of copper is estimated to have been saved at our South Island Distribution Centre. The dry-type transformer is also recyclable at the end of its life and due

to its non-combustible make-up, no building materials are needed to inhibit possible spread of fire or oil spillage.

Lighting and energy system management design changes were implemented in the original part of our Wiri distribution center this year. This has cut energy consumption in half with energy savings of 1200 megawatt hours per annum. Both our new distribution centers in the South Island and Brisbane, Australia have had similar energy management systems installed and show similar projected energy savings (50 percent) compared with previous system designs.

As the global warming debate is heating up, there is world-wide industrial research and development occurring in the area of refrigerants – the gases used in air conditioning and refrigeration systems. The Warehouse has taken the initiative in the retail industry by working closely with a local manufacturer to produce one of Australasia's first 90kW roof top air conditioners using the less environmentally damaging 410A refrigerant. This has better energy efficiency and is not an ozone depleting refrigerant. Over the next year The Warehouse will be phasing out the use of equipment that contains ozone depleting refrigerants in new installations. Instead, we will be specifying equipment using ozone friendly HFC type refrigerants such as 410A. We are also committed to using 'natural' refrigerants, such as CO₂, wherever possible in the future.

To maintain our leadership in the retail industry and in particular, the management of energy and our energy consuming equipment, we are continuing our development of Information Technology systems related to this. These systems will allow us to monitor and manage our energy consumption and plant in more detail than we do presently. The results from these systems will be able to be reported in more detail in the next few years. The impressive savings already documented at our distribution centres are but one good example of what these systems can achieve.

Saving power and money – the ECO-WRAP story

A star sales performer during the winter of 2003 was ECO-WRAP, a product made by Autex Industries of Avondale that offered buyers an easy way to reduce their electricity bills.

The ECO-WRAP is an easy to install polyester fibre-based hot water cylinder insulating blanket that delivers power and money savings, especially when installed on older model hot water cylinders.

As well as selling this directly through our stores, we successfully tendered for a contract to supply Waikato-based WEL Networks Limited, with ECO-WRAP's through our three Hamilton branches.

The wraps were free to approved WEL Network customers, having been paid for and promoted by the WEL Energy Trust (www.energy-trust.co.nz) The scheme allowed customers to buy the wrap using a WEL voucher, redeemable only at our stores.

WEL Networks has calculated that the programme will enable its ECO-WRAP customers to save a total of some \$308,340.00 and about 3,751,000 kW of power in the first year of the wraps being installed.



Co-sponsored by
Genesis and ECCA



Major Sponsor

The Community

Packaging Reduction: Simple changes – BIG impacts.

Apparel packaging issues would appear to be fairly minor with most clothing in our stores being hung from reusable hangers. However behind the scenes it's a different story as our apparel team discovered when they first took up the challenge of eliminating unnecessary packaging. Look at these before and after statistics.

Plastic outer carton strapping

Winter 2002 (six month season)	784,000m
Winter 2003	91,116m
Reduction	88.4%

Garment wrapper bags

Winter 2002	980,000 bags
Winter 2003	225,760 bags
Reduction	77.0%

In addition the recyclability profile (plastic type) of the wrapper bag was improved from 35 percent in 2002 to 92.3 percent for Winter 2003. The above reduction in the number of garment wrappers per shipper carton also created substantial but unspecified savings in handling labour.

The approximate combined effect of these two initiatives was a landfill diversion or materials savings of some 14.25 tons of plastic!



Property

During the past year we continued with our building programme, gaining resource consents for five new stores and for our Clothing Distribution Centre.

We have held Public Meetings in Te Kuiti, Dargaville, Snells Beach and Keri Keri to gauge public opinion on establishing stores in these areas. Each of these meetings was attended by more than 350 people and at all the meetings there was clear majority support for us establishing a store in the area concerned.

We recently received a Heritage Award from the Invercargill City Council for the restoration of the Tram Barn and Powerhouse buildings shown in the before and after pictures below.





One of The Warehouse's small appliance factories in China

Helping lift world workplace standards

Working conditions in the developing world are a contentious issue in today's global economy.

As a major purchaser of goods from such countries, we actively seek assurances about supplier performance on human rights and working conditions. We are also working with a range of groups to effect improvements in these areas.

In the coming year we intend co-sponsoring a Verité, "Factory Work Hour Study" into the extent of overtime use in footwear and apparel supplier factories in China. "Verité" is Massachusetts organisation that is one of the most reputable independent, non-profit social auditing and research organisations involved in the area of improving working conditions in the developing world.¹ The study which will involve some of our suppliers, among others, aims to clarify the physical, psychological, economic and social impacts of overtime work on those working in such factories.

