Vector 2013 Annual General Meeting

Tuesday 22 October 2013, 2.00pm

Ellerslie Function Centre

Delivered by Vector Chairman, Michael Stiassny and Vector CEO, Simon Mackenzie

Good afternoon ladies and gentlemen.

My name is Michael Stiassny. I am Chairman of Vector. As we have a quorum and it's 2:00pm, I am very happy to declare the 2013 Annual General Meeting of Vector Limited open.

On behalf of my fellow Directors, a very warm welcome, and a special welcome to those shareholders who are following this meeting from our webcast.

In addition to those attending in person today, **1,714** shareholders, holding a total of **803,031,612** shares, have appointed proxies, they are represented by **19** proxy holders. In my capacity as Chairman of the meeting and in my own name I hold proxies for **1,560** shareholders, representing **50,926,844** shares.

Our majority shareholder The Auckland Energy Consumer Trust is represented in the audience today by **AECT** chair William Cairns.

Members of the news media are also here today and we welcome you. But, I would remind you, this is a shareholder meeting and recording is not permitted. Vector's Group Chief Executive Simon Mackenzie and I will be happy to talk to you after the meeting.
Before we move on, I have a couple of housekeeping matters to discuss. If you have a cell phone, please switch it off. If we need to evacuate this room for any reason, there are exits behind me and there is also the entrance you came through.

Thank you.

It's also my pleasure to introduce Vector's directors: Alison Paterson, Karen Sherry, Hugh Fletcher, James Carmichael, Peter Bird and Bob Thomson. Jonathan Mason is unable to be here today and sends his apologies.

Also joining us on stage is our Group Chief Executive Simon Mackenzie and Diane Green our Company Secretary. We have members of our executive team here today, our external auditors KPMG and legal advisers.

This meeting will follow a similar format to previous years. Before we get to general business and the formalities of voting, you will hear from Simon Mackenzie on key developments in the business over the last year and our outlook for the coming year.

We will then open the meeting for discussion on the annual report, including the financial statements and audit report. We will address each item of formal business and then it will be time to vote on the resolutions.

After that it is time for general business where you will be able to discuss other matters relevant to the company.

Firstly I want to remind you of our goal and the strategy we are pursuing to achieve that objective.

Vector's vision is to be New Zealand's first choice for integrated infrastructure solutions. We own a portfolio of assets, managed by a team with shared values and aspirations. Our goal is to deliver sustainable increases in dividends to our shareholders.

In the year to 30 June 2013 we achieved this goal.

The board resolved to pay a fully-imputed final dividend of **7.75 cents** per share up from last year's **7.5 cents per share**. This dividend, paid on September 13, lifted total dividends for the year to **15 cents a share,** an increase of half a cent on the prior year. This is the seventh consecutive year the company has increased its dividend.

This dividend has injected well over $100 million into the local economy via distributions to shareholders and distributions to the beneficiaries of our major shareholder the Auckland Energy Consumer Trust.

Our balance sheet remains strong. Gearing – the ratio of net debt to net debt and equity has improved to **51.1%.**

Vector's results for the year to 30 June 2013 were strong. Total income increased 2.2% to $1.28 billion. Meanwhile, EBITDA rose 0.5% to $630.5 million and net profit rose 2.2% to $206.2 million as we successfully controlled costs and benefitted from continued strong growth in our unregulated technology operation. The continuation of Kapuni gas at legacy prices also assisted.

We have continued to invest for the future. And in the year to 30 June 2013 we increased capital expenditure by **14.1%** to **$298.6 million** to maintain the quality of our assets and invest for future growth.

This includes continued investment in the Auckland region and investment in growth, especially in our technology division. Auckland Council's vision is to make the Auckland the world's most liveable city. Vector is playing a critical role enabling this vision and supporting the regional and national economies.

We are pleased with what we have achieved this year. But we are not resting on our laurels as we are facing a challenging new economic reality of falling per capita energy demand.

As this graph shows, power consumption per connection has been fallen steadily. This development is not unique to New Zealand. In the UK, for instance, household electricity use has fallen around 2.1% for each of the last 5 years.

