

## 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 \$6,400,000 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**").

The shareholders approved the issue of Conditional Rights under the Scheme in the 2008/2009 financial year at a special meeting of the Company on 23 March 2007. Shareholders also approved the provision of financial assistance to the Trustee in the 2008/2009 financial year by way of an advance in an amount sufficient to enable the Trustee to purchase a maximum of 2,000,000 Shares in connection with the issue of Conditional Rights. The exact amount of the financial assistance had not been determined at the date of the special meeting.

The Directors have now determined that a maximum of \$6,400,000 will be advanced to the Trustee in respect of the purchase of Shares in connection with the issue of Conditional Rights in the 2008/2009 financial year of the Company.

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

1 October 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 11 September 2008 at The Warehouse, 26 The Warehouse Way, Northcote, Auckland at 8.30am.

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The Chairman of the Remuneration, Talent and Nomination Committee reported that at the meeting of the Committee held on 10 September 2008, the Committee had considered the provision of financial assistance to The Warehouse Management Trustee Company No.2 Limited ("Trustee").

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

It was recommended to the board that the decision taken by the Committee be approved.

**RESOLVED THAT** the provision of financial assistance to the Trustee in relation to the issue of conditional rights in the 2008/2009 financial year by way of an advance to a maximum amount of \$6,400,000 in accordance with the loan agreement between the company and Trustee dated 26 September 2005 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 sections 76(4), 77(2) and 78(3) of the Companies Act 1993.
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