¹ www.verite.org

PACIFIC BRANDS

Pacific Brands is a leading clothing brand supplier to the Australasian market and one of our important suppliers. They have been developing their Social Compliance Programme over the past four years and have been actively auditing social compliance within their supply chain for the past two years. Their published Code of Conduct reflects the responsible apparel production standards established by leading apparel producers such as Jockey International and Marks and Spencer.

They, like us, work collaboratively with their suppliers to effect improvements and to ensure that factories in the developing world that supply them, provide the basic living and wage conditions that we believe are fair to those that such suppliers employ.



The Community

Community Fundraising and Sponsorship

For the twelve months ending July 2003 The Warehouse New Zealand utilised its personnel and resources to raise \$2.2 million for community organisations and charities.

During the year, this support included:

- *The traditional BBQs outside The Warehouse stores: \$921,145*
- *The Warehouse Supplier Golf Day and Charity Dinner: \$353,000 for Parenting with Confidence.*
- *Participating in National Fundraising Campaigns for charities such as the Cancer Society, Guide Dogs, and The Variety Club.*

In addition The Warehouse provided free mailer coverage to the "Reduce Your Rubbish Campaign" in association with Regional Councils in May 03. We supported the Target 10 percent Power Saving Campaign in June 03 by donating \$4000 worth of The Warehouse shopping vouchers as prizes for a primary and intermediate school competition to design power saving posters. Our team members again lent their support to the Clean Up New Zealand campaign which attracted 155,000

participants. Other major sponsors for the 2002 campaign were McDonalds New Zealand and DDB Advertising.

Fundraising Aug 02 – Jul 03

Golf Day and Supplier Dinner	
– Parenting with Confidence	\$353,000
Stores – BBQs	\$921,145
Stores – Other	\$699,731
National Campaigns	
Cancer Society Jun 03	\$47,918
Guide Dogs Apr 03	\$41,396
Variety Club Feb 03	\$26,343
Breast Cancer Oct 02	\$10,965
Canteen Oct 02	\$37,006
RSPCA Oct 02	\$4,214
Cancer Society Aug 02	\$78,090
Project Kiwi	
– Financial Services Sponsorship	\$53,872
	\$2,273,680



Our Customers

Customers

"We set out with one simple concept in mind. To put the customer first and let everything else, every business activity and consideration, flow from that principle"

This year we calculate that New Zealanders will visit our stores approximately 100 million times! – proof that our "Where everyone gets a bargain" message is as compelling as ever. Our foot traffic and transaction count continue to grow along with our expanding footprint.

The team consists of Call Centre specialists whose training programme includes product knowledge, procedures and the customer first philosophy.

The system has been developed to capture customer feedback on product performance, and other purchase issues which are then passed back to the relevant business unit.

Caller surveys indicate that this is a very effective way of addressing customer concerns and retaining customer loyalty.

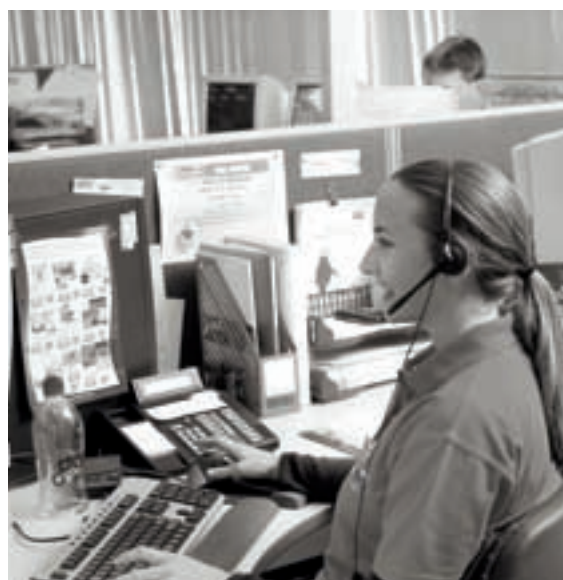
Financial Year End July 31	2000	2001	2002	2003
Average Sale	\$26.29	\$27.20	\$27.41	\$27.13
Paying Customer Count	38,833,532	42,767,150	45,815,403	49,702,310
Publicly Notified Recalls	4	3	3	0

We continue to survey customer attitudes via quarterly household surveys along with customer focus groups. As the table below indicates The Warehouse brand attributes which score particularly highly with customers are those centred on price and value.

