

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 operation 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 ("Shares") in connection with the Scheme.

As set out in the attached Directors' Resolutions, subject to shareholder approval pursuant to NZSX 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 Shares for the purposes of the Scheme. The financial assistance will be provided by way of a loan of up to a maximum of \$5,100,000 in 2006 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. A copy of the Deed may be obtained by any shareholder by contacting the Secretary to the Board, c/- The Warehouse Group Limited at P O Box 33470, Takapuna.

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
21 October 2005

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, and Listing Rule 7.6.6 of the NZSX Listing Rules)

Held on 4th October 2005 at 4.00 pm by telephone conference

PRESENT: J R Avery
R L Challinor
J C Dahlsen
G F Evans
I R Morrice
K R Smith
I Tsicalas

APOLOGY: S R Tindall

IN ATTENDANCE: M Fennell

RECITALS AND BACKGROUND:

Establishment of Scheme

- A. The establishment of the executive share scheme of the Company ("Scheme") was approved by shareholders at the 2004 annual meeting of the Company.
- B. Pursuant to the terms of the Scheme, selected executive employees or executive Directors of the Company or any subsidiary of the Company ("Executive Employees") can be issued conditional rights to be transferred ordinary shares in the Company at a future date. Such rights are conditional on the achievement of certain pre-determined performance criteria. No consideration is payable by Executive Employees upon the issue of conditional rights or upon the allocation and transfer of ordinary shares in the Company ("Shares") on the exercise of such rights. The trustee of the Scheme is The Warehouse Management Trustee Company No. 2 Limited ("Trustee").

Issue of rights

- C. At the same time as approving the establishment of the Scheme at the 2004 annual meeting, shareholders also voted to approve the issue by the Company to selected Executive Employees of rights to acquire up to a maximum of 2,000,000 Shares under the terms of the Scheme during 2005.
- D. The Company has subsequently made its first offer to selected Executive Employees under the Scheme. That offer has resulted in the allocation to selected Executive Employees of rights to acquire up to 1,169,185 Shares (in aggregate) under the Scheme.
- E. It is therefore proposed that shareholders at the Company's 2005 annual meeting be asked to vote to approve the issue by the Company to selected Executive Employees of further rights to acquire up to a maximum of 2,000,000 Shares under the Scheme during 2006. Pursuant to NZSX Listing Rule 7.3.1 the terms and conditions of the proposal to issue those further rights must be approved by ordinary resolution of shareholders.

Financial assistance

- F. Under the terms of the Scheme, the Trustee purchases Shares on-market following the offer of the conditional rights. The Trustee then transfers such Shares to selected Executive Employees on the exercise of those conditional rights (and after satisfaction of relevant pre-determined performance criteria).
- G. As part of the approval of shareholders to the establishment of the Scheme at the 2004 annual meeting, shareholders approved the provision of financial assistance by the Company to the Trustee by way of a loan up to a maximum value of \$5,100,000. The Company and the Trustee have entered into a loan agreement in respect of that loan. The Trustee has subsequently utilized that loan to fund the on-market purchase of Shares following the offer of conditional rights to selected Executive Employees during 2005.

- H. It is therefore proposed that the Company again provide financial assistance to the Trustee by way of an additional loan to a maximum amount of \$5,100,000 to assist the Trustee to purchase further Shares during 2006 under the terms of the Scheme ("Loan"). The provision of the financial assistance will be recorded by way of a loan agreement between the Company and the Trustee in accordance with the terms of the Scheme ("Loan Agreement"). The key terms of the Loan Agreement will be as follows:
- (a) the Loan will be interest free and repayable on demand by the Company;
 - (b) on transfer of Shares from the Trustee to selected Executive Employees under the terms of the Scheme, 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 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.

Approvals / Disclosures

I. Issue of rights:

- (a) Under NZSX Listing Rule 7.3.1 the terms and conditions of the proposal to issue further rights under the Scheme in 2006 must be approved by ordinary resolution of shareholders. It is proposed that such approval be sought at the Company's 2005 annual meeting.
- (b) Prior to the offer of such rights under the Scheme in 2006, the Directors must, at that later time and in contemplation of the relevant issue, resolve to issue rights to acquire Shares pursuant to the Companies Act 1993 ("Act") and the NZSX Listing Rules.

