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Market Information Services Section  
New Zealand Exchange Limited

Company Announcements Office  
Australian Stock Exchange Limited

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**23 March, 2007**

**THE WAREHOUSE GROUP LIMITED**

**Special Meeting Presentation**

The Warehouse Group Limited has provided a copy of the presentation to shareholders at its Special Meeting held today.

For further information please contact Mark Fennell, Investor Relations, The Warehouse Group, 09 489 7000.

# **The Warehouse Group Limited**

**Special Meeting**  
23 March 2007

SPECIAL MEETING

## **Agenda**

### **1. Introduction**

#### **2. Business of the meeting**

- Ordinary resolutions relating to approval of the issue of equity securities to selected executive employees and one executive Director under the Scheme.
- Ordinary resolution relating to the acquisition of equity securities by Ian Rognvald Morrice under the Scheme
- Ordinary resolution relating to the approval for the Company to give financial assistance for the purpose of the Scheme.

Copies of the presentation are available on  
[www.thewarehouse.co.nz](http://www.thewarehouse.co.nz) or by emailing [investor@twl.co.nz](mailto:investor@twl.co.nz)

1. Introduction

2. Business of the meeting

- Ordinary resolutions relating to approval of the issue of equity securities to selected executive employees and one executive Director under the Scheme.
- Ordinary resolution relating to the acquisition of equity securities by Ian Rognvald Morrice under the Scheme Ordinary resolution relating to the acquisition of equity securities by Ian Rognvald Morrice under the Scheme.
- Ordinary resolution relating to the approval for the Company to give financial assistance for the purpose of the Scheme.



1. The shareholders approved the establishment of The Warehouse Group Limited Executive Share Scheme ("Scheme") on 26 November 2004 and provision of financial assistance for the Scheme in the 2005/06 financial year.
2. Further financial assistance approved on 25 November 2005.
3. Offers under the Scheme relating to the 2006/07 financial year were originally intended to occur in September 2006. Shareholder approval of further financial assistance under the Scheme relating to the 2007/08 financial year would normally have been sought at the November 2006 annual meeting. Neither occurred because of the notification in September 2006 from the Stephen Tindall Consortium that it intended to submit a proposal to privatise the Company.



4. With the Stephen Tindall Consortium announcing late in 2006 it would not proceed with its foreshadowed offer the Company now proposes to make offers under the Scheme relating to the 2006/2007 financial year and seeks shareholder approval of further financial assistance under the Scheme.

**Executive Share Scheme (“ESS”) - Principles**

- Improve our **attraction** and **retention** capability for senior **skills** and roles relative to the global executive market.
- Focus efforts on sustainable business and **increased shareholder value** over the long term.
- **Increase certainty** and control over the costs to the company.
- Have an executive incentive structure that **aligns with driving shareholder value**.



- ESS has the following features
  - **Award shares** based on NPAT or EBIT performance of the Company and / or Brand for the year relative to appropriate budgets and personal performance. Once “earned”, they are vested to executives over a three year period from the date of participation.
  - **Performance shares** based on share price growth relative to the cost of equity.
  - **Limited membership** to Group and Brand Executives.
  - Scheme **part of the overall executive** remuneration package.



- ESS has the following features
  - Shares required for the ESS are **purchased on-market** and **do not dilute** the interests of shareholders.
  - KPMG has provided to the NZX an Independent Appraisal Report which confirms that the **scheme is fair to shareholders**.
  - The **cost** of ESS is **expensed** to earnings in accordance with NZIFRS.
  - Participants **do not pay** for the shares.



Scheme	Performance Driver	Performance Criteria	Payment Methodology
Award Scheme	Annual company and / or brand performance	NPAT or EBIT performance for the year relative to appropriate budgets and personal performance	Paid in shares that vest annually over a three year period as long as employed with TWG
Performance Scheme	Long-term company performance	Share Price Growth relative to the cost of equity	Paid in fully vested shares at the end of the 3 year performance period if employed with TWG

### Award Shares

The assumptions on which this example is based are:

- Employee Executive Ms Red is a Group employee with a salary of \$100,000
- Award Shares Allocation for On Target Performance = 15% of Salary
- NPAT target for the relevant year is \$100m
- Share price \$8.00 at the commencement of the Award Period
- An on-Target Performance would result in 1,875 shares being allocated
- $\$100,000 \times 15\% / \$8.00$  per shares = 1,875 shares