Brand Attribute	Agree
Always happy with the price I pay	69.34%
Is good value for money	67.28%
Always has low prices	82.07%
Is a store for everyone	73.35%
Is New Zealand	69.29%
Sample Size: 1000	Ave prev.12 mths

Customer Feedback

In June 2003 The Warehouse New Zealand established a national customer Call Centre in the Auckland Support Office.



Customer Call Centre



The Warehouse Dashboard

The Dashboard that sets our direction

We call it the dashboard. It's our simple explanation of how everything we do fits together.

Sustainable development or Triple Bottom Line reporting looks at the social and environmental dimensions of companies.

As you can see from the dashboard chart the community and society section is linked to all the other key performance areas which provide the commercial foundation for our vision of sustainable development.

The sections of our Dashboard are:

- **The core**
– Our Core Purpose and Values.
- **Ring 1**
– The Virtuous Circle of Retailing
– Our Success Areas.
- **Ring 2**
– Our Success Indicators.
- **Ring 3**
– Our Programs of Work.
- **Ring 4**
– How we measure our success.

While our programmes of work will change from month-to-month and year-to-year, our success areas and success indicators remain a consistent aspect of our operations.

We believe in following a virtuous circle of retailing which starts with our team, whose skills enable us to be more efficient, to keep our costs down and to allow us to continue to provide our customers with exciting products at bargain prices, which in turn lifts our sales.

These sales deliver profits and growth for our shareholders and also enable us to reinvest in our community and society, and of course in the careers and rewards that we are able to offer our team members, completing the circle of our operations.



Our Suppliers

The Warehouse Environment Award 2003 Winner: Aerosol Products

New Zealand's largest aerosol manufacturer Aerosol Products has been a supplier to The Warehouse for six years.

They have been recently accredited with the Enviro-Mark Gold standard in Environmental Management, a standard that requires them to document evidence of their continuous improvement in Environmental Management.

In gaining accreditation Aerosol Products had to address a unique set of challenges, including the way they manage the more than 700 chemicals they have stored on site.

Their accreditation to Enviro-Mark Gold was built on their previous accreditation to Enviro-Mark Bronze and Silver Standards.



Stephen Tindall and Ivan Paul M.D. Aerosol Products Receiving The Warehouse Environment Award and the Enviro-Mark Gold Certificate



For further information view
www.Enviro-Mark.com or Phone
Landcare Research on 03 325 6700

Aligning our supply chain with The Warehouse values and the principles of sustainable development is a challenging and complex task.

For example, we have over 2,500 merchandise suppliers and nearly 3,000 non-trading suppliers and we source merchandise from more than 54 countries. The goods we sell are classified into 23 major categories and 719 subsidiary categories. Each product has its own unique social and environmental impacts throughout its lifetime of use. Each different country of origin may also have quite different local laws and regulations.

Benchmarks + Policies

In August 2002 we published a revised Terms of Trade document, and a packaging guide which is available in English and Mandarin on our website. We are also currently reviewing our internal environmental policy as part of a process to move a representative store to the Gold Level of the Enviro-Mark* standard, which we currently hold at the Bronze level.



Enviro-mark Programme

This year we and ten other New Zealand suppliers and manufacturers have been participating in the Enviro-Mark "Going for Gold" Health Safety and Environmental Management training and Enviro-Mark accreditation programme.



Supplier dialogue

We began to intensify our social compliance and environmental performance discussions with leading importing suppliers such as Pacific Brands (see page 19).

In December 2002 we provided a briefing to all our New Zealand-based importing agents on our new Terms of Trade documents and related policies. These agents are often

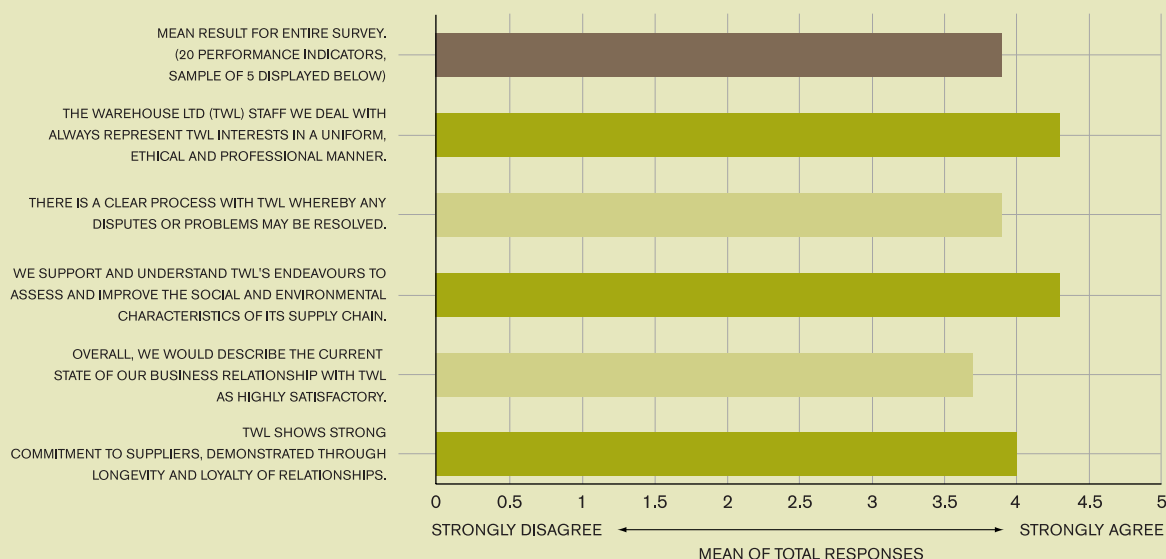
the eyes and ears of our buying team, so it is important that they share our vision when it comes to improving the characteristics of our supply chain.