J. Financial assistance:

- (a) Under NZSX Listing Rule 7.6.6 the Company may not give financial assistance for the purpose of, or in connection with, the acquisition of Shares issued by the Company unless the giving of that financial assistance is approved by ordinary resolution of shareholders. It is proposed that Shareholder approval for the giving of financial assistance to the Trustee be sought at the Company's 2005 annual meeting.
- (b) The Directors are also required to approve the provision of financial assistance to the Trustee pursuant to section 78 of the Act. The Directors who vote in favour of a resolution approving financial assistance must sign a certificate in relation to the matters set out in section 78 of the Act and a solvency certificate pursuant to section 77 of the Act. The form of the proposed resolution of Directors to approve the giving of financial assistance and the related certificates appear on the following pages.
- (c) Under section 78 of the Act, the Company must send a disclosure document to shareholders before the financial assistance is given ("Disclosure Document"). The Disclosure Document must provide shareholders with enough information to understand the nature and terms of the financial assistance and include a copy of the resolution of Directors in respect of that assistance. That Disclosure Document will be sent to shareholders together with the notice of meeting for the Company's 2005 annual meeting ("Notice of Meeting").
- (d) Under NZSX Listing Rule 7.6.6 the Company must provide the financial assistance to the Trustee within six months of shareholders approving the giving of that assistance. That six month period is too short to enable the Trustee to properly administer the Scheme in accordance with its terms or to make Share purchases within permitted insider trading windows under the Company's insider trading policy. In 2004, the Company sought and obtained a waiver from the NZSX to permit the giving of financial assistance to the Trustee within the 12 month period following shareholder approval of that assistance. It is proposed that the Company seek a similar waiver for the giving of the financial assistance for the 12 month period following the 2005 annual meeting.
- (e) Under NZSX Listing Rule 6.2.2(c) an Appraisal Report must accompany any notice of a meeting at which shareholders will be asked to approve financial assistance if it is likely that 50% or more of such assistance will be given to Directors, or Associated Persons of Directors, of the Company. An Appraisal Report will be required because the Trustee (who is receiving the assistance) is an Associated Person of the Directors of the Company because of mutual directorships held in the Trustee and the Company by Keith Smith and Ian Morrice. KPMG was commissioned to prepare an Appraisal Report in respect of the Scheme in 2004 and has been commissioned again to prepare an Appraisal Report to accompany the Notice of Meeting.

- K. The Notice of Meeting and the Disclosure Document must be provided to both the ASX and the NZSX for approval. The Appraisal Report must also accompany the Notice of Meeting when it is provided to the NZSX.

Restrictions on voting

- L. Because they are eligible to receive conditional rights under the Scheme in connection with the financial assistance, Ian Morrice and Ian Tscalas are prohibited, as interested Directors under NZSX Listing rule 3.4.3, from voting on the following resolution to approve the financial assistance.

DISCLOSURE OF INTERESTS:

The Directors of the Company disclose their directorships 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 NZSX Listing Rule 7.6.6 and section 76(1)(b) of the Companies Act 1993:

1. THAT the Company, by way of entry into the Loan Agreement with the Trustee and performance of its obligations under the Loan Agreement and the Scheme, provide financial assistance to the Trustee ("Financial Assistance").
2. THAT:
 - (a) the giving of the Financial Assistance is in the best interests of the Company;
 - (b) the terms and conditions under which the Financial Assistance is to be given are fair and reasonable to the Company; and
 - (c) the giving of the Financial Assistance is of benefit to those shareholders not receiving the assistance and the terms and conditions under which the Financial Assistance is given are fair and reasonable to those shareholders not receiving the assistance.

Reasons for Directors' conclusion

3. The Reasons for the Directors conclusions are:
 - (a) The Financial Assistance will enable the Trustee to purchase Shares pursuant to, and for the purposes of, the Scheme as already approved by shareholders.
 - (b) The Scheme provides an effective incentive to participating Executive Employees to bring about an increase in the value of the Company's Shares.
 - (c) It is beneficial to the Company and its shareholders to provide an incentive to participating Executive Employees to bring about an increase in the value of the Company's Shares.
 - (d) The Scheme is likely to encourage the loyalty and retention of participating Executive Employees for the benefit of the Company and its shareholders.
 - (e) In the opinion of Directors, the provision of the Financial Assistance is consistent with market practice in the area of executive incentive schemes currently operated in New Zealand and Australia.
4. 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).
5. THAT the Directors who vote in favour of these resolutions sign a certificate required by section 76(4), 77(2) and 78(3) of the Companies Act 1993.

SIGNED as a true extract of the minute of the meeting:



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Keith Smith
Chairman
Date: 4 October 2005