

INVITATION TO THE 2012 ANNUAL MEETING OF SHAREHOLDERS

the warehouse 
where everyone gets a bargain

31 October 2012

Dear Fellow Shareholder

It is my pleasure, on behalf of the Board, to invite you to the 2012 Annual Meeting of Shareholders of The Warehouse Group Limited (the 'Company'). The meeting will take place in the Guineas Ballroom, Ellerslie Event Centre, 80-100 Ascot Avenue, Greenlane East, Auckland, New Zealand, on Friday 23 November 2012 at 10.00am (New Zealand time). Group Chief Executive Officer Mark Powell and I will comment briefly on the performance of the Company during the year to 29 July 2012, and provide you with an update on the Company strategy.

Agenda items for this meeting relate to the re-election of directors, authorisation for directors to fix the fees and expenses of the Company's external auditor, and shareholder approval for the proposed acquisition of shares by Sir Stephen Tindall.

In accordance with the requirements of the relevant NZX Listing Rules, the Board unanimously supports the election of Tony Balfour and the re-election of Janine Smith and James Ogden. You can read about their backgrounds in the Explanatory Notes to the Notice of Annual Meeting attached to this letter.

In accordance with the requirements of the Takeovers Code, shareholder approval is needed for the proposed acquisition of 1,000,000 ordinary shares in the Company by Sir Stephen Tindall from Mr Ian Morrice in accordance with a deed entered into between them dated 25 November 2004 (and subsequently amended on 18 November 2009, 25 November 2010, 5 April 2011 and 25 November 2011). If approved, the acquisition would result in Sir Stephen Tindall and his associates increasing their voting control in the Company from 50.31% to 50.63%. The Board, other than Sir Stephen Tindall and fellow director Mr Keith Smith (a trustee of two Tindall family trusts that hold shares in the Company), due to their interest in the acquisition, recommends approval of the proposed acquisition. You can read further information about the proposed acquisition in the Explanatory Notes to the Notice of Annual Meeting attached to this letter.

All shareholders will have a reasonable opportunity at the meeting to ask general questions and make comments on the financials, business, operations and management of the Company. You will also be able to ask relevant questions of the auditor's representative.

We recognise the importance of questions, and so invite you to submit them in advance of the meeting by emailing your questions to asktheboard@thewarehouse.co.nz or by writing to the Company Secretary, The Warehouse Group Limited, PO Box 33470, Takapuna, Auckland 0740, New Zealand. I will collate the main themes of the questions and respond to them at the meeting.

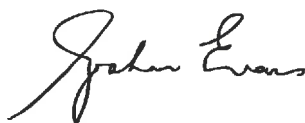
If you cannot attend but have access to the internet, you may wish to listen to the meeting live by webcast on www.thewarehouse.co.nz. A recording of the meeting will be available on our website after the meeting concludes.

If you are unable to attend the meeting, I encourage you to complete and lodge the Proxy Form (either by post or fax) so that it reaches Computershare Investor Services Limited by 10.00am (New Zealand time) on Wednesday 21 November 2012.

For those shareholders who are attending the meeting, please bring the combined Proxy Form and Voting Paper with you to assist with your registration and for voting purposes. You are invited to join the Board and senior management for light refreshments at the conclusion of the meeting.

I look forward to welcoming you to the meeting.

Yours faithfully



Graham Evans
Chairman

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Notice is hereby given that the 2012 Annual Meeting of Shareholders of The Warehouse Group Limited (the 'Company') will be held in the Guineas Ballroom, Ellerslie Event Centre, 80-100 Ascot Avenue, Greenlane East, Auckland, New Zealand, on Friday 23 November 2012 commencing at 10.00am.

Ordinary business

Annual Report

In relation to the Company's annual report for the year ended 29 July 2012, to receive and consider the financial statements for that period, and the auditor's report on those financial statements.

Election and Re-election of Directors

In accordance with NZX Listing Rule 3.3.6, Tony Balfour, having been appointed a Director by the Board, retires and being eligible offers himself for election.

In accordance with NZX Listing Rule 3.3.11, Janine Smith and James Ogden retire by rotation and, being eligible, offer themselves for re-election.

To consider and, if thought fit, to pass the following ordinary resolutions:

Resolution 1

That Tony Balfour be elected as a Director of the Company.

Resolution 2

That Janine Smith be re-elected as a Director of the Company.

Resolution 3

That James Ogden be re-elected as a Director of the Company.

An Explanatory Note in relation to these Resolutions accompanies this Notice of Annual Meeting.

Auditor

PricewaterhouseCoopers is automatically reappointed as auditor under section 200 of the Companies Act 1993. This resolution authorises the Board to fix the fees and expenses of the auditor.

To consider and, if thought fit, to pass the following ordinary resolution:

Resolution 4

That the Directors are authorised to fix the fees and expenses of PricewaterhouseCoopers as auditor for the ensuing year.

Special business

Share Acquisition

To consider and, if thought fit, to pass the following ordinary resolution:

Resolution 5

That, pursuant to Rule 7(c) of the Takeovers Code, Sir Stephen Tindall acquiring 1,000,000 ordinary shares in the Company from Mr Ian Morrice, which will result in Sir Stephen Tindall and his associates increasing their holding and control of voting securities in the Company from 50.31% to 50.63%, be approved.

An Explanatory Note in relation to this Resolution accompanies this Notice of Annual Meeting.