In addition we undertook for the first time a survey of a large cross section of our suppliers to find out how they viewed us as a business partner. The results from this are outlined below.

Supplier Survey

This year we distributed an electronic survey to a representative sample of our key suppliers. We received 149 responses which represented a 50 percent response rate. The survey enabled suppliers to rank their relationship with The Warehouse against 20 Key Performance Indicators which were presented in the form of a positive statement.

The indicators were derived from internal discussions and feedback from suppliers. The ranking mechanism was a 1-5 spectrum of "strongly disagree with" to "strongly agree with". The survey was anonymous. Opportunity was also provided for respondents to provide additional comment. The objective of the supplier engagement survey was to provide feedback as to suppliers perceptions of our company and to identify areas where we can work together to improve our business relationships.



Our Suppliers

Packaging improvements

To ensure our buying team was familiar with the requirements of our packaging guide, each member of the team conducted an audit of three or more top selling lines, which they benchmarked against the guide and then specified what changes were required. At our Apparel Distribution Centre, Wiri, South Auckland, we instituted a system of "packaging exception" reporting that identified opportunities to reduce or eliminate unnecessary packaging. Details of this are on page 18.

Buyer Factory Appraisals

Using a questionnaire that covered quality management, health and safety, workers' hours and compensation and Environmental Management, our buying team conducted five factory appraisals within New Zealand and thirty seven in China. This appraisal process is based on factory management interviews and factory observations, but does not extend to documentary evidence. A similar level of appraisal was also provided on request and via correspondence by two textile suppliers in Pakistan and two Sports Ball suppliers in India. Our own internal travel restrictions did not allow our buyers to travel to these regions at the time. Likewise the overall scale of this program was interrupted by SARS travel restrictions.

Third Party Factory audits

Underpinning the work undertaken by buyers, we have also started to introduce third party factory audits. These are quite comprehensive, typically involving two man days, and include the conducting of management and worker interviews, record inspections and factory tours. Our policy is to work with the factory involved to remedy any non-compliance and, if this is not achieved within an agreed time, to discontinue purchases. To date we have been using one of the world's leading verification, testing and certification companies for this work, SGS international.

Given the scale of our supply chain both the appraisal and audit programmes are only exploratory in nature. We are reviewing the outcomes from them to determine the scale and assurance mechanisms that we will adopt in the future. Many other retailers and international brand owners have

similar programmes that link their compliance requirements to independent standards such as W.R.A.P. or the various ISO standards. Our buyers report that China's World Trade Organisation membership has led to a noticeable increase in awareness of the need for Labour and Environmental law compliance in that country.

Support for New Zealand Manufacturers

This programme continued this year with a Buy Kiwi Made Competition in June, which we linked also to our support for Project Kiwi. New Zealand made products are identified with Kiwi Made logos on display ticketing, in advertising and on till receipts. Sales of New Zealand made goods grew from \$197 million in 2002 to \$219 million,¹ an increase of 11.36 percent and equivalent to 16.03 percent of all sales (see adjacent).

Timber Product

Outdoor furniture

In the summer of 2002/03 we introduced FSC certified outdoor garden furniture into our business for the first time and this programme made up about 25 percent of our total outdoor furniture programme. In the summer 2003/04 we intend lifting this percentage to 100 percent with the timber having a different specification and coming from a manufacturer who is a member of the Tropical Forest Trust (TFT). Timber used



Forest Stewardship Council certified outdoor furniture

in this product can be traced back to known legal sources. TFT has been set up to support better management of the world's tropical forests. For more information about TFT, please see www.tropicalforesttrust.com.