Globally, the fall in electricity consumption is due to a number of factors.

Firstly electricity prices have been steadily rising and as a result people are trying to minimise expenditure.

Our research shows that as much as 80% of residential consumers are engaged and motivated by the issue of the cost of power and are actively managing costs and looking at how they can become more efficient.

But let us be very clear on this – it is retail electricity prices overall that have been rising – not electricity distribution prices.

This is an important distinction to make. As I noted last year, the average consumer largely focuses on what they pay their energy retailer – a figure that includes the cost of energy as well as the cost of delivering energy to their homes and businesses.

On this score it is easy to understand why consumers are choosing to reduce their electricity consumption.

The dark blue bar on this graph shows the real change in New Zealand residential electricity prices over the last six years. It includes the costs of transmission and the cost of delivering the power to your home via electricity networks such as Vector. The conclusion you should draw from this data, which is sourced from the Ministry of Business Innovation and Employment is very clear – the total cost of powering homes and businesses has been rising sharply.

However, what is often missed is that Vector's prices have decreased over the same period. Wages have gone up, fuel costs have gone up, but in real terms, electricity distribution charges are cheaper than they were six years ago.

From April of this year we reduced prices on our residential electricity network by 9%, or the equivalent on average of $60 per residential customer per year. However, only a small minority of energy retailers appear to have passed these savings on to customers, contrary to the aims of the regulatory framework.

It is disappointing regulators have been silent on this issue.

These energy price rises, coupled with broader concerns for the environment have entered the popular consciousness and are reinforcing customers' drive to reduce their spending on energy.

New technology is assisting consumers in this drive. The new generation of home appliances are much more energy efficient. Meanwhile, appliance manufacturers are tapping into the new environmental consciousness by highlighting the energy efficient properties of their products.

Governments, likewise sensitive to the public's demand for lower energy costs as well as the costs to the economy of energy **inefficiency**, are enabling the public's drive to reduce power consumption. They are spending to promote energy efficiency by providing a raft of incentives as well as providing the information to assist the public to make energy-efficient choices.

Finally customers expect choice. They expect services to be on line and be available anytime and anywhere. They expect to be in control. So, utility services now have to be delivered just like banking, telecommunications or on line shopping services.

This combination of rising prices, new technological developments and customer demand for greater choice makes alternatives to grid-sourced electricity more attractive. Those customers choosing to install solar panels on their roofs are doing so not only because it feels like the right thing to do for the environment. It is now, increasingly, becoming the right thing to do for one's wallet.

However, although consumers will use less power, their reliance on the network will be undiminished. Solar panels do not work well in the depths of a winter evening when national electricity demand peaks.

Vector continues to adapt to these emerging market trends, ensuring we are relevant for customers. Our results for the 2013 year show we are achieving that goal.

We have five strategic areas of focus that ensure our business is configured to prosper in these conditions and deliver on our goal of delivering sustainable increases in our dividends.

These areas of focus apply across our portfolio of businesses.

They are:

- Disciplined growth. This means investing in opportunities that are aligned with our other areas of strategic focus and can deliver the earnings improvements necessary to achieve our goal;

- A sharp focus on customers. This means taking into account customers' current and future perspectives in everything we do. They are the reason for our existence and therefore our services must always be attuned to their needs;

- Striving for operational excellence; always looking at how we can do things better and more efficiently. I am delighted to be able to say, for example, the quality of Vector's service is consistently well above the average New Zealand's lines company. Reliability statistics across 2010-12 place us in the top quartile across all reliability standards. Our response time and frequency of outages is consistently better than the majority of other lines companies.

- Fourthly, good regulatory outcomes. As **64%** of our revenue and **80%** of our EBITDA is generated by regulated assets we also work to achieve a fair and certain regulatory regime that incentivises investment and allows us to earn a reasonable return on our assets; and

- Finally, employing great people and keeping them safe.

Underpinning all of these strategic areas of growth is innovation. We need to look at how we can operate in new and better ways.

I would like to focus on the first of these areas – growth. Without growth we will not achieve our goal of sustainable dividend increases. The strategic positioning of our unregulated or market-facing businesses is helping us to meet the challenge of falling per capita energy demand.

