

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).

<i>The Warehouse New Zealand</i>	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.

<i>Warehouse Stationery</i>	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