Digging tool handles

By introducing the Spencer & Sons brand of digging tools into our range we were able to offer customers the opportunity to have a FSC option in this category of product. The shafts and handle inserts are made from FSC NZ Beech or Ash from South Africa.

Picture frames

We have also reviewed our range of picture frames and have been replacing any remaining rimu frames with "rimu-look" stained beech and pine frames.

Paper Survey

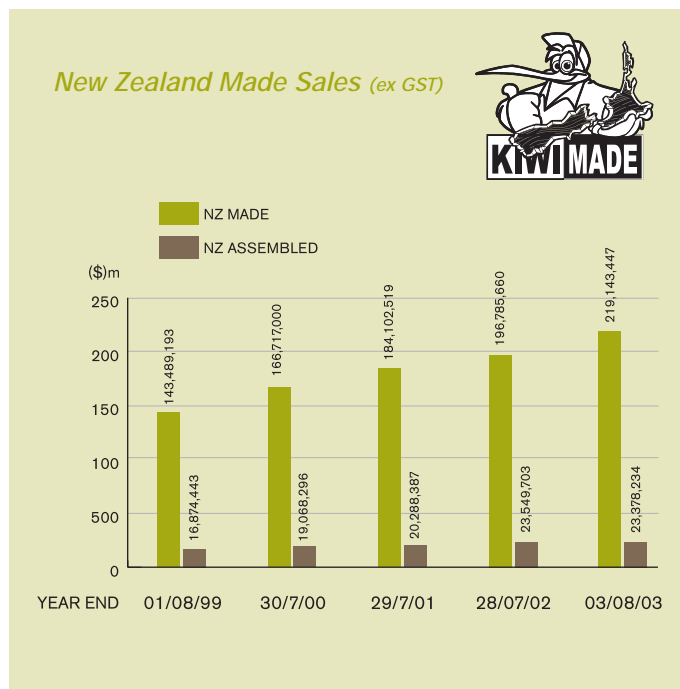
The Warehouse has two main suppliers of printed materials (not including the advertising mailers).

This year Absolute Print Solutions were asked to report on the paper and inks that were used for each job. The aim being to establish a benchmark and then work towards improving the proportion of paper from sustainably harvested forests and the proportion of vegetable based inks used.

At 31 July 2003 Absolute Print Solutions provided their report for the preceding twelve months which showed that of 194 printing jobs:

- 145 (75 percent) were on paper from sustainable forests
- 3 (1.5 percent) were on recycled paper
- 43 (22 percent) were printed with vege/soys inks

During the year the other main supplier, Trio Group, were asked to start tracking paper and ink and will be able to provide similar reporting for next year.



¹ Figures exclude GST and are derived from our Merchandise reporting year for 2003 (53 buying weeks ending 3 August 03)

NZBCSD activities

We have continued our work with the New Zealand Business Council for Sustainable Development (NZBCSD) and as a member of this group we have participated in a number of events, including the "Sustainable Development Reporting learning group" and the "Sustainable Supply Chain" project with other member companies.



Our Shareholders

"We believe long-term economic viability is in the interests of all stakeholders. By integrating the principles of sustainable retailing into our business, we will be better able to provide long-term growth and financial security for all stakeholders"

Below is a summary of the audited results of The Warehouse Group Limited.

1. Earnings

	July 2003 (\$'000)	July 2002 (\$'000)
Operating Revenue	2,034,917	1,862,031
Other Revenue	16,311	15,763
Total Revenue	2,051,228	1,877,794
Operating Earnings	142,672	147,009
Earnings Before Interest and Tax	128,862	139,223
Interest	(11,962)	(12,250)
Taxation Expense	(41,310)	(44,369)
Net Surplus After Tax	75,590	82,604
Earnings Per Share	24.7cps	27.0cps
Operating Margin	7.0%	7.9%

2. Distributions to Shareholders

This year, shareholders received an ordinary dividend of 14.5 cents per share, a one cent per share increase to that paid in 2002.

Distributions to Shareholders	July 2003	July 2002	July 2003 Cents per share	July 2002 Cents per share
Interim Dividend	32,077	28,948	10.5cps	9.5cps
Final Dividend	12,205	12,199	4.0cps	4.0cps
	44,282	41,147	14.5cps	13.5cps

On 4 September 2003 the directors declared a final dividend of four cents per share payable on 24 November 2003.