And I am pleased to say they are making significant progress by leveraging our considerable expertise in infrastructure management.

Our technology division is achieving growth by installing smart meters, which will transform energy management in New Zealand. Our installed base of smart meters is more than half a million and that number is growing by the day. We also acquired Contact Energy's gas metering business, which drove an increase in our gas meter fleet from 82,000 to 216,000. Our gas wholesale business has established itself as a leading gas aggregator and is matching disparate sources of supply with demand from a broad range of businesses across New Zealand.

We are also incubating new business – such as pioneering the combination of solar panels with battery storage – that take advantage of customers' desire for greater control over their energy requirements and delivers on their environmental aspirations.

As I have noted growth in our regulated businesses will not come from volume growth per consumer or large acquisitions. Instead growth will be driven by population growth in and around our networks and investment in complementary businesses.

Infrastructure assets such as Vector's are highly coveted by international investors especially those who are able to benefit from capital structures that minimise their tax obligations. This lower tax burden allows them to pay prices for infrastructure well above the level that would make economic sense for Vector.

Vector pays its fair share of tax and we also make a significant contribution to the Auckland region and the national economy and this is in no small measure due to our ownership structure. We are owned in a partnership between the community, via the Auckland Energy Consumer Trust, and private investors. Our owners are the same people who depend on our energy services and we therefore must deliver fair returns as well as excellent services The results for 2013 show we achieved these aims, but without a change to taxation rules that puts our international competitors on the same footing as Vector, acquisitions would imperil our commitments to customers and you, our investors.

In our regulated business we are therefore more reliant on optimising the businesses that we own for the conditions they face. In short, we must do better with the assets that we own. And this is where the four remaining areas of strategic focus deliver results.

Simon will discuss the other four areas in more detail.

But every part of the Vector organisation is actively engaged across all of these strategic areas. Our focus of employing the right people, for instance, extends to the boardroom. Vector directors support the Future Directors Programme, which gives aspiring directors the opportunity to sit in on board meetings to gain top-level governance experience early in their careers.

Vector is in good shape.

We have a great team committed to delivering world-class infrastructure services and attuned to the rapidly evolving demands of consumers. We are increasingly recognised offshore for our innovation and leadership in the rapidly changing energy industry.
We are looking forward to the year ahead with optimism.

I will now hand you over to Simon.

Thank you Michael.

Earlier this year we engaged Buck Shelford to help communicate our health and safety messages. Not only is he a rugby legend he has proved an enthusiastic Vector supporter, so we asked him to help us to tell our story.

As you will have seen in the video, customers are at the heart of everything we do and our focus is on meeting their demands.

They tell us they want a utility they can trust to deliver reliable efficient infrastructure services. They also want timely delivery of these services and they want choice and flexibility over how they receive those services.

Finally they want good value; that is to say they want us to deliver all of those things for a fair price. We continually work towards meeting those expectations.

The spirit of innovation that pervades all of Vector's operations is most evident in our attention to customer demands.

Our pioneering combination of solar cells with battery storage last week won the Innovation in Sustainability and Clean-tech category at the New Zealand Innovators Awards.

The solution offers consumers an opportunity to reduce energy consumption and satisfy their environmental aspirations. It also helps us to more efficiently manage network investment and positions us for growth.

If enough customers sign up for a long-term solar solution within any given area, we will not need to build as much capacity into our network. Meanwhile, we also gain new investment opportunities.

This year we began to offer this solution to our customers. It is being well received. Now 84 homes and organisations are using the technology including the Ngati Whatua Marae on Bastion Point and the Auckland Council's historic Shed 10 on the Auckland waterfront.

Our fibre networks provide the critical data connectivity to enable us to take advantage of new control and monitoring technologies that will, in the long term, allow customers to better manage their power consumption and assist Vector in optimising our networks to customer demands.

Our world-leading smartphone app is a good example of our commitment to providing superior service to our customers. It also ensures we are open to their feedback. The app enables real-time updates on the status of the Vector networks and complements our other customer communications channels such as our website and social media. Over the last three weeks customers have put it to work on 40,000 separate occasions. It is also among the top-10 free smart phone apps deployed by utilities.

