

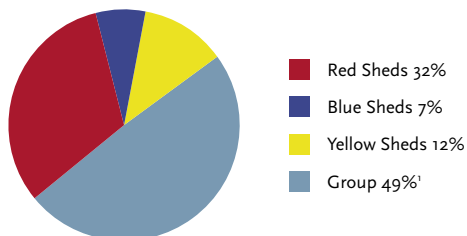
INVESTING FOR FUTURE GROWTH: A KEY STRATEGY FOR THE COMPANY'S SUCCESS



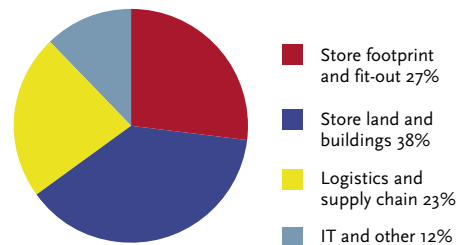
In the 2004 financial year the group spent \$133.6 million on capital expenditure, up 15.7 percent from a year ago.

Nearly 81 percent of all capital expenditure was on Red Sheds or Red Shed assets controlled by the group. With a 10.3 percent increase in group retail selling space in the year, store footprint and the purchase of land for future stores accounted for 65 percent of all capital expenditure. Similar levels of capital expenditure are expected over the next two years with the bulk of the expenditure on new store footprint.

GROSS CAPITAL EXPENDITURE BY BRAND



GROSS CAPITAL EXPENDITURE BY ASSETS



THE NEW APPAREL DISTRIBUTION CENTRE NOW OPERATING

When the North Island distribution centre ("NIDC") was opened in 1996 its working area of 62,000 square metres (the equivalent of about thirteen rugby fields) incorporated an apparel sortation and distribution system processing a maximum of eleven million garments a year by a full-time team of forty-nine. However, it quickly became obvious that the remarkable growth of the company's apparel category would soon demand its own dedicated distribution centre. Furthermore, such a development would be doubly beneficial as it would release a large area in the main distribution centre for expansion.

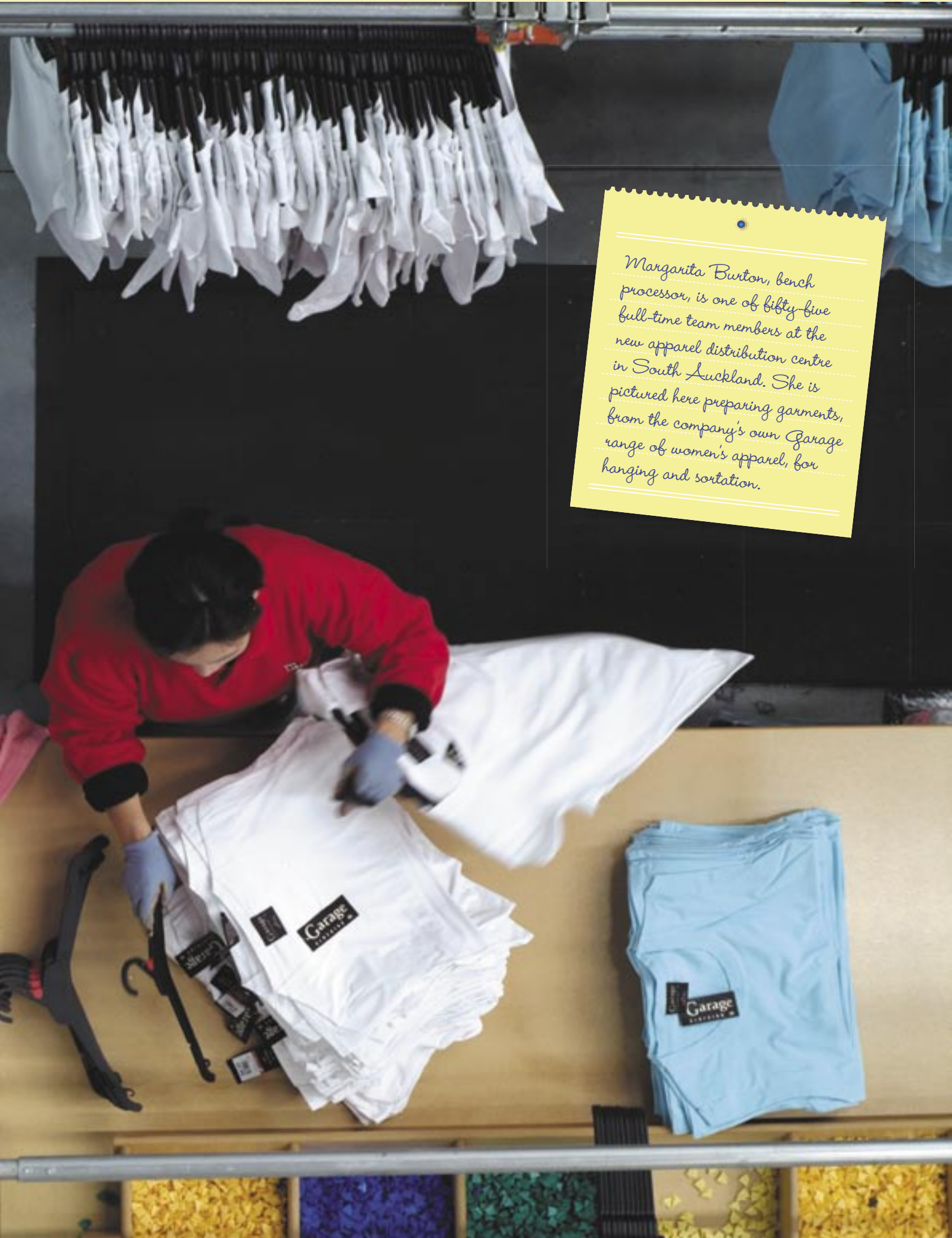
Construction of the new \$16 million apparel distribution centre, adjacent to the main NIDC in Wiri, South Auckland, commenced in July 2003. Limited operations began in April 2004 and by June this year the new centre was fully commissioned.

Manager Sue Fielder, who has been involved with The Warehouse apparel distribution since 2001, says that centre's flow system, designed by the planning team of which she was a member, has worked out perfectly.

"And," she adds, "the predicted benefits are right on target".

With two levels, on a base footprint of 18,000 square metres, the ability to add further levels when necessary, two automated sortation systems, a storage capacity of 2.5 million garments, an adjacent container yard with room for a hundred twenty-foot containers, and a full-time staff of fifty-five, this highly automated and computerised distribution centre is clearly capable of servicing Warehouse stores throughout New Zealand for as long into the future as it is possible to plan.

¹ Group properties comprising both store and distribution centres are predominately held by Eldamos Investments Limited.



Margarita Burton, bench processor, is one of fifty-five full-time team members at the new apparel distribution centre in South Auckland. She is pictured here preparing garments, from the company's own Garage range of women's apparel, for hanging and sortation.