3. Other Ratios/Statistics

	July 2003	July 2002
Interest Coverage Ratio	11.9x	12.0x
Debt/Debt + Equity	41.5%	39.0%
Capital Expenditure	\$115.4m	\$79.9m



4. Who are our Shareholders?

Distribution of Ordinary Shares as at 30 September 2003

Who Own Us?

	Number of Shareholders	Percentage	Number of Shares Held	Percentage
Registered Address of Shareholders				
Auckland and Northland	5,715	31.12%	189,903,830	62.16%
Waikato and Central North Island	4,286	23.34%	9,732,744	3.19%
Lower North Island and Wellington	2,983	16.24%	87,869,764	28.76%
Canterbury, Marlborough and Westland	2,045	11.14%	6,459,625	2.11%
Otago and Southland	1,384	7.54%	3,007,327	0.98%
Australia	1,787	9.73%	7,505,093	2.46%
Other Overseas	164	.89%	1,010,485	0.33%
	18,364	100.00%	305,488,868	100.00%

How Many Shares Have They Got?

Size of Shareholding

1-1,000	6,634	36.13%	3,100,292	1.01%
1,001-5,000	9,604	52.30%	19,658,186	6.43%
5,001-10,000	1,245	6.78%	7,929,035	2.60%
10,001 - 100,000	823	4.48%	15,108,227	4.95%
100,001 and over	58	0.32%	259,693,128	85.01%
	18,364	100.00%	305,488,868	100.00%

Total Shareholders

The Warehouse in recent years has attempted to widen its shareholder base to promote liquidity and increase private investor interest in The Warehouse shares.

Shareholder numbers in the last 12 months have grown from 15,424 to 18,634.

Total Shareholder Numbers

2003	18,364
2002	15,424
2001	15,002
2000	10,645
1999	5,930
1998	4,481

5. Intangible Assets – What's the Brand Worth?

The ratio of market capitalisation to net tangible assets measures the financial market's view of the intangible value of the brands, systems, intellectual processes and capital not recorded in the statement of financial position. In the last year, the market capitalisation to net tangible assets fell from 8.37 to 4.61.

July Year Ended	Market Cap/NTA	Market Capitalisation	Net Tangible Assets (NTA)
2003	4.61	1,375m	298m
2002	8.37	2,144m	256m
2001	9.15	1,707m	186m
2000	9.87	1,653m	167m
1999	6.36	1,038m	163m

Warehouse Stationery Report



Warehouse Stationery has over the past two years been moving to meet its sustainable business responsibilities. It has established a department to undertake this work and to ensure that business decisions are aligned with the overall company's sustainable business philosophies.

Particular advances have been made in terms of the company's zero waste campaign, supplier relationships and partnerships, charity fundraising and the community programmes of Gateway and Key4free.

By attaining 29 consecutive quarters of over 30 percent growth, Warehouse Stationery has also generated employment opportunities throughout New Zealand.

Community Initiatives

Victim Safe Foundation

During the past year fundraising was carried out through our stores and Support Office for the Victim Safe Foundation (Victim Support North Shore). A total of \$65,000 was raised nationally through a charity golf event and customer and team fundraising efforts.

KidSafe Foundation

Warehouse Stationery selected the KidSafe Foundation to be the principal charity that it supports. The company has entered a partnership with KidSafe that will run for a minimum of three years. This includes an October 2003 fundraising campaign, which is seeking to raise \$90,000.

Key4free

Key4free, which offers free computer training in nine Warehouse Stationery stores has flourished since it began two years ago. These stores operate classrooms where any New Zealander over the age of 16 years can enrol and be trained in Microsoft programs. It is planned that a further three classrooms will be opened in the current year. Classrooms are equipped with the latest computer technology and training in Microsoft applications, Word, Excel, Power Point, Outlook and the Internet, is provided.

Warehouse Stationery provide all equipment at cost to the program administrator Manukau Institute of Technology who cover all tuition costs.

More than 150,000 enrolled student sessions have been completed by Key4free over the past 18 months.

The programme has proved to be a starting point for many people wanting to return to the workforce or those entering the workforce for the first time.

Warehouse Stationery Key4free Scholarships 2003

The success of the Key4free programme and Warehouse Stationery's pivotal role in it has been acknowledged with the establishment of "Warehouse Stationery Key4free Scholarships". These are available to any full time polytechnic student and are also administered by MIT. This year 200 Warehouse Stationery Key4free Scholarships were awarded. Each scholarship is worth \$2000.

Zero Waste

Landfill minimisation is now operating throughout Warehouse Stationery with sorting stations in all stores and the support office. Some stores and the support office at Beach Haven, Auckland, have worm farms in operation to recycle food waste.