Customers bookmark important locations, such as work, home and school or multiple worksites, and the app does the rest, delivering the information they need to minimise disruptions from power outages.

Vector's smart metering business has enabled energy retailers to offer innovative services. It has also improved customer service and has generated considerable operating efficiencies.

The seamless way we have installed more than half a million meters across the country has been recognised internationally as a model deployment.

Overseas jurisdictions, such as Australia, which have not had the same experience, are increasingly looking at the New Zealand model and Vector is investigating the opportunities that this may create.

Large gas users turn to Vector because they recognise our willingness to innovate to configure gas supply to meet their specific needs. They recognise our ability to offer greater price certainty and supply security. They also value our financial strength and our pivotal position in the New Zealand energy market.

As part of our broader commitment to the Auckland region we also advocate for the interests of customers.

Vector is, for instance, working with organisations such as the Manaiakalani Education Trust, an organisation set up to foster e-Learning in east Auckland.

We are also actively challenging the Electricity Authority's proposals to revise Transpower's transmission pricing methodology on a number of grounds including the fact that it is likely to result in higher prices in Auckland and for consumers generally.

The Electricity Authority recently consulted on the method for assessing whether its proposals will make consumers better off. Vector has emphasised the importance to consumers, and for regulatory certainty, that the Electricity Authority produces robust evidence to support any proposed pricing changes. This needs to include an assessment of the pricing impact of its proposals on consumers, and an assessment of any negative impacts its proposals could have on the market.

The third area of focus is achieving operational excellence.

This is about making the best of what we have and innovating to come up with new ways to do things better and deliver to the very high expectations of our customers. This area of strategic focus is also about mitigating the effects of rising electricity prices on customer behaviour.

All of our divisions performed well over the year. One of reasons we have been able to make price reductions in real terms, while maintaining our earnings in recent years has been the significant productivity gains we have achieved through on-going operational and process changes across our portfolio of businesses.

And as Michael noted, this drive has underpinned the group results despite challenging trading conditions.

Our technology business continues to be the stand-out performer. Revenue in this business rose 12.5% to $109.1 million, while EBITDA rose 13.0% to $76.3 million as we benefited from the 37.0% increase in the installed base of smart meters. Vector Communications continues to make an important contribution to the group and delivered excellent standards of network availability.

Gas wholesale revenue fell 2.3% to $372.2 million, while EBITDA fell 8.2% to $60.4 million.

The results were underpinned by the continuation of the supply of Kapuni gas at legacy prices following success in an arbitration to determine our entitlements.

The matter is still subject to appeal but we are confident of our entitlements.

Gas Wholesale also benefited from higher LPG sales due to continued growth in our bottle swap operation, underscoring the value of the strategic acquisition of Kwikswap in 2011. Meanwhile, LPG tolling volumes rose 15.8% to 151,544 tonnes due to the economic recovery in the South Island and increased exports.

Nevertheless, these gains were diluted by lower production from the Kapuni field, lower natural gas sales volumes, which fell 4.3% to 26.5 PJ, higher LPG purchase prices and higher maintenance and administration costs.

Our gas network was available 99.99% of the time. **Eighty eight percent** of the outages were planned. More than half the unplanned outages were caused by third party damage. Revenue rose 2.3% to $219.6 million as we benefitted from regulated price increases. Pleasingly EBITDA rose 6.2% to $170.4 million as we controlled costs.

The volume of gas transported through the distribution network fell 1.8% to 21.4 PJ, while volumes on our gas transmission network fell, primarily due to reduced demand from gas-fired power stations.

Distribution customers rose 1.5% to 156,952, assisted by an increase in subdivision activity as well as strong growth in the number of new small-to-medium sized business customers.

Electricity revenue rose 3.9% to $632.9 million due to higher Transpower charges, which are passed through to consumers. Excluding these charges, revenue fell.

Power distributed across our networks fell 1.1% to 8,332 GWh. This was partly due to warmer weather and partly due to the continuing trend of falling consumption per connection referred to earlier. Electricity customer numbers increased 0.7% to 539,232.

