

THE WAREHOUSE GROUP LIMITED

("Company")

DISCLOSURE TO SHAREHOLDERS OF FINANCIAL ASSISTANCE

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

TO // All shareholders of the Company

Introduction

This document ("**Disclosure Document**") is sent to you pursuant to sections 78(5) and 79 of the Companies Act 1993 which require the Company to disclose to you certain information relating to any proposal by the Company to provide financial assistance to any person.

Proposed Financial Assistance

The Directors have authorised the Company to provide financial assistance to The Warehouse Management Trustee Company No.2 Limited ("**Trustee**"), the trustee of The Warehouse Group Limited Executive Share Scheme ("**Scheme**"), by way of an advance of \$3,326,000 under the loan agreement between the Company and the Trustee dated 26 September 2005 ("**Loan Agreement**"). The text of the Resolution of Directors is disclosed on the reverse of this document. The advance will be used by the Trustee to purchase ordinary shares ("**Shares**") in the Company in accordance with the terms of the Scheme.

Explanatory Statement

The shareholders of the Company approved the establishment of the Scheme at the annual meeting of the Company on 26 November 2004. Pursuant to the Scheme selected executive employees and executive Directors ("**Executive Employees**") of the Company or of any subsidiary of the Company who have been nominated as participants of the Scheme are issued rights to be allocated and transferred Shares upon the satisfaction of certain conditions ("**Conditional Rights**").

Directors approved the issue of Conditional Rights under the Scheme in the 2006/2007 financial year, and the 2007/2008 financial year, on 28 February 2007. Directors also approved at that date the provision of financial assistance to the Trustee to purchase shares in the Company in relation to the issue of rights in the 2006/2007 financial year in the amount of \$1,250,000 and in the 2007/2008 financial year in the amount of \$7,000,000. The shareholders approved this provision of financial assistance at a special meeting of the Company on 23 March 2007. A disclosure document was sent to shareholders setting out details of the financial assistance.

The Companies Act 1993 restricts the financial assistance disclosed in that disclosure document being provided more than 12 months after the disclosure document was sent to shareholders. As the full amount of the financial assistance was not advanced within that 12 month period, the Directors have approved the amount of \$988,000 in relation to the rights issued in respect of the 2006/2007 financial year, and \$2,338,000 in relation to the rights issued in respect of the 2007/2008 financial year, being provided by the Trustee.

The Loan Agreement sets out the terms of the advances by the Company to the Trustee, the substantive terms of which are as follows:

- (a) each advance will be interest-free and repayable on demand by the Company;
- (b) on transfer of Shares to an Executive 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 each relevant advance from the Company; and
- (c) the recourse of the Company under each relevant advance 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.



Keith Smith // Chairman
14 November 2008

THE WAREHOUSE GROUP LIMITED

EXTRACT from the Minutes of a Meeting of the Board of Directors of The Warehouse Group Limited held on Thursday 23 October 2008 at The Warehouse, 26 The Warehouse Way, Northcote, Auckland at 8.30am.

A paper seeking renewal of the board's approval to provide financial assistance to The Warehouse Management Trustee Company No.2 Limited ("**Trustee**"), the trustee of The Warehouse Group Limited Executive Share Scheme ("**Scheme**"), to purchase shares in the Company in respect of conditional rights issued under the Scheme in relation to the 2006/2007 and 2007/2008 financial years was tabled.

Keith Smith and Graham Evans disclosed their interest for the purposes of section 140 of the Companies Act 1993.

The board noted that shareholders approved the financial assistance at a special meeting in March 2007. The Companies Act 1993 requires financial assistance to be provided within 12 months of the disclosure document being sent to shareholders, so a new approval was being sought for the Trustee to now purchase further shares to meet its rights obligations.

RESOLVED THAT the provision of financial assistance by way of an advance to the Trustee in relation to the issue of conditional rights in the 2006/2007 financial year in the amount of \$988,000 and 2007/2008 financial year in the amount of \$2,338,000 ("**Financial Assistance**") is approved and that:

- i. the giving of the Financial Assistance is in the best interests of the Company;
- ii. the terms and conditions under which the Financial Assistance is to be given are fair and reasonable to the Company; and
- iii. 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

on the basis that:

- The Financial Assistance will enable the Trustee to purchase shares pursuant to, and for the purposes of, the Scheme as already approved by shareholders.
- The Scheme provides an effective incentive to participating executives to bring about an increase in the value of the Company's shares.
- It is beneficial to the Company and its shareholders to provide an incentive to participating executives to bring about an increase in the value of the Company's shares.
- The Scheme is likely to encourage the loyalty and retention of participating executives for the benefit of the Company and its shareholders.
- 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.

FURTHER RESOLVED THAT:

- iv. 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); and
 - v. 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.
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