Gateway Programme

During the year Warehouse Stationery entered the Gateway programme administered by the Tertiary Education



Commission. This programme allows opportunities for school students to experience working in a retail environment while they complete New Zealand Qualification Accredited courses.

First Foundation

In the past year Warehouse Stationery agreed to support the First Foundation Project with a further two students. With four students now in this long term training project the company is the largest single contributor to the foundation. To further assist its work office space has been made available to the foundation at Warehouse Stationery's East Tamaki store.

Demonstrating community values

Warehouse Stationery has a dedicated Sustainability Manager and support team who have the role of identifying, monitoring and improving the company's contribution to the community. The Sustainability Manager is responsible for ensuring the values of the business are upheld.

Each year there is a special conference programme involving all team members of the organisation. At these events, wives, husbands and partners are invited to hear presentations about the business and to enjoy a dinner dance. The conferences take place simultaneously throughout New Zealand.

Warehouse Stationery has a dedicated Sustainability Manager and support team who have the role of identifying, monitoring and improving the company's contribution to the community.

Employment creation/access

Warehouse Stationery operates using full time permanent, part time permanent and casual team members. The introduction of Key4free into stores has created full time positions for tutors.

The business has adopted The Warehouse "people first" philosophy, which ensures that team members are treated with respect and allowed to freely express their views.

Training modules have been created modules in house that have attained NZQA status so that qualifications gained are transportable.

Leadership involvement in

Community associations and groups

All Warehouse Stationery stores are encouraged to join business associations within their area. A high proportion of the organisation's team members are involved on school boards as trustees or parent members.

Warehouse Stationery is a Gold Partner in the New Zealand Principals Association, which is dedicated to improving education throughout New Zealand, and is also affiliated to the Auckland Chamber of Commerce.



The Warehouse *Australia* Report

The Warehouse Australia

As a younger part of the organisation our Australian operation is continuing to address a range of business issues and is naturally at an earlier stage in terms of its journey towards fully embracing a "sustainability" approach to its operations.

This business has adopted as its core purpose the following goal: "To make the desirable affordable to Australians everyday."

In terms of its operating values it has adopted those of our New Zealand operation, namely to be a place Where People Come First, Where Everyone Gets a Bargain and Where The Environment Matters.

The Community

During the year our Australian operation helped raise more than A\$1.2 million through store BBQ's, raffles, donations, and the sale of vendor sample stock. These funds go to local charities that have been identified by individual stores, or to non-profit organisations such as Rural Fire Brigade (this was especially the case in the past year with the high level of bush fires).

Our stores also support community fund-raising initiatives such as Jeans for Genes Day, The Breast Cancer Research

fund raising campaign and also individual community and youth groups.

In addition team members continue to be involved in community programs such as Plant a Tree Day and Clean up Australia Day.

Company policy is also to allow three days paid leave each year to permanent team members who are part of an Emergency Services Organisation, when they are involved in State-wide emergencies.

Team Members

We have a corporate health fund account that gives our team members access to a range of discounts on their health insurance cover.

Our team members also enjoy purchasing discounts, with permanent team members eligible for a 15 percent discount off the normal retail price of goods, which rises to a maximum of 25 percent off the normal retail price where goods are on sale. Casual team members receive the discount, but only in the store in which they work.



The Warehouse Store, Logan Central, Queensland



The Distribution Centres also have an open day each year where family, suppliers and charities are able to attend. These events enable charities to undertake fund raising activities and are an opportunity for our suppliers to provide an overview of how they fit into our business.

For example, at the Queensland Distribution Centre open day suppliers such as the Port of Brisbane and Patricks were able to demonstrate how they were involved in the training of our team members.

During the year Occupational Health and Safety and product compliance training was carried out in all stores as part of our programmes to ensure we promote and maintain a safe working/shopping environment and fully comply with the appropriate laws.

To make the desirable affordable to Australians everyday

Store Waste

We are actively evaluating and conducting trials on ways in which we can minimise waste and recycle materials. As part of this we are managing cardboard use from a cost perspective, but we have found it cost prohibitive to undertake a complete recycling programme in this area.

All stores and sales support offices have a policy of recycling paper and of printing on both sides of paper.

Energy Management

Re-usable shopping bags are being introduced in the current year. Plastic bags will be available to customers but our team members will be actively advocating the re-usable approach to reduce the use of plastic bags, which will be sold for \$1. The Australian Government has put legislation in place requiring retailers to reduce the number of plastic bags they issue.

A procurement cost and usage project is being undertaken with the aim of reducing waste and costs throughout the business.

Supply Chain

Throughout the supply chain, team members are working to ensure that the materials used, such as plastic, paper and cardboard can be recycled.