Our electricity networks were available 99.98% of the time, including both planned and unplanned outages, extending our reputation for delivering high standards of reliability. We are also one of the lowest cost providers of electricity distribution services on measures such as the cost of delivering power lines services per unit of electricity and our average operating cost per customer.

This brings me to our fourth area of focus - seeking a certain and fair regulatory regime.

As the chairman noted, 80% of our EBITDA comes from regulated assets, therefore achieving this goal is fundamental to our future.

We have rigorously pursued all available avenues to create a regulatory regime that delivers value to customers and fair returns to our shareholders.

Vector, along with six other infrastructure organisations, has brought a Merit Appeals of the Commerce Commission's Input Methodology determinations, and we are awaiting a decision.

Whatever the outcome, the decision will represent further maturation of the regulatory regime in this country and will hopefully introduce greater certainty.

Vector meanwhile is engaged in the Productivity Commission's investigation into making improvements in the design and operation of regulatory regimes in New Zealand.

There is a substantial opportunity for the Productivity Commission to make recommendations which will enhance the development and evolution of the regulatory regimes in New Zealand and result in better outcomes for infrastructure investment, business and consumers.

Vector believes the biggest gains could come from ensuring greater regulatory consistency across sectors, streamlining the number of regulatory bodies and ensuring there are sufficient safeguards to ensure regulators are delivering on their statutory objectives.

Time and time again, we have to deal with different regulators with overlapping responsibilities dealing with the same issue in different ways in different sectors. Both the Commerce Commission and the Gas Industry Company, for example, have responsibilities for ensuring gas transmission investment. Likewise, when negotiating supply arrangements with electricity and gas retailers we have to navigate two sets of rules set by the Gas Industry Company and the Electricity Authority, respectively.

This does not make sense for a country as small as New Zealand.

Vector's high-quality assets are nothing without a dedicated team with shared values and aspirations. And after finding such people to work in the business we need to work to keep them safe.

Our graduate recruitment programme gives young minds a mix of on-the-job learning, exposure to different parts of the business and the technical and soft skills development to give them a well-rounded and sound knowledge base to set them up for leadership positions in the future.

This year we also revitalised our apprenticeship programme in the Gas Transmission business. We are training participants in disciplines ranging from instrument and mechanical engineering, pipeline mechanical engineering, electrical engineering and corrosion prevention. They are gaining skills that will in the long-term make a valuable contribution to Vector.

Safety for our employees and the public around our networks and across the sweep of our operations is a priority. To deliver on our commitments, as I mentioned earlier, this year we engaged rugby legend Buck Shelford to take the safety message to our staff as well as the broader community.

Buck's use of metaphors of the rugby field to bring the safety message home has resonated with employees and customers.

Last summer, when Buck visited the construction team at our new Hobson Street substation, workers from other sites clamoured to get a view and hear their hero.

Internally, our focus on continuous improvement drives us to benchmark our Health and Safety practices against New Zealand and international best practice. And in the past year we have made important strides.

We implemented a new Incident Reporting Management System which increases the visibility of all incidents and near misses and allows us to track data, identify trends and pro-actively manage health and safety across our business.

We are also continuing to enhance and mature our Risk Management Framework to ensure our risk management practices create and protect the value in our organisation and support effective decision-making and robust commercial outcomes. These enhancements recognise the evolving health and safety environment.

As the chairman said, Vector is in good shape.

Trading conditions in the first quarter have been challenging. However, we are still targeting 2014 EBITDA to be in line with market consensus estimates, assisted by our focus on growth in our technology business and continued tight cost control.

In a complex and changing environment we are successfully running a portfolio of regulated and market-facing business spanning industries as diverse as energy management technology and critical infrastructure. And we are very aware of the long-term value it can create for shareholders as well as Auckland and the national economy.

Our goal remains to grow through leveraging our scale and scope and considerable expertise in infrastructure management and by developing new businesses that meet customer preferences and take advantage of new technologies. We also continue to look for acquisitions where we can see value and be competitive.

I will now hand you back to Michael to take us through the formal business of this meeting.

