



The Warehouse Group Limited
26 The Warehouse Way
Northcote, Auckland
PO Box 33470 Takapuna
Auckland, New Zealand

phone +64 9 489 7000
fax +64 9 489 7444
web www.thewarehouse.co.nz

Market Information Services Section
New Zealand Exchange Limited

Company Announcements Office
ASX Limited

9 November 2007

THE WAREHOUSE GROUP LIMITED

Adjustment to target and exercise price of Options and Performance Shares

The Warehouse Group Limited ("TWGL") advises that it has received the attached approval from NZSX pursuant to Listing Rule 7.3.7A and a waiver has been granted by ASX from Listing Rules 6.22 and 6.23.3 for the adjustment of the target price and exercise price of options under its 2003 Team Member Option Plan ("Option Plan") and the TWGL Executive Share Scheme ("Share Scheme").

The target price and exercise price will be adjusted in accordance with the Option Plan and Share Scheme to take account of the effect of the special dividend declared and paid in September 2007.

KPMG, have confirmed that the adjustments are "fair and reasonable", as determined using a variant of the Binomial Option Pricing Model (copy of confirmation attached).

ENDS

9 November 2007

NZX Regulation Decision
The Warehouse Group Limited (“WHS”)
Application for Approval under NZSX Listing Rule 7.3.7A

Background

1. The Warehouse Group Limited (“WHS”) is listed on the NZSX. WHS operates two employee share schemes, the 2003 Team Member Option Plan (“Option Plan”) and the Warehouse Group Limited Executive Share Scheme (“Executive Share Scheme”). On 7 September 2007 WHS announced the payment of a special dividend of \$0.35 per share which was paid on 28 September 2007.

Application for Approval to Adjustment under NZSX Listing Rule 7.3.7A

2. WHS seeks NZX approval under NZSX Listing Rule (“Rule”) 7.3.7A to adjust the target price and exercise price of the options in the Option Plan and to adjust the target price for the Performance Shares under the Executive Share Scheme as a result of the payment of the special dividend. In support of the application, WHS has provided a copy of two reports on the recommended adjustments prepared by KPMG dated 12 September 2007.
3. In respect of the Option Plan, KPMG recommend adjustments to the exercise price of \$5.36 and target price of \$6.52 of the 2003 Options to \$4.90 and \$6.17 respectively, and to the exercise price of \$4.38 and target price of \$5.12 of the 2004 Options to \$3.97 and \$4.77 respectively.
4. In respect of the Executive Share Scheme, KPMG conclude a fair adjustment to the target price for the 2005 “unexercised Performance Shares” from \$4.77 to \$4.18, and to the target price for the 2007 “unexercised Performance Shares” from \$8.14 to \$7.50.
5. The adjustments recommended by KPMG are referred to in this decision as “the Adjustments”.

Applicable Rule

7. Rule 7.3.7A provides:

“**Repricing:** Except as provided in Rules 8.1.7 and 8.1.9, no Issuer may reprice or amend the terms of any Securities issued with shareholders’ approval to or for the benefit of Employees or Directors under Rule 7.3, in their capacity as such, without either the approval of NZX or a

further Ordinary Resolution of the shareholders resolving to approve the repricing or amendment.”

Decision

9. On the basis that the information provided to NZXR is full and accurate in all material respects, NZXR approves the Adjustments under Rule 7.3.7A on the condition that WHS makes a copy of the KPMG reports available to any WHS shareholder on request from that shareholder.

Reasons

10. In coming to the decision to give approval under Listing Rule 7.3.7A, NZXR has taken into account the following:
 - (a) The special dividend is an additional payment in excess of dividends that have been made under WHS’s dividend policy.
 - (b) The terms of the Option Plan and the Executive Share Scheme contemplate the payment of ordinary dividends and allow for adjustments to be made in the event of a special dividend.
 - (c) KPMG have reached the conclusion that the Adjustments are “fair” compensation for those with rights under the two schemes for loss of value to those rights arising as a result of payment of the special dividend.
 - (d) Shareholders approved the terms of the Option Plan in March 2003 and shareholders approved the terms of the Executive Share Scheme in November 2004.
 - (e) The Adjustments are not of the kind to which Listing Rule 8.1.7 or 8.1.9 apply.
 - (f) The KPMG reports (outlining the basis for the recommendation) will be made available on request.

ENDS.



KPMG Centre
18 Viaduct Harbour Avenue
Auckland 1010
New Zealand

PO Box 1584
Shortland Street
Auckland 1140
New Zealand

Telephone +64 (9) 367 5800
Fax +64 (9) 367 5875
Internet www.kpmg.co.nz

Private and confidential
ASX Limited
ABN 98 008 624 691
Exchange Centre
Level 1, 20 Bridge Street
SYDNEY NSW 2000

Our ref TWL/ASA 0907/L003 Eve Roberts
ASX.doc

8 November 2007

Dear Sir

The Warehouse Group Limited (“the Company”)

Following its announcement of a special dividend on 7 September 2007 (“Special Dividend”) The Warehouse Group Limited appointed KPMG Corporate Finance New Zealand (“KPMG”) to calculate a reduction to the exercise price of 774,000 unexercised options (“Options”) issued pursuant to the 2003 Team Member Option Plan (“Option Plan”), and a reduction to the target price of 655,707 performance shares (“Performance Shares”) issued pursuant to the Company’s Executive Share Scheme (“Executive Share Scheme”), such that the value of Options and Performance Shares before and after the Special Dividend would remain unchanged. KPMG calculated such adjustments using a variant of the Binomial Options Pricing Model.

In KPMG’s opinion, the adjustments to the Options and Performance Shares are “fair and reasonable” and in accordance with the terms of the Option Plan and Executive Share Scheme respectively.

Yours sincerely

Tony McNaught
Partner