The implementation of the TUI (Technology Used Intelligently) computer tracking system at the heart of our New Zealand operations has assisted with defining inners, and pack sizes and the tracking of products to minimise losses and reduce waste.

In addition we have built a state-of-the art Distribution Centre in Queensland with environmentally-friendly lighting. We are also insisting that our suppliers use the appropriate cardboard and stretch wrap packaging.



GRI

The indicators recommended by the Global Reporting Initiative draft sustainability reporting 2002 have been cross referenced to the pages on this report and the Annual Report (see www.globalreporting.org for GRI details).

	Triple Bottom Line Report	Annual Report
	Page	Page
Vision and Strategy	23	8, 10, 12
Business Profile	4	24, 8, 10, 12
Governance Structure and Management Systems	6	25
Performance Indicators	see stakeholders section	6, 7
Economic Indicators	4, 13	6, 7, 34
EC1. Net Sales	4, 5	1, 6
EC2. Geographic Breakdown of Markets	4, 5	8, 10, 12
EC6. Distributions	28	20, 57, 52
EC10. Donations etc	20	-
Environmental Indicators	16, 17, 24	-
EN8. Greenhouse Gas Emissions	-	-
EN11. Waste	16, 19	-
Social Indicators	13, 14, 15, 23	-
LA1. Workforce Analysis	9	-
LA3. Union Representation	11	-
LA6. Health & Safety	11	-
LA7. Injury Rates	11	-
LA10. EEO Policy	8	-
HR1. Policies and Guidelines on Human Rights	24	-
HR3. Suppliers Human Rights Policies	24	-
HR6. Child Labour Policy	24	-
HR7. Fixed Labour Policy	24	-
SO1. Policies to Manage Community Impact	14	-
SO2. Policies on Bribery, Corruption	6	29
PR4,7. Product Non-compliance	21	-



Commentary on The Warehouse 2003 Triple Bottom Line Report

Manaaki Whenua – Landcare Research is pleased to comment on The Warehouse 2003 Triple Bottom Line (TBL) Report. This is the third such report produced by The Warehouse and the first for which external scrutiny has been sought – an important step towards maturity of its TBL reporting.

The report affirms The Warehouse's commitment to developing more sustainable practices and its support for the wider community. The reporting systems for people and finances are effective in linking values to key performance indicators. Fully extending this approach to environmental and ethical initiatives will lead to greater transparency. Nevertheless, The Warehouse has not shirked from reporting on difficult issues.

Achievements of specific note during 2002/2003 include:

- impressive reductions in plastic packaging for apparel and toys
- considerable reductions in electricity consumption at the major distribution centres
- the introduction of sustainability criteria for non-merchandise print suppliers
- the involvement of most stores in partnership programmes with local schools
- the completion of recycling centres for the public at all stores

Landcare Research particularly commends The Warehouse for:

- appraising overseas suppliers and undertaking detailed audits via an external consultancy
- continued commitment to the Kiwi-Made label and its efforts to identify how much of its total spend is retained in the New Zealand economy
- its efforts to monitor the effects of new stores on local communities
- its honesty in reporting the difficulties in implementing the zero waste programme at stores
- its commitment to buying wooden products from sustainable sources

Landcare Research encourages the Warehouse to continue to:

- monitor and respond to the concerns of staff, suppliers, customers and local communities and to extend this to include shareholders
- appraise working conditions for employees of overseas suppliers and to assure itself that employment conditions at New Zealand suppliers are equally fair and equitable
- seek independent commentary on its reporting process and to extend this to include third-party verification

To arrive at this commentary, Landcare Research reviewed the accuracy and completeness of selected data and claims included in the report and made suggestions for improvements to associated management systems.

The Warehouse disclosed original data that we considered relevant and allowed unlimited access to key managers, data and reports produced by external specialists. The review did not cover Warehouse Stationery, Warehouse Australia, stores or other stakeholders.

There were some minor inefficiencies in the reporting of data: some statements that were potentially misleading, some omissions and one material error. These have subsequently been resolved with revised figures and text being used in the published report. Overall, reporting was found to err on the conservative and for a number of initiatives, the achievements were found to be better than that reported.

The information contained in the report is the sole responsibility of the directors of The Warehouse. Landcare Research was not involved in the preparation of any of the material included in it and provides this statement as independent commentary on the credibility of The Warehouse's 2003 TBL Report. It does not constitute advice on TBL reporting and is not intended to be used as the basis for any financial or investment decisions.

Andy Pearce



Chief Executive, Landcare Research



Manaaki Whenua
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