



THE WAREHOUSE GROUP LIMITED

("Company")

DISCLOSURE TO SHAREHOLDERS OF FINANCIAL ASSISTANCE

(Pursuant to sections 78(5) and 79 of the Companies Act 1993 ("Act"))

To: The Shareholders
The Warehouse Group Limited

1. INTRODUCTION

This document is sent to you pursuant to sections 78(5) and 79 of the Act which require the Company to disclose to you certain information relating to any proposal by the Company to provide financial assistance to any person.

2. PROPOSED FINANCIAL ASSISTANCE

The Company intends to enter into a series of transactions (described in the attached resolutions of the directors of the Company ("Directors' Resolutions")) relating to the establishment of The Warehouse Group Limited Executive Share Scheme ("Scheme") upon the terms and conditions of the Deed in respect of The Warehouse Group Limited Executive Share Scheme ("Deed"). The Company proposes to provide financial assistance to The Warehouse Management Trustee Company No.2 Limited ("Trustee") in the form of a loan enabling the Trustee to purchase certain ordinary shares in the Company in connection with the Scheme.

As set out in the attached Directors' Resolutions, subject to shareholder approval pursuant to NZX Listing Rule 7.6.6 and clause 7.3 of the Company's constitution, the Directors have approved the provision of financial assistance to the Trustee by the Company to assist the Trustee to purchase the Performance Shares and Award Shares for the purposes of the Scheme. The financial assistance will be provided by way of a maximum loan of \$5,100,000 in 2005 in accordance with the Deed. The provision of the financial assistance will be recorded by way of entry into a loan agreement in accordance with the Deed ("Loan Agreement"). The substantive terms of the Loan Agreement are set out in the Directors' Resolutions.

Further details relating to the establishment of the Scheme and the provision of financial assistance to the Trustee by the Company are set out in the Directors' Resolutions.

3. RESOLUTION BY DIRECTORS

The board of directors of the Company have voted in favour of the Directors' Resolutions pursuant to section 78(1) of the Act, a copy of which is enclosed with this disclosure document in accordance with clause 79(c) of the Act.

K.R. Smith
Chairman
24 September 2004





THE WAREHOUSE GROUP LIMITED

("Company")

EXTRACT OF MINUTES OF A MEETING OF THE BOARD OF DIRECTORS

(Pursuant to sections 76 and 78 of the Companies Act 1993, clause 7.3 of the constitution of the Company, Listing Rule 7.6.6 of the Listing Rules of New Zealand Exchange Limited ("NZX Listing Rules"))

Held on 24 September 2004 at 9.05am by telephone conference

PRESENT: John Avery
Robert Challinor
John Dahlsen
Graham Evans
Ian Morrice
Keith Smith
Joan Withers

IN ATTENDANCE: Luke Bunt
Mark Fennell
Hamish McKenzie
Barry Moors
Helen Sedcole

RECITALS AND BACKGROUND:

- A. It is proposed that the Company establish The Warehouse Group Limited Executive Share Scheme ("Scheme"). Pursuant to the Scheme executive employees and executive directors of the Company or of any subsidiary of the Company who have been nominated as participants of the Scheme will be offered a right to be transferred ordinary shares in the Company upon the satisfaction of certain conditions.
- B. The terms and conditions of the Scheme are set out in the draft Deed in respect of The Warehouse Group Limited Executive Share Scheme ("Deed"). A copy of the Deed was circulated to the Directors prior to the meeting. It is intended that the Scheme will operate in both New Zealand and Australia. This Deed shall apply in both jurisdictions. It is proposed that a new company named The Warehouse Management Trustee Company No. 2 Limited ("Trustee") be incorporated and that such company be appointed to act as a trustee of the Scheme in accordance with the Deed. The Company and the Trustee will be parties to the Deed.
- C. Pursuant to the Deed, participants of the Scheme may be offered a right to acquire shares in the Company as follows:
- (a) the right to acquire certain shares (termed "Performance Shares" in this Deed) will be conditional upon pre-determined performance criteria being achieved during a pre-determined performance period and also conditional upon the relevant participant remaining continuously employed within the Company during that performance period. It is expected that the relevant performance period will be three years from the date upon which an executive employee became a participant of the Scheme. It is expected that the performance criteria will be based upon whether the adjusted market price of the Company's shares at the end of the performance period exceeds the market price of the Company's shares at the beginning of the performance period; and/or
 - (b) the right to acquire certain shares (termed "Award Shares" in this Deed) will be conditional upon the relevant participant remaining continuously employed within the Company during pre-determined restrictive periods. It is expected that a participant will be offered a right to acquire a maximum number of Award Shares. The maximum number of Award Shares offered to the employee will be based upon award criteria assessed during an award period prior to the date of the offer. The award period will generally be the financial year of the Company. A third of those Award Shares will be allocated and transferred to a participant of the Scheme on each anniversary of the date on which an executive employee became a participant in the Scheme, over a period of three years.

