

# CHAIRMAN'S REPORT

The directors of the company are pleased to submit to shareholders their annual report for the year ended 1 August 2004.

## 2004 IN PERSPECTIVE

While the earnings result for The Warehouse Group for 2004 was disappointing there were a number of positive developments during the year including the opening of the first large format Red Shed store in Whangarei, the introduction of the MEGA store concept for Warehouse Stationery, the commissioning of the apparel distribution centre, and, in the latter part of the financial year, early signs of positive momentum in the Australian operation.

In May 2004, following an extensive international search, we announced the appointment of Ian Morrice chief executive officer of the group. Ian brings to this role extensive experience in the retail environment in the United Kingdom.

The board would like to record its sincere thanks to Stephen Tindall for assuming the role of acting managing director last year. While Stephen will step down as acting managing director on 1 October 2004, providing an overlap with Ian Morrice, who will assume his duties on that date, Stephen will remain on the board as a non-executive director. Also, a final thanks to Neil Plummer who retired as a director at the end of July 2004. Neil had been a director of the company for nearly ten years and made an enormous contribution to the company.

## PRINCIPAL ACTIVITIES

The principal activities of the company and its controlled entities during the financial year ended 1 August 2004 were those of a retailer in New Zealand and Australia.

## DIRECTORS

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

### Executive directors

- I R Morrice, group chief executive officer
- P G Inger, chief executive, The Warehouse New Zealand
- S R Tindall, founder
- I Tsicalas, chief executive officer, The Warehouse Australia

### Non-executive directors

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

Apart from Ian Tsicalas and Ian Morrice the above directors each held office as a director of the company throughout the financial year ended 1 August 2004. Ian Tsicalas became a director of the company on 1 December 2003 and Ian Morrice was appointed as managing director and group chief executive officer on 9 September 2004. Neil Plummer retired as a director of the company on 31 July 2004.

Details of the directors' qualifications and experience are detailed on pages 30 and 31 of this report. The total number of board meetings and committee meetings, together with the number of meetings attended by each of the directors of the company during the financial year, are summarised in the table on the following page.

## DIRECTORS' MEETINGS

TABLE OF ATTENDANCE AT BOARD MEETINGS AND COMMITTEE MEETINGS FOR THE YEAR ENDED 1 AUGUST 2004

	No of meetings	Avery	Challinor	Dahlsen	Evans	Inger	Morrice <sup>1</sup>	Plummer <sup>2</sup>	Smith	Tindall <sup>3</sup>	Tsicalas <sup>4</sup>	Withers
The Warehouse board	10	9	9	9	10	10		8	10	10	7	10
Audit committee	4	4	4		4				4	4		4
Remuneration, talent and nomination committee	12				11				12	12		12
Corporate governance committee	1		1		1							1
Disclosure committee	2		2						2	2		

<sup>1</sup>

<sup>2</sup> Neil Plummer resigned as a director on 31 July 2004.

<sup>3</sup> Stephen Tindall att

<sup>4</sup> Ian Tsicalas joined as a director on 1 December 2003.

The main board met formally ten times during the financial year ended 1 August 2004. In addition, directors met throughout the year on matters of strategic planning, committee business, and to attend to business between meetings.

## FINANCIAL STATEMENTS AND DIVIDEND

The directors are required by the New Zealand Companies Act 1993 to prepare financial statements for each 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 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 the group, 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 1 August 2004 was \$61.2 million (2003: \$75.4 million).

The company has reviewed the implications of adopting new International Financial Reporting Standards, our preliminary findings of the review are detailed on pages 44 and 45 of this report.

## DIVIDENDS AND DISTRIBUTION

The directors declared a dividend of four cents per share on 9 September 2004. The dividend, fully imputed, will be paid on 22 November 2004 to shareholders registered at 5.00pm on 12 November 2004. This payment, together with the interim dividend paid on 26 April 2004, brings the total fully imputed dividend for the year to 14.5 cents per share (2003 ordinary dividend: 14.5 cents per share).

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

GROUP PAID DIVIDENDS AND DISTRIBUTIONS DURING THE YEAR ENDING 1 AUGUST 2004

Security	Payment date	Payment type	Amount paid (\$'000's)	In respect of year ended
Ordinary shares	24 November 03	Final	12,219	31 July 03
Ordinary shares	26 April 04	Interim	32,076	1 August 04

## AUDITOR

At the annual meeting in November 2004 the company will nominate PricewaterhouseCoopers as its external auditor effective from the conclusion of the annual shareholders' meeting. The resignation of former auditor, Ernst & Young, is due to a policy change within that firm which precludes it from offering both external and internal audit services to the same client. The board wishes to thank Ernst & Young for the excellent services it has provided to the company for more than ten years. Ernst & Young will continue to provide internal audit services to the company.

## STATE OF AFFAIRS

In the opinion of the directors no significant changes in the state of affairs of the company and its controlled entities 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 J R Avery, a director, has an interest.
- The company paid commission, rent, supplier payments and other fees to companies in which N R Plummer, a director (resigned 31 July 2004), has an interest.
- The company paid accounting and other fees to a partnership in which K R Smith, a director, has an interest.
- The company paid rent to a company in which P G Inger, a director, has an interest.

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

## 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 of \$489,000.

Non-executive directors received the following director's fees during the financial year ended 1 August 2004:

S R Tindall, I R Morrice, I Tsicalas and P G Inger did not receive remuneration as executive directors of the company. J Withers was granted options valued at \$10,000 during the year. Further details of these transactions are given in note 5 to the financial statements, "Directors' Remuneration".

	2004	2003
J R Avery	\$55,000	\$50,000
R L Challinor	\$55,000	\$40,000
J C Dahlsen	\$79,000	\$74,000
G F Evans	\$55,000	\$50,000
N R Plummer	\$55,000	\$50,000
K R Smith	\$100,000	\$75,000
J Withers	\$45,000	\$40,000
<b>Total</b>	<b>\$444,000</b>	<b>\$379,000</b>

## DIRECTORS' SHAREHOLDINGS AND SHARE DEALINGS

Details of directors' shareholdings and share trading in company shares are given in the "Other Statutory Information" section of this annual report. There are no loans to directors.

## DIRECTORS' INDEMNIFICATION

As provided by Section 162 of the New Zealand 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 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.

## INFORMATION USED BY DIRECTORS

No member of the board of the company, or any subsidiary, issued a notice under Section 145(3) of the New Zealand Companies Act 1993 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



K R SMITH

CHAIRMAN

9 SEPTEMBER 2004