(note that all of the assumptions are for the purpose of illustration only)

## Worked example – award shares

Performance against target expressed at NPAT	Performance against a % of Target Award Criteria	% Value of shares to be allocated	Number of Target Award Shares	Number of shares to be allocated
\$75m	75%	= $100 - (2 \times (100\% - 75\%))$ = 50%	1,875	= $1,875 \times 50\%$ = <b>938</b> shares
\$100m	100%	= 100%	1,875	= $1,875 \times 100\%$ = <b>1,875</b> shares
\$105m	105%	= $100\% - (2 \times (100\% - 105\%))$ = 110%	1,875	= $1,875 \times 110\%$ = <b>2,063</b> shares
>\$120m	>120%	= 140% (this is the maximum payable under this Scheme)	1,875	= $1,875 \times 120\%$ = <b>2,250</b> shares

## Worked example – performance shares

PERFORMANCE SHARES	Start of Year 1	Year 1 Price	Year 2 Price	End of Year 3
Market Price	7.25			9.60
x Cost of Equity 1.11	<b>8.05</b>			
- Cash Dividend 0.16		7.89		
x Cost of Equity 1.11		<b>8.76</b>		
- Cash Dividend 0.17			8.59	
x Cost of Equity 1.11			<b>9.53</b>	
- Cash Dividend 0.18 Adjusted Price				<b>9.35</b>

**QUESTION**

- If The Warehouse is taken over and de-listed will the shares automatically vest?

**ANSWER**

- There is no automatic vesting.
- If notice has been given that the shares will cease to be listed on any stock exchange, or reconstruction of, or adjustment to the Shares or the Share structure of the Company, or the amalgamation of the Company, then the Board Committee tasked with managing the ESS shall determine the proportion (if any) of shares representing the Performance Shares, Award Shares and any Additional Shares a Participant has a right to be transferred and the amount of any cash distribution a Participant is entitled to be paid.

**QUESTION**

- How will the Committee exercise this discretion regarding early vesting?

**ANSWER**

- This would depend on the circumstances.
- In relation to **Award Shares** that had been “earned” from prior years, these would generally be vested to executives.
- In relation to Conditional Rights to **Award and Performance Shares**, the Committee would (as it has in the past) take into consideration amongst other circumstances, the Company and / or Brand performance, share price performance against the set performance criteria and the performance of the individual executive.

**QUESTION**

- If The Warehouse Group Limited is taken over will there be an obligation on the new owner to continue the Scheme in subsequent years?

**ANSWER**

- No.
- There is no obligation for a purchaser of The Warehouse Group Limited to continue the Scheme in subsequent years.



- Shareholder questions from the floor.



**In accordance with NZSX Listing Rule 7.3.1(a):**

- **That the issue by the Company to selected executive employees and Ian Rognvald Morrice (executive Director) of conditional rights to acquire up to an aggregate maximum of 2,000,000 ordinary shares of the Company under the Scheme in each of the 2006/2007, 2007/2008, 2008/2009 and 2009/2010 financial years of the Company (as summarised in the Explanatory Notes accompanying the Notice of Meeting) be approved.**



**In accordance with ASX Listing Rule 7.2:**

- **That the issue of securities under the Scheme by the Company (as summarised in the Explanatory Notes accompanying the Notice of Meeting) be approved as an exception to ASX Listing Rule 7.1.**



**In accordance with ASX Listing Rule 10.14:**

- **That the acquisition by Ian Rognvald Morrice, a Director of the Company, of conditional rights to acquire ordinary shares of the Company under the Scheme (as summarised in the Explanatory Notes accompanying the Notice of Meeting) be approved.**

**In accordance with NZSX Listing Rule 7.6.6:**

- **That the provision of ongoing financial assistance by the Company to The Warehouse Management Trustee Company No. 2 Limited as Trustee of the Scheme, by way of advances under the existing loan agreement, in amounts sufficient for the Trustee to purchase ordinary shares of the Company in connection with the issue of conditional rights under the Scheme in the 2006/2007, 2007/2008, 2008/2009 and 2009/2010 financial years of the Company, (as summarised in the Explanatory Notes accompanying the Notice of Meeting) be approved.**

***The Warehouse Group Limited***  
***Special Meeting***  
***23 March 2007***

SPECIAL MEETING

Thank you for attending  
The Warehouse Group Limited  
Special Meeting