On behalf of the Board:

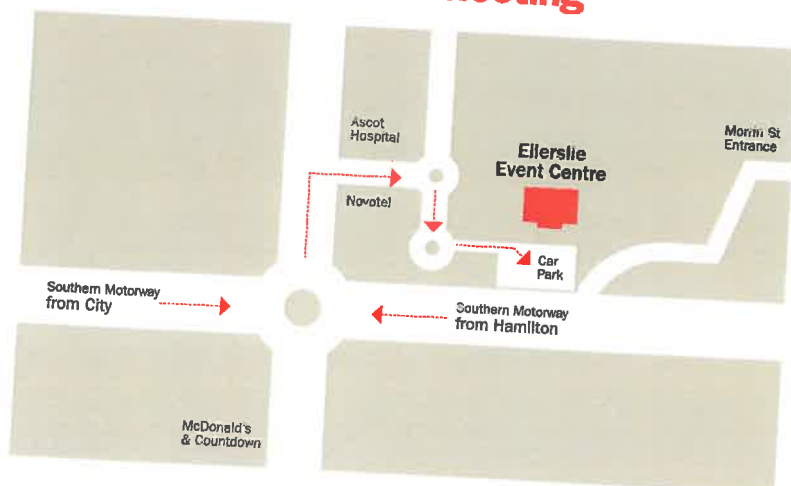
Graham Evans
Chairman

31 October 2012

Notes

- i. All shareholders of the Company are entitled to attend the meeting.
- ii. Any shareholder of the Company entitled to attend and vote at the meeting may appoint another person as his/her proxy to attend and vote instead of him/her. A proxy need not be a shareholder of the Company. A Proxy Form accompanies this Notice of Annual Meeting.
- iii. Any corporation that is a shareholder of the Company may appoint a person as its representative to attend the meeting and vote on its behalf, in the same manner as that in which it could appoint a proxy.
- iv. The appointment of a proxy or representative does not preclude a shareholder from attending and voting at the meeting.
- v. You may appoint the Chairman of the Meeting or any Director, or any other person, as your proxy.
- vi. A proxy will not be entitled to vote at the meeting unless a properly completed Proxy Form has been received by the Company at the office of the Company's share registrar, Computershare Investor Services Limited, not less than 48 hours before the commencement of the meeting, being not later than 10.00am (New Zealand time) on Wednesday 21 November 2012. Any Proxy Form received after that time will not be valid for the scheduled meeting. You can post the Proxy Form to Private Bag 92119, Auckland 1142, New Zealand, or you can deliver the Proxy Form to Level 2, 159 Hurstmere Road, Takapuna, Auckland, New Zealand. Alternatively you can fax the form to +64 9 488 8787.
- vii. None of Sir Stephen Tindall, Mr Ian Morrice and their respective 'associates' for the purposes of the Takeovers Code may vote on Resolution 5. The Explanatory Note in relation to Resolution 5 contains further details in respect of these voting limitations.

Directions for Shareholders attending the Annual Meeting



The Annual Meeting of Shareholders of the Company will be held in the Guineas Ballroom, Ellerslie Events Centre, 80-100 Ascot Avenue, Greenlane East, Auckland, New Zealand on Friday 23 November 2012 commencing at 10.00am.

Directions to the Ellerslie Event Centre from the Southern Motorway

Ellerslie Racecourse is well signposted from the Southern Motorway. The best exit is 'Greenlane'. At the roundabout turn left if travelling from the north on the motorway, or right if travelling from the south. At the first set of lights turn right. On your left will be Ascot Hospital and on your right, Novotel Hotel. Turn right at the first roundabout and left at the second roundabout and you will drive into the grounds of the racecourse. If you continue on through Ellerslie's main carpark, you will arrive at the Ellerslie Event Centre. The venue has free parking.

EXPLANATORY NOTES TO NOTICE OF ANNUAL MEETING



TONY BALFOUR



JANINE SMITH



JAMES OGDEN

Directors seeking election and re-election – Resolutions 1, 2 and 3

Brief biographical details of the Directors seeking election and re-election:

Tony Balfour BCom

Independent Non-Executive Director

TERM OF OFFICE: Appointed Director 15 October 2012

Tony, 52, has extensive global retail and e-commerce experience with a strong track record in a diverse range of industries. Most recently he was General Manager (Markets) for Icebreaker Clothing with responsibility for the company's global business unit in New Zealand and all other regions including Australia, USA, Canada and Europe as well as the development of the company's rapidly growing e-commerce and retail business units. Prior experience includes senior roles in Monster.com and Seek.com, both successful online recruitment sites. Tony also spent nine years at Nike in senior general management roles in the USA, Australia and Asia Pacific regions. Since 2009 he has been a director of Silver Fern Farms, New Zealand's largest meat company.

Janine Smith BCom, MPhil (Hons 1st Class)

Independent Non-Executive Director

TERM OF OFFICE: Appointed Director 3 August 2006, last re-elected 2009 Annual Meeting

BOARD COMMITTEES: Chair of the Corporate Governance Committee and Chair of the Remuneration, Talent and Nomination Committee

Janine, 57, brings to the Board wide-ranging knowledge and expertise as a result of her experience as a CEO and director with companies in the commercial, arts, and education sectors, both in New Zealand and overseas. She has 15 years' experience in the food and manufacturing industries. Janine specialises in boardroom practice, strategic planning, organisational development and organisational change issues for boards and management. She is currently Chair of AsureQuality Limited, a director of Steel and Tube Holdings Limited and Kensington Swan Legal and a Principal of The Boardroom Practice Limited. Former directorships include Bank of New Zealand, Kordia Group, Airways Corporation, McLaren's Young NZ Limited, Venture Taranaki and Auckland Philharmonia Orchestra. She is also involved in advisory boards in the tertiary education sector and is an alumna of the London Business School and The University of Auckland and is a member of the New Zealand Institute of Directors.

James Ogden BCA (Hons), FCA, FlntD

Independent Non-Executive Director

TERM OF OFFICE: Appointed Director 4 August 2009, last elected 2009 Annual Meeting

BOARD COMMITTEES: Chairman of the Audit Committee and Member of the Disclosure Committee

James, 60, brings strong financial expertise to the Board and director experience across a broad range of industries. He has had a distinguished career as an investment banker for 11 years, six years as Country Manager for Macquarie Bank and five years as a director of Credit Suisse First Boston. James has also worked in the New Zealand dairy industry in chief executive and finance roles for eight years. In addition to his role as a director of The Warehouse Group, he is Chairman of Arria NLG Limited, a director of Summerset Group Limited, Vehicle Testing Group Limited and Seaworks Limited. Former directorships include NZ Post Limited, Kiwibank Limited, NZX-listed Powerco Limited and Capital Properties New Zealand Limited.

Share Acquisition – Resolution 5

This resolution is proposed for the purposes of Rule 7(c) of the Takeovers Code. It is an ordinary resolution, which is passed by a simple majority of votes of shareholders of the Company entitled to vote and voting on the question.

Details of the Acquisition

On 25 November 2004, Sir Stephen Tindall and Mr Ian Morrice (former Chief Executive Officer and Managing Director of the Company) entered into a Deed Relating to Shares in The Warehouse Group Limited ('Deed'). The Deed was subsequently amended on 18 November 2009, 25 November 2010, 5 April 2011 and 25 November 2011.

The Deed (as varied) provides for:

- (a) the purchase by Mr Ian Morrice of 1,000,000 ordinary shares in the Company (the 'Shares') from Sir Stephen Tindall, with a loan from Sir Stephen Tindall of \$3,760,000 for the purchase price of the Shares; and
 - (b) a further cash advance of \$335,000 from Sir Stephen Tindall to Mr Ian Morrice, on the terms set out in the Deed.
- The terms of the Deed include:
- (a) that Mr Ian Morrice's indebtedness under the Deed (determined in accordance with the Deed from time to time, and comprising principally of the loan and cash advance described above, together with interest) is secured by way of a security interest granted by Mr Ian Morrice in favour of Sir Stephen Tindall pursuant to a Specific Security Agreement also entered into between Sir Stephen Tindall and Mr Ian Morrice (dated 25 November 2004);
 - (b) that Mr Ian Morrice agrees to pay the amount of his indebtedness by 30 November 2012;
 - (c) however, should Mr Ian Morrice transfer all the Shares to Sir Stephen Tindall on or before 30 November 2012, then Sir Stephen Tindall will accept such transfer in full satisfaction of Mr Ian Morrice's indebtedness under the Deed, and deliver to Mr Ian Morrice such documents as may be reasonably requested by Mr Ian Morrice in order to discharge the security interest.
- Mr Ian Morrice proposes to transfer the Shares to Sir Stephen Tindall as contemplated by the Deed. The Company proposes that the transfer be put to shareholders for approval in accordance with the provisions of the Takeovers Code described below.

Purpose of the resolutions

Under Rule 6 of the Takeovers Code, a person, including that person's associates, who holds or controls 20% or more of the voting rights in a 'code company' (as that term is defined in the Takeovers Code – the Company is a 'code company') may not become the holder or controller of an increased percentage of the voting rights in the code company.

Continued over page

EXPLANATORY NOTES TO NOTICE OF MEETING CONT'D

Rule 7(c) of the Takeovers Code provides that a person may become the holder or controller of an increased percentage of the voting rights in a code company by an acquisition of shares if the acquisition has been approved by an ordinary resolution of the code company.

The term 'associates' is defined in the Takeovers Code and includes persons who act jointly or in concert, or persons who have a business, personal or ownership relationship such that they should in the circumstances be regarded as associates.

Together with his associates, Sir Stephen Tindall currently holds and controls 156,546,775 ordinary shares in the Company, representing 50.31% of the voting securities in the Company (being ordinary shares).

Rule 15 of the Takeovers Code provides that a notice of meeting required for the purposes of obtaining shareholder approval under Rule

7(c) of the Takeovers Code must contain, or be accompanied by, certain information including a report from an independent adviser that complies with Rule 18 of the Takeovers Code. The information required under Rule 15 of the Takeovers Code is set out in Appendix 1 to this Notice of Annual Meeting.

Effect of Resolution 5

If the Company's shareholders approve Resolution 5, Sir Stephen Tindall may acquire 1,000,000 additional ordinary shares in the Company. If the transfer of the Shares from Mr Ian Morrice to Sir Stephen Tindall is completed, Sir Stephen Tindall and his associates would increase their voting control in the Company from 50.31% to 50.63%.

Voting

None of Sir Stephen Tindall or Mr Ian Morrice, and any 'associate' (as that term is defined in the

Takeovers Code) of those persons may vote on Resolution 5.

Independent Adviser's Report

Rule 18 of the Takeovers Code requires the directors of the Company to obtain an independent adviser's report in respect of the proposed acquisition of the Shares by Sir Stephen Tindall. The purpose of the independent adviser's report is to assess the merits of the acquisition having regard to the interests of those persons who may vote to approve the acquisition. The independent adviser's report for this purpose has been prepared by Simmons Corporate Finance Limited.

The independent adviser's report is set out in Appendix 2 to this Notice of Annual Meeting.

APPENDIX 1

Information required by the Takeovers Code in respect of Resolution 5

Capitalised terms used in this Appendix have the meanings given to them in the Notice of Annual Meeting.

The identity of the persons acquiring and disposing of the voting securities in the Company

Sir Stephen Tindall is the person acquiring the voting securities in the Company. Mr Ian Morrice is the person disposing of the voting securities in the Company.

Particulars of the voting securities to be acquired

- (a) The number of voting securities being acquired is 1,000,000 (being ordinary shares in the Company).
- (b) The percentage of all voting securities in the Company that that number represents is 0.32%.
- (c) The percentage of all voting securities in the Company that will be held or controlled by the person acquiring the voting securities (being Sir Stephen Tindall) after completion of the acquisition is 27.01%.
- (d) The aggregate of the percentages of all voting securities in the Company that will be held or controlled by the person acquiring the voting securities (being Sir Stephen Tindall) and by that person's associates after completion of the acquisition is 50.63%.

The consideration for the acquisition or the manner in which the consideration will be determined and when the consideration is payable

In consideration for the acquisition by Sir Stephen Tindall of the Shares (by way of transfer from Mr Ian Morrice), Sir Stephen Tindall will immediately forgive Mr Ian Morrice's indebtedness under the Deed and deliver to Mr Ian Morrice such documents as may be reasonably requested by him in order to discharge the security interest in respect of the Shares. The key terms of the Deed are described in the Explanatory Note for Resolution 5 in the Notice of Annual Meeting.

The reasons for the transaction

The original transfer of 1,000,000 shares to Mr Ian Morrice under the Deed was as an incident of Mr Ian Morrice's employment as the Company's Chief Executive Officer. As Mr Ian Morrice's association with the Company has ended, Sir Stephen Tindall and Mr Ian Morrice wish for the 1,000,000 shares to be returned to Sir Stephen Tindall (subject to compliance with the Code).

Mr Ian Morrice would like to exercise his contractual right under the Deed to transfer the Shares to Sir Stephen Tindall, with the effect that Sir Stephen Tindall is obligated to accept the transfer in full satisfaction of Mr Ian Morrice's indebtedness under the Deed. The key terms of the Deed are described in the Explanatory Note for Resolution 5 in the Notice of Annual Meeting.

Statement that the transaction will be permitted under Rule 7(c) of the Takeovers Code

The acquisition by Sir Stephen Tindall of the Shares (by way of transfer from Mr Ian Morrice) will be permitted under Rule 7(c) of the Takeovers Code as an exception to Rule 6 of the Takeovers Code, as more fully discussed in the independent adviser's report attached as Appendix 2 to the Notice of Annual Meeting.

Statement by person acquiring voting securities setting out particulars of agreements or arrangements relating to voting securities or voting rights

Other than the Deed described in the Explanatory Note for Resolution 5 in this Notice of Annual Meeting, Sir Stephen Tindall has not entered, and does not intend to enter, into any agreement or arrangement relating to the acquisition, holding or control of the Shares, or to the exercise of voting rights in the Company generally.

The report from an independent adviser that complies with Rule 18 of the Takeovers Code accompanies this Notice of Meeting

The report prepared by Simmons Corporate Finance Limited, being the report from an independent adviser that complies with Rule 18 of the Takeovers Code, is set out in Appendix 2 to this Notice of Annual Meeting.

The statement by the directors of the Company required by Rule 19 of the Takeovers Code

Rule 19 of the Takeovers Code requires the directors of the Company to provide a written statement as to whether they recommend approval or disapproval of any proposed acquisition under Rule 7(c) of the Takeovers Code and giving their reasons.

The directors of the Company (excluding Sir Stephen Tindall and Mr Keith Smith) recommend approval of Resolution 5 for the following reasons:

- An increase of 0.32% of voting securities will have negligible impact on the level of influence the Tindall Associates have over shareholder voting, and will have no impact on the Tindall Associates' influence over the Company's board or its directors or its operations.
- The findings of the report prepared by Simmons Corporate Finance Limited state that the proposed acquisition would have no material negative aspects from the perspective of non-associated shareholders.
- The proposed acquisition effectively returns Sir Stephen Tindall and Mr Ian Morrice to their original economic positions prior to entering the Deed when Mr Ian Morrice was appointed the Company's Chief Executive Officer.

As Sir Stephen Tindall and Mr Keith Smith are interested in the proposed acquisition contemplated by Resolution 5, they have abstained from making a recommendation in respect of it.

APPENDIX 2

Refer to Independent Adviser's Report provided separately with this Notice of Annual Meeting.

The Warehouse Group Limited

Independent Adviser's Report

In Respect of the Acquisition of 1,000,000 Shares by Sir Stephen Tindall

October 2012

Statement of Independence

Simmons Corporate Finance Limited confirms that it:

- has no conflict of interest that could affect its ability to provide an unbiased report
- has no direct or indirect pecuniary or other interest in the proposed transaction considered in this report, including any success or contingency fee or remuneration, other than to receive the cash fee for providing this report.

Simmons Corporate Finance Limited has satisfied the Takeovers Panel, on the basis of the material provided to the Takeovers Panel, that it is independent under the Takeovers Code for the purposes of preparing this Independent Adviser's Report.

Index

Section	Page
1. Introduction	1
2. Evaluation of the Merits of the Share Acquisition	4
3. Sources of Information, Reliance on Information, Disclaimer and Indemnity	10
4. Qualifications and Expertise, Independence, Declarations and Consents	12

1. Introduction

1.1 Background

The Warehouse Group Limited (**The Warehouse** or the **Company**) was established in 1982 by Sir Stephen Tindall. It has grown to become one of New Zealand's largest general merchandise retailers, with 89 stores throughout New Zealand selling a wide range of products from clothing, entertainment, technology and music to sporting, gardening, grocery and many others.

The Warehouse is listed on the main board equity security market (**NZSX**) operated by NZX Limited with a market capitalisation of \$965 million as at 11 October 2012 and audited total equity of \$317 million as at 29 July 2012.

1.2 Proposed Share Acquisition

Ian Morrice was The Warehouse's chief executive officer and managing director from August 2004 to May 2011.

Sir Stephen and Mr Morrice entered into the *Deed Relating to Shares in The Warehouse Group Limited* dated 25 November 2004 (the **2004 Deed**) whereby:

- Sir Stephen transferred 1,000,000 ordinary shares in The Warehouse to Mr Morrice for a purchase price of \$3,760,000
- Sir Stephen agreed to lend the consideration payable for the shares to Mr Morrice (repayable in November 2009) (the **Debt**)
- interest on the Debt equates to the amount of dividends plus imputation credits received in respect of the 1,000,000 shares
- Mr Morrice granted a mortgage over the shares to Sir Stephen as security for the Debt (the **Mortgage**)
- Sir Stephen granted Mr Morrice a put option to require Sir Stephen to purchase all of the shares at a price equivalent to the amount of the Debt.

Sir Stephen and Mr Morrice entered into 4 variations to the 2004 Deed between 18 November 2009 and 25 November 2011 (the **Variation Deeds**):

- under the First Variation Deed dated 18 November 2009, the put option was deleted and the repayment date of the Debt was extended
- under the Second and Third Variation Deeds dated 25 November 2010 and 5 April 2011 respectively, the repayment date of the Debt was extended
- under the Fourth Variation Deed dated 25 November 2011:
 - the repayment date of the Debt was extended to 30 November 2012
 - Sir Stephen made a further cash advance of \$335,000 to Mr Morrice
 - the amount of the Debt at 25 November 2011 was acknowledged to be \$3,703,642.85
 - it was agreed that should Mr Morrice transfer all of the shares to Sir Stephen, then Sir Stephen will accept such transfer in full satisfaction of Mr Morrice's obligation to repay the Debt.

Sir Stephen and Mr Morrice want Sir Stephen to reacquire the 1,000,000 shares (the **Share Acquisition**), subject to compliance with the Takeovers Code (the **Code**).

Sir Stephen currently holds 83,058,283 shares in the Company, representing 26.69% of the voting rights in The Warehouse.

Sir Stephen is a trustee of The Tindall Foundation, an incorporated charitable trust. The Tindall Foundation currently holds 66,323,220 shares in the Company, representing 21.31% of the voting rights in The Warehouse.

Members of the Tindall family hold a total of 7,165,272 shares in the Company through 3 family trusts, representing 2.30% of the voting rights in The Warehouse.

The combined percentage of the voting rights that are held or controlled by Sir Stephen, The Tindall Foundation and the 3 family trusts (collectively the **Tindall Associates**) is 50.31%.

The 1,000,000 shares represent 0.32% of The Warehouse's ordinary shares currently on issue.

The Share Acquisition will result in the Tindall Associates becoming the holder of 50.63% of the shares in the Company.

Changes in Shareholding Following the Share Acquisition					
	Current		Share Acquisition	Post Share Acquisition	
	No. of Shares	%		No. of Shares	%
Tindall Associates	156,546,775	50.31%	1,000,000	157,546,775	50.63%
Mr Morrice	1,000,000	0.32%	(1,000,000)	-	0.00%
Non-associated shareholders	153,649,093	49.37%		153,649,093	49.37%
Total	<u>311,195,868</u>	<u>100.00%</u>		<u>311,195,868</u>	<u>100.00%</u>

1.3 Annual Meeting

The Warehouse's shareholders other than the Tindall Associates and Mr Morrice (the **Non-associated Shareholders**) will vote on an ordinary resolution in respect of the Share Acquisition (resolution 5, which we refer to as the **Share Acquisition Resolution**) at the Company's annual meeting on 23 November 2012.

The Tindall Associates and Mr Morrice are not permitted to vote on the Share Acquisition Resolution.

As part of the ordinary business of the annual meeting, shareholders will also vote on ordinary resolutions in respect of:

- the election of Tony Balfour as a director of the Company (resolution 1)
- the re-election of Janine Smith as a director of the Company (resolution 2)
- the re-election of James Ogden as a director of the Company (resolution 3)
- the authorisation of the directors to fix the auditor's fees for the ensuing year (resolution 4).

1.4 Regulatory Requirements

Rule 6 of the Code prohibits:

- a person who holds or controls less than 20% of the voting rights in a code company from increasing its holding or control of voting rights beyond 20%
- a person holding or controlling 20% or more of the voting rights in a code company from increasing its holding or control of voting rights

unless the person and that person's associates comply with exceptions to this fundamental rule.

One of the exceptions, set out in Rule 7(c) of the Code, enables a person and its associates to increase their holding or control of voting rights by an acquisition of shares if the acquisition is approved by an ordinary resolution of the code company.

Sir Stephen, The Tindall Foundation and the 3 family trusts have been treated as associates (as defined by the Code) for the purposes of Share Acquisition Resolution.

The Share Acquisition will result in the Tindall Associates increasing their control of the voting rights in The Warehouse from 50.31% to 50.63%.

Accordingly, the Non-associated Shareholders will vote at the Company's annual meeting on the Share Acquisition Resolution in accordance with the Code.

Rule 18 of the Code requires the directors of a code company to obtain an Independent Adviser's Report on the merits of an acquisition under Rule 7(c).

This Independent Adviser's Report is to be included in the notice of meeting pursuant to Rule 15(h).

1.5 Purpose of the Report

The directors of the Company not associated with the Tindall Associates (the **Independent Directors**) have engaged Simmons Corporate Finance Limited (**Simmons Corporate Finance**) to prepare an Independent Adviser's Report on the merits of the Share Acquisition in accordance with Rule 18 of the Code.

Simmons Corporate Finance was approved by the Takeovers Panel on 7 August 2012 to prepare the Independent Adviser's Report.

Simmons Corporate Finance issues this Independent Adviser's Report to the Independent Directors for the benefit of the Non-associated Shareholders to assist them in forming their own opinion on whether to vote for or against the Share Acquisition Resolution.

We note that each shareholder's circumstances and objectives are unique. Accordingly, it is not possible to report on the merits of the acquisition of shares for each shareholder's circumstances under the Share Acquisition. This report on the merits of the Share Acquisition is therefore necessarily general in nature.

This Independent Adviser's Report is not to be used for any other purpose without our prior written consent.

2. Evaluation of the Merits of the Share Acquisition

2.1 Basis of Evaluation

Rule 18 of the Code requires an evaluation of the merits of the Share Acquisition.

There is no legal definition of the term *merits* in New Zealand in either the Code or in any statute dealing with securities or commercial law.

In the absence of an explicit definition of *merits*, guidance can be taken from:

- the Takeovers Panel guidance note on the role of independent advisers dated August 2007
- definitions designed to address similar issues within New Zealand regulations which are relevant to the proposed transaction
- overseas precedents
- the ordinary meaning of the term *merits*.

We are of the view that an assessment of the merits of the Share Acquisition should focus on:

- the rationale for the Share Acquisition
- the terms and conditions of the Share Acquisition
- the impact of the Share Acquisition on the control of the Company
- the impact of the Share Acquisition on The Warehouse's share price
- other issues associated with the Share Acquisition
- the implications if the Share Acquisition Resolution is not approved.

Our opinion should be considered as a whole. Selecting portions of the evaluation without considering all the factors and analyses together could create a misleading view of the process underlying the opinion.

2.2 Summary of the Evaluation of the Merits of the Share Acquisition

The Share Acquisition is a transaction between 2 shareholders in respect of 0.32% of the Company's shares. In our opinion, if the Share Acquisition was to proceed, it would have no material negative aspects from the perspective of the Non-associated Shareholders.

Our evaluation of the merits of the Share Acquisition is set out in detail in sections 2.3 to 2.8. In summary, the key factors leading to our opinion are:

- the rationale for the Share Acquisition is sound. The Share Acquisition is a transaction between Sir Stephen and Mr Morrice that effectively unwinds a transaction they entered into in 2004 when Mr Morrice was appointed as the Company's chief executive officer
- the terms and conditions of the Share Acquisition are reasonable. The acquisition price for the 1,000,000 shares is equivalent to the amount outstanding on the Debt, thereby effectively returning Sir Stephen and Mr Morrice to their respective economic positions prior to entering into the 2004 Deed

- the Share Acquisition will have negligible impact on the Tindall Associates' ability to influence the outcome of shareholder voting. Their current 50.31% shareholding already provides a significant level of influence over shareholder voting and an increase of 0.32% will not enhance this to any great degree
- the Share Acquisition will have no impact on the Tindall Associates' influence over the Company's board of directors or its operations
- the Share Acquisition will have no impact on The Warehouse's share price
- the Share Acquisition will have no impact on the liquidity of The Warehouse's shares
- the Share Acquisition will have no dilutionary impact on the Non-associated Shareholders' voting rights
- the Share Acquisition will have no impact on the attraction of The Warehouse as a takeover target
- the implications of the Share Acquisition not being approved by the Non-associated Shareholders are that the Share Acquisition cannot proceed. We are advised that Sir Stephen and Mr Morrice will vary the terms of the 2004 Deed to once again extend the repayment date of the Debt until such time as they determine an appropriate course of action. Given the provisions of the Code, this may entail the Company seeking shareholder approval of a transaction at a later date (at additional cost).

2.3 The Rationale for the Share Acquisition

We are advised by Sir Stephen that the original transfer of 1,000,000 shares to Mr Morrice under the 2004 Deed was as an incident of Mr Morrice's employment as the Company's chief executive officer.

As Mr Morrice's association with the Company has ended, Sir Stephen and Mr Morrice wish for the 1,000,000 shares to be returned to Sir Stephen (subject to compliance with the Code). Therefore in accordance with the terms of the 2004 Deed and the Deed Variations, Mr Morrice wishes to exercise his rights to transfer the 1,000,000 shares to Sir Stephen, with the effect that Sir Stephen is obligated to accept the transfer in full satisfaction of the Debt.

In our view, the rationale for the Share Acquisition is sound. Mr Morrice is exercising his contractual rights under the 2004 Deed and the Deed Variations to transfer the 1,000,000 shares to Sir Stephen. Given the Company's share price at present, the value of the 1,000,000 shares is somewhat lower than the quantum of the Debt which Mr Morrice is obligated to repay on 30 November 2012.

2.4 Terms of the Share Acquisition

The terms of the Share Acquisition are that Mr Morrice will transfer the 1,000,000 shares to Sir Stephen and Sir Stephen will accept such transfer in full satisfaction of the Debt and discharge the Mortgage.

In our view, the terms of the Share Acquisition are reasonable. The Share Acquisition is effectively an unwinding of a transaction that Sir Stephen and Mr Morrice entered into in 2004 and the terms of the Share Acquisition result in there being no net transfer of economic benefits between the 2 parties.

2.5 Impact on Control

Share Capital and Shareholders

The Warehouse currently has 311,195,868 ordinary fully paid shares on issue.

The names, number of shares and percentage holding of the 10 largest shareholders as at 30 September 2012 are set out below.

The Warehouse's 10 Largest Shareholders		
Shareholder	No. of Shares Held	%
Sir Stephen Tindall	83,058,283	26.69%
The Tindall Foundation	66,323,220	21.31%
General Distributors Limited	30,548,887	9.82%
New Zealand Central Securities Depository Limited	15,675,807	5.04%
Cash Wholesalers Limited	10,373,363	3.33%
Foodstuffs Auckland Nominees Limited	10,373,363	3.33%
Wardell Bros & Coy Limited	10,373,363	3.33%
JBWere (NZ) Nominees Limited	5,640,282	1.81%
JBWere (NZ) Nominees Limited	5,210,241	1.67%
JBWere (NZ) Nominees Limited	4,653,150	1.50%
Subtotal	242,229,959	77.84%
Others (11,003 shareholders)	68,965,909	22.16%
Total	311,195,868	100.00%

Source: NZX Data

The Tindall Associates collectively hold 156,546,775 shares, representing 50.31% of the voting rights in the Company.

Shareholding Voting

Assuming that Sir Stephen, The Tindall Foundation and the 3 family trusts were to always act in unison in respect of shareholder voting matters, then the Tindall Associates' 50.31% shareholding currently enables them to exert a significant level of influence over shareholder voting:

- they hold the ability to block the passing of special resolutions (which require the approval of 75% of the votes cast by shareholders)
- they hold the ability to control the outcome of an ordinary resolution (greater than 50% of votes cast).

The Share Acquisition will increase the Tindall Associates' control of voting rights from 50.31% to 50.63%. An additional 0.32% of the voting rights will not enhance the Tindall Associates' ability to control the outcome of shareholder voting to any significant degree.

We note that the ability for any shareholder to influence the outcome of voting on the Company's ordinary resolutions or special resolutions may be reduced by external factors such as the Company's constitution, the Companies Act 1993 and the NZSX Listing Rules.

Board Control

The Company currently has 6 directors. Sir Stephen is a director of the Company and fellow director Keith Smith is a trustee of 2 of the family trusts.

We are advised by the Independent Directors that the Share Acquisition will have no impact on the composition of the Company's board of directors or the Tindall Associates' level of influence at board level.

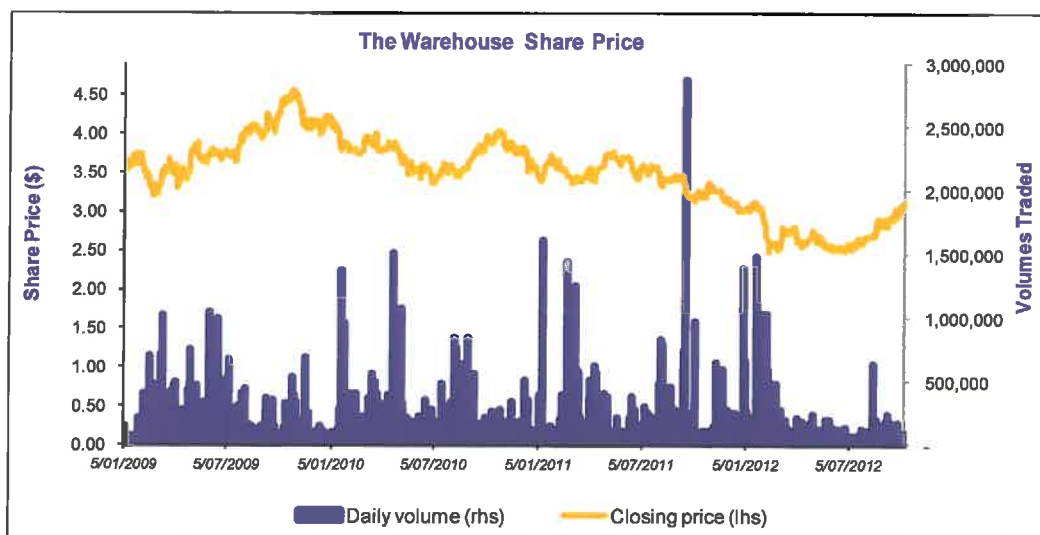
Operations

We are advised by the Independent Directors that the Share Acquisition will have no impact on the Tindall Associates' level of influence over the operations of the Company.

2.6 Impact on Share Price and Liquidity

Share Price

Set out below is a summary of The Warehouse's daily closing share price and daily volumes of shares traded from 5 January 2009 to 10 October 2012.



During the period, The Warehouse's shares have traded between \$2.49 and \$4.55 at a volume weighted average share price of \$3.49.

In our view, the Share Acquisition will have no impact on the Company's share price as the Share Acquisition represents the unwinding of a transaction agreed to in 2004 and is not referenced in any way to the Company's current share price.

Liquidity

The size of the pool of shares held by the Non-associated Shareholders will not change as a result of the Share Acquisition.

In our view, the Share Acquisition will have no impact on the liquidity of The Warehouse's shares.

2.7 Other Issues

No Dilutionary Impact

As the Share Acquisition is a transfer of shares between Mr Morrice and the Tindall Associates, it will have no dilutionary impact on the Non-associated Shareholders' voting rights. No new shares are being issued by the Company.

No Change to the Attraction of The Warehouse as a Takeover Target

To the Tindall Associates

The Share Acquisition will increase the Tindall Associates' control of voting rights in the Company from 50.31% to 50.63% and as such will not change their level of control over the Company to any significant degree nor (presumably) change their desire (if any) to increase their level of control.

As long as Sir Stephen holds more than 20% and not more than 50% of the voting rights in the Company, he cannot increase the level of his shareholding unless he complies with the provisions of the Code. He will only be able to acquire more shares in the Company if:

- he makes a full or partial takeover offer or
- the acquisition is approved by way of an ordinary resolution of the Non-associated Shareholders or
- the Company makes an allotment of shares which is approved by way of an ordinary resolution of the Non-associated Shareholders.

Sir Stephen could also increase his shareholding in the Company if The Warehouse undertook a share buyback that was approved by the Company's shareholders and Sir Stephen did not fully participate in the buyback.

Sir Stephen will not be able to increase his shareholding under the creep provisions of Rule 7(e) of the Code as these provisions are only available to persons that hold between 50% and 90% of the voting securities in a Code company.

To Other Bidders

Any bidder looking to make a takeover offer for the Company would need to ensure that the Tindall Associates would accept its offer, irrespective of whether they held 50.31% or 50.63% of the shares in the Company.

Conclusion

In our view, the increase in the Tindall Associates' shareholdings from 50.31% to 50.63% will have no impact on the attraction of The Warehouse as a takeover target.

Non-associated Shareholder Approval is Required

Pursuant to Rule 7(c) of the Code, the Non-associated Shareholders must approve by ordinary resolution the Share Acquisition.

The Share Acquisition will not proceed unless the Non-associated Shareholders approve the Share Acquisition Resolution.

2.8 Implications of the Share Acquisition Resolution not Being Approved

If the Share Acquisition Resolution is not approved then the Share Acquisition cannot proceed.

If the Share Acquisition Resolution is not approved, we are advised that Sir Stephen and Mr Morrice will vary the terms of the 2004 Deed to once again extend the repayment date of the Debt until such time as they determine an appropriate course of action.

We note that if Mr Morrice were to sell some or all of the 1,000,000 shares, the Tindall Associates would not be permitted to purchase any of the shares without the approval of the Non-associated Shareholders.

Depending on the course of action determined by Sir Stephen and Mr Morrice, it is possible that the Tindall Associates may ask The Warehouse to seek shareholder approval of a transaction similar to the Share Acquisition at a later date, which would incur additional costs.

2.9 Voting For or Against the Share Acquisition Resolution

Voting for or against the Share Acquisition Resolution is a matter for individual shareholders based on their own views as to value and future market conditions, risk profile and other factors. Shareholders will need to consider these consequences and consult their own professional adviser if appropriate.

3. Sources of Information, Reliance on Information, Disclaimer and Indemnity

3.1 Sources of Information

The statements and opinions expressed in this report are based on the following main sources of information:

- the draft notice of annual meeting
- the 2004 Deed
- the Variation Deeds
- The Warehouse annual report for the year ended 31 July 2011 and financial statements for the 52 week period ended 29 July 2012
- data in respect of The Warehouse from NZX Data and Capital IQ.

During the course of preparing this report, we have had discussions with and / or received information from the Independent Directors, the executive management of the Company and The Warehouse's legal advisers.

The Independent Directors have confirmed that we have been provided for the purpose of this Independent Adviser's Report with all information relevant to the Share Acquisition that is known to them and that all the information is true and accurate in all material respects and is not misleading by reason of omission or otherwise.

Including this confirmation, we have obtained all the information that we believe is desirable for the purpose of preparing this Independent Adviser's Report.

In our opinion, the information to be provided by The Warehouse to the Non-associated Shareholders is sufficient to enable the Independent Directors and the Non-associated Shareholders to understand all the relevant factors and to make an informed decision in respect of the Share Acquisition.

3.2 Reliance on Information

In preparing this report we have relied upon and assumed, without independent verification, the accuracy and completeness of all information that was available from public sources and all information that was furnished to us by The Warehouse and its advisers.

We have evaluated that information through analysis, enquiry and examination for the purposes of preparing this report but we have not verified the accuracy or completeness of any such information or conducted an appraisal of any assets. We have not carried out any form of due diligence or audit on the accounting or other records of The Warehouse. We do not warrant that our enquiries would reveal any matter which an audit, due diligence review or extensive examination might disclose.

3.3 Disclaimer

We have prepared this report with care and diligence and the statements in the report are given in good faith and in the belief, on reasonable grounds, that such statements are not false or misleading. However, in no way do we guarantee or otherwise warrant that any forecasts of future profits, cash flows or financial position of The Warehouse will be achieved. Forecasts are inherently uncertain. They are predictions of future events that cannot be assured. They are based upon assumptions, many of which are beyond the control of The Warehouse and its directors and management. Actual results will vary from the forecasts and these variations may be significantly more or less favourable.

We assume no responsibility arising in any way whatsoever for errors or omissions (including responsibility to any person for negligence) for the preparation of the report to the extent that such errors or omissions result from our reasonable reliance on information provided by others or assumptions disclosed in the report or assumptions reasonably taken as implicit.

Our evaluation has been arrived at based on economic, exchange rate, market and other conditions prevailing at the date of this report. Such conditions may change significantly over relatively short periods of time. We have no obligation or undertaking to advise any person of any change in circumstances which comes to our attention after the date of this report or to review, revise or update our report.

We have had no involvement in the preparation of the notice of annual meeting issued by The Warehouse and have not verified or approved the contents of the notice of annual meeting. We do not accept any responsibility for the contents of the notice of annual meeting except for this report.

3.4 Indemnity

The Warehouse has agreed that, to the extent permitted by law, it will indemnify Simmons Corporate Finance and its directors and employees in respect of any liability suffered or incurred as a result of or in connection with the preparation of the report. This indemnity does not apply in respect of any negligence, wilful misconduct or breach of law. The Warehouse has also agreed to indemnify Simmons Corporate Finance and its directors and employees for time incurred and any costs in relation to any inquiry or proceeding initiated by any person. Where Simmons Corporate Finance or its directors and employees are found liable for or guilty of negligence, wilful misconduct or breach of law or term of reference, Simmons Corporate Finance shall reimburse such costs.

4. Qualifications and Expertise, Independence, Declarations and Consents

4.1 Qualifications and Expertise

Simmons Corporate Finance is a New Zealand owned specialist corporate finance advisory practice. It advises on mergers and acquisitions, prepares independent expert's reports and provides valuation advice.

The person in the company responsible for issuing this report is Peter Simmons, B.Com, DipBus (Finance), CFIP.

Simmons Corporate Finance and Mr Simmons have significant experience in the independent investigation of transactions and issuing opinions on the merits and fairness of the terms and financial conditions of the transactions.

4.2 Independence

Simmons Corporate Finance does not have at the date of this report, and has not had, any shareholding in or other relationship with The Warehouse, the Tindall Associates or Mr Morrice or any conflicts of interest that could affect our ability to provide an unbiased opinion in relation to this transaction.

Simmons Corporate Finance has not had any part in the formulation of the Share Acquisition or any aspects thereof. Our sole involvement has been the preparation of this report.

Simmons Corporate Finance will receive a fixed fee for the preparation of this report. This fee is not contingent on the conclusions of this report or the outcome of the voting in respect of the Share Acquisition Resolution. We will receive no other benefit from the preparation of this report.

4.3 Declarations

An advance draft of this report was provided to the Independent Directors for their comments as to the factual accuracy of the contents of the report. Changes made to the report as a result of the circulation of the draft have not changed the methodology or our conclusions.

Our terms of reference for this engagement did not contain any term which materially restricted the scope of the report.

4.4 Consents

We consent to the issuing of this report in the form and context in which it is to be included in the notice of annual meeting to be sent to The Warehouse's shareholders. Neither the whole nor any part of this report, nor any reference thereto may be included in any other document without our prior written consent as to the form and context in which it appears.



Peter Simmons
Director

Simmons Corporate Finance Limited

11 October 2012