Each executive employee who wishes to become a participant of the Scheme must enter into a participation deed with the Company. The participation deed shall set out the Participant's conditional right to acquire Performance Shares and/or Award Shares.

Establishment of the Scheme

- D. The Scheme must be approved by shareholders of the Company for the purposes of Listing Rule 10.14 of the ASX Listing Rules. That Listing Rule provides that a listed company must not permit a Director to acquire securities under an employee incentive scheme without the approval of the holders of ordinary securities.



- E. Accordingly, in order to establish the Scheme, the shareholders of the Company will be asked to consider and, if thought fit, approve the terms of the Scheme. The form of the shareholders' resolution pursuant to ASX Listing Rule 10.14 is set out in the draft notice of meeting ("Notice of Meeting"), a copy of which was circulated to the Directors prior to this meeting.
- F. The appointment of the Trustee as trustee of the Scheme and the entry into and execution of the Deed by the Company shall be conditional upon shareholders' approval pursuant to ASX Listing Rule 10.14.

Operation of the Scheme

- G. Pursuant to the Deed, it is contemplated that the Scheme will be administered by the Director's Remuneration, Talent and Nomination Committee ("Committee") which shall operate under its current charter consisting of at least two Directors (other than any Director who is a participant of the Scheme). Such Committee will have broad discretion under the Deed to determine certain matters relating to the Scheme including but not limited to:
 - (a) the share incentives to be offered to participants under the Scheme including the maximum dollar value of Share incentives to be offered to participants on any offer date under the Scheme, and the maximum number of Performance Shares and Award Shares that will be offered to participants under the Scheme on such offer date;
 - (b) the performance criteria and performance period applying to offers of Performance Shares under the Scheme;
 - (c) the award criteria and award period for determining the maximum number of shares that shall be offered to participants under the Scheme; and
 - (d) the executive employees who will participate in offers under the Scheme and the basis upon which such executive employees shall participate.

The Committee to be appointed by the Directors to administer the Scheme in accordance with the Deed shall be Graham Evans, Keith Smith, Stephen Tindall and Joan Withers.

It is intended that, following establishment of the Scheme, participation in the Scheme will be offered to executive employees and executive directors on a yearly basis. It is anticipated that, generally, offers under the Scheme will be made following the end of the financial year of the Company (subject to the Company's insider trading policy). This will mean that persons who are already Participants in the Scheme under an offer in any year may be offered participation in the Scheme in subsequent years thus increasing their entitlement under the Scheme. Subject to the Company's Insider Trading Policy, on occasion, persons who have not been able to participate in any particular year may be able to participate in the Scheme at a subsequent date during the year.

2005 offers under the Scheme

- H. It is intended that the first offers under the Scheme will occur in the trading window occurring following the Company's release of full year results in 2005. Participants under the Scheme will be nominated around that time. In accordance with the Deed, but subject to shareholder approval, it is proposed that:
 - (a) the Company issue to selected executives and executive directors of rights to acquire a maximum of 2,000,000 shares of the Company under the Scheme in 2005 (being rights to acquire shares of the Company), in accordance with the Deed and pursuant to NZX Listing Rule 7.3.1(a) and clause 4.2(a) of the Company's constitution and ASX Listing Rule 7.2 (exception 9);
 - (b) the Company provide financial assistance to the Trustee to assist the Trustee to purchase the Performance Shares and Award Shares by way of a maximum loan of \$5,100,000 in 2005, in accordance with the Deed, pursuant to NZX Listing Rule 7.6.6 and clause 7.3 of the Company's constitution.

It is intended that such shareholder approval will be sought at the 2004 annual meeting of the Company.

- I. The form of such shareholders' resolutions is also set out in the Notice of Meeting. Clause 4.2(a) of the Company's constitution requires that the issue of a security be completed within 6 months of the passing of the shareholders' resolution relating to the approval of the issue of securities. This is inconsistent with NZX Listing Rule 7.3.1(a), which allows the issue to be completed within 12 months of the passing of such resolutions. NZX Listing Rule 7.6.6 and clause 7.3 of the Company's constitution require that financial assistance be provided within 6 months of the passing of the relevant shareholders' resolutions. It is intended that the Company seek a waiver from the NZX in relation to such requirements.
- J. Prior to the first offers under the Scheme in 2005, the Directors must resolve to issue rights to acquire shares in the Company pursuant to the Companies Act 1993. The relevant certificates (including a solvency certificate) will need to be signed by the Directors at that time.

2005 Financial assistance to the Trustee under the Scheme

- K. The aggregate of the maximum number of Performance Shares and Award Shares which may be allocated and transferred to a participant of the Scheme are to be purchased by the Trustee on a registered stock exchange on which the Company's shares are listed.

As noted above, it is proposed that the Company provide financial assistance to the Trustee to assist the Trustee to purchase the Performance Shares and Award Shares by way of a maximum loan of \$5,100,000 in 2005 in accordance with the Deed. The provision of the financial assistance will be recorded by way of entry into a loan agreement in accordance with the Deed ("Loan Agreement"). The substantive terms of the loan will be as follows:

- (a) it will be interest-free and repayable on demand by the Company;
- (b) on transfer of Award Shares or Performance Shares to an employee, the Company will reimburse the Trustee for the original purchase price of the transferred shares. The Trustee must use the reimbursement proceeds to repay the loan from the Company; and
- (c) the recourse of the Company under the loan will be limited to the Award Shares and Performance Shares held by the

Trustee, as well as the proceeds of any accumulated dividends and other income derived by the Trustee on the shares that it holds or has previously held.

- L. The Directors are also required to approve the provision of financial assistance to the Trustee pursuant to section 78 of the Companies Act 1993. The Directors who vote in favour of the resolution approving financial assistance must sign a certificate in relation to certain matters set out in section 78 of the Companies Act 1993 and a solvency certificate pursuant to section 77 of the Companies Act 1993. Before financial assistance is given, the Directors must send a disclosure document to shareholders, which must attach the resolution of Directors approving the financial assistance. It is intended that a disclosure document will be provided to shareholders along with the Notice of Meeting. The financial assistance must be given within 12 months of the date on which the disclosure document is provided to shareholders. A copy of the draft disclosure document was circulated to the Directors prior to the meeting ("Disclosure Document").
- M. The Notice of Meeting and the Disclosure Document must be provided to the NZX and the ASX for approval. An appraisal report must also accompany the Notice of Meeting provided to the NZX.

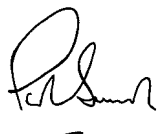
DISCLOSURE OF INTERESTS:

The Directors of the Company disclose their directorship and shareholding interests for the purposes of section 140 of the Companies Act 1993.

RESOLVED, subject to the approval of the Company's shareholders pursuant to clause 7.3 of the Company's constitution and NZX Listing Rule 7.6.6:

1. THAT, the Company provide the Financial Assistance to the Trustee by way of its entry into, execution and performance of its obligations under the Deed and the Loan Agreement (including any amendments to those documents approved by the Directors from time to time);
2. THAT:
 - (a) the giving of the Financial Assistance (by way of entry into and performance of its obligations under the Loan Agreement) is in the best interests of the Company and of benefit to the shareholders of the Company; and
 - (b) the terms and conditions under which the Financial Assistance is to be given (which are recorded in the Deed and the Loan Agreement) are fair and reasonable to the Company and its shareholders;for the following reasons:
 - (c) The Performance Share aspect of the Scheme is intended to provide incentive to Participants, as executive employees and executive directors of the Company charged with the strategic management and day-to-day operation of the Company, to bring about an increase in value of the Company's shares. The Scheme will enable participants of the Scheme to participate directly in the increase in value of the Company's shares, which is an effective means of motivating future performance of such participants;
 - (d) the performance criteria in respect of the Performance Shares will be based upon the performance of the Company's shares on the NZX and the ASX, and are intended to encourage the Participants to achieve the outcomes embodied in such performance criteria ("Performance Outcomes");
 - (e) it is beneficial to the Company, its subsidiaries and the Shareholders to provide such an incentive to the participants of the Scheme to encourage and motivate performance by them to achieve the Performance Outcomes;
 - (f) it is beneficial to the Company, that the award criteria in respect of the Award Shares will be calculated in such a way that if the award criteria are not met, no Award Shares will be allocated to Participants;
 - (g) it is also noted that, in most circumstances, participants of the Scheme will only receive Performance Shares and Award Shares if they remain continuously employed with the Company or its subsidiaries during the performance period and the relevant restrictive period, respectively. It is noted that the Committee will have discretion to make exceptions to this requirement in cases such as injury, disability, redundancy or death, or in any other special circumstances. This aspect of the Scheme is intended to encourage the loyalty and retention of senior executive employees and executive directors, which the Directors consider is beneficial to the Company, its subsidiaries and the shareholders;
 - (h) the Financial Assistance will enable the Trustee to purchase the Performance Shares and the Award Shares pursuant to, and for the purposes of, the Scheme; and
 - (i) in the Directors' opinion, the provision of the Financial Assistance to the Trustee is consistent with market practice in the area of executive incentive schemes currently operated in New Zealand and Australia.
3. THAT the Directors are satisfied on reasonable grounds that, immediately after the provision of the Financial Assistance, the Company will satisfy the solvency test (as set out in section 4 of the Companies Act 1993);
4. THAT the Directors who vote in favour of these resolutions sign a certificate required by sections 76(4), 77(2) and 78(3) of the Companies Act 1993.

SIGNED as a true extract of minutes of the meeting:



K.R. Smith, Chairman
24.9.04