Thank you, Simon.

We now move on to the formal business of the day, and the procedure for this part of the meeting. The Notice of Meeting lists the agenda items to be considered as ordinary resolutions. Each of the resolutions requires a simple majority of votes validly cast.

Again for transparency you will be shown the number of discretionary proxies held by me as Chairman of the meeting or in my own name. I declare that it is my intention to vote the discretionary proxies I hold in favour of all resolutions, excluding the resolution regarding the directors' remuneration.

During discussion of the agenda items, I again ask that you confine your questions and any comments directly to the particular matter before the meeting and Vector business.

We are, naturally, happy to hear your views on how we operate our portfolio of businesses, and to answer questions about operational policy and practice. If you have a personal matter relating to Vector's services, customer services representatives are available after the meeting to help you.

I remind everyone this is a meeting of and for our shareholders. Only shareholders or corporate representatives or proxy holders for shareholders are entitled to speak and vote here today. As stated in the Notice of Meeting, only shareholders registered at 5pm on 17 October or their proxies or representatives are entitled to vote.

If you have become a shareholder since that date, you are not entitled to vote at this meeting, but we do welcome you here.

In the interests of allowing everyone who wishes to speak to do so, I would ask you to limit yourselves to a reasonable speaking time. Remote microphones are available and if you wish to speak please raise your hand, and someone will come to you. Again, to make things easier, when you do speak if you could tell us your name first that would be helpful.

So the first agenda item is to invite discussion on Vector's financial and operational results for the year ended 30 June 2013. The Annual Report was available online from 23 September 2013 and hard copy reports were sent to all shareholders who requested one.

Questions on this topic may be put directly to our external auditors, KPMG, but please keep those questions relevant to their auditing role. Is there any discussion in respect of the Annual Report, the Financial Statements and Audit Report for the year ended 30 June 2013?

I shall now move to the second item of business, the election of directors.

The NZX Listing Rules require that at least one third of the Company's directors or, if their number is not a multiple of three, then the number nearest to one third, shall retire from office at the annual meeting each year, but shall be eligible for re-election at that meeting.

Peter Bird and Bob Thomson, the directors who are the longest in office retire by rotation at this Annual Meeting and, being eligible, offer themselves for re-election. The NZX Listing Rules require that Jonathan Mason having been appointed as a director by the directors retires at the Annual Meeting, but shall be eligible for election at that meeting.

As required by the NZX listing rules, on 22 August 2013 Vector issued a notice advising a closing date of **13 September 2013** for director nominations. No nomination to elect an additional director was received. Biographies of each director seeking re-election or election are contained in the explanatory notes to the notice of meeting.

The meeting is now asked to consider an ordinary resolution to re-elect **Peter Bird**

Peter Bird was, until June 2012, Executive Vice-Chairman of Rothschild's South East Asian global financial advisory business. His experience includes advising large corporates and governments on a range of issues including acquisitions and disposals, privatisation, project and acquisition financing, mutualisation, insolvency and debt restructuring. Peter has worked as an economic consultant, as an economic researcher in the energy sector and as an academic economist at Stirling University.

I will now ask Peter to address you.

Thank you Peter

I now move, as an ordinary resolution, that Peter Bird be re-elected as a director.
The proxy voting position is shown on the screen. Just to remind shareholders, that voting will be by poll conducted later in the meeting when all resolutions have been moved and discussed.

Is there any discussion on this resolution?

There appears to be no [further] discussion.

We now move to the re-election of Bob Thomson. Bob Thomson was chief executive of Transpower Limited, and has been an adviser to Energy Trusts of New Zealand Incorporated since 2004. Prior to his appointment at Transpower, he held a range of senior management and engineering positions in the New Zealand Electricity Department and Electricity Corporation of New Zealand Limited. He was involved in the reform of the electricity industry, including being a board member of the Electricity Market Company Limited from 1994 to 1998. He is a Fellow of the New Zealand Institute of Engineers.

I now invite Bob to address you.

Thank you Bob

I move, as an ordinary resolution, that Bob Thomson be re-elected as a director. The proxy voting position is shown on the screen.

Is there any discