

RESULTS AT A GLANCE

	2004 \$ 000	2003 \$ 000	change %
Total operating revenue	2,258,515	2,051,228	10.1
Operating expenses	(2,080,853)	(1,855,383)	12.2
Unusual items	(639)	(6,714)	
EBITDA	177,023	189,131	(6.4)
Depreciation	(56,470)	(50,881)	11.0
Amortisation	(7,170)	(9,388)	(23.6)
Earnings before interest and tax (EBIT)	113,383	128,862	(12.0)
Net interest expense	(17,188)	(11,962)	43.7
Income tax expense	(34,692)	(41,310)	(16.0)
Operating surplus after tax	61,503	75,590	(18.6)
Minority interest	(324)	(191)	
Profit attributable to shareholders	61,179	75,399	(18.9)

Total operating revenue

Group sales comprise increases of 9.3 percent in Red Sheds, 21.0 percent in Blue Sheds and a 9.2 percent increase in Yellow Sheds.

Unusual items

Relates to losses on property sales.

Depreciation

Depreciation increase of 11.0 percent mainly reflects increased capital investment in store footprint and distribution centre capacity.

Amortisation

Amortisations were 23.6 percent lower in Fo4 with the discontinuation of phone handset subsidies during Fo3 following the sale of Gold Mobile. Amortisations primarily relate to goodwill for Australia (\$6.888m) and Blue Sheds (\$0.228m). Amortisation of Blue Sheds goodwill will end during Fo5.

Net interest expense

Interest costs are higher due to a combination of increases in interest rates and an overall increase in debt levels. Net debt levels increased 26.8 percent in Fo4 to \$312.1m.

Minority interest

Minority earnings were higher due to increased profits in Waikato Valley Chocolates Limited for Fo4. This business is 50 percent owned by the group.



Pictured (above left) is the new apparel distribution centre at Wiri, featured on page 14, and (right) Kaan Anderton who is the centre's systems administration manager.

KEY BALANCE SHEET RATIOS AT A GLANCE

	2004	2003
Inventory including goods in transit (\$m)	396.5	367.2
Net debt (\$m)	312.1	246.2
Gearing (net debt/net debt + equity)	46.6%	41.5%
Interest cover (EBIT/net interest)	6.6x	10.8x
Fixed charge cover (EBITDA + rent)/(net interest + rent)	2.6x	3.1x
Net debt to EBITDA	1.76x	1.30x

Inventory including goods in transit

Inventory increased by 8.0 percent compared with an increase in retail footprint of 10.3 percent. Inventory was higher due to higher values carried in business machines (including computers) in Blue Sheds and increased stocking of Yellow Sheds stores as part of its range expansion. Inventory per square metre for the group fell by 2.1 percent from a year earlier.

Net debt

Net debt rose 26.8 percent to \$312m, an increase of \$65.9m from a year ago. The rise in debt levels reflects capital expenditure and investment in inventory. Net capital expenditure was \$111.8m up from \$95.3m in Fo3. Debt levels are expected to rise again in Fo5 as a result of further capital expenditure. Net capital expenditure is forecast at \$106.2m. All core debt is denominated in Australian dollars.

Gearing

Gearing rose slightly but remains within the 50 percent ratio required under our borrowing covenants.

Interest cover

Net interest cover remains very strong at 6.6x and is well above the borrowing covenant ratio of 2.0x. Interest cover is expected to remain at similar levels in Fo5.

Fixed charge cover

Fixed charge cover declined in the period largely due to increases in interest. Additionally retail lease commitments increased as a result of the 10.3 percent increase in footprint over the period.

Net debt to EBITDA

Net debt to EBITDA rose in Fo4 arising from a combination of lower earnings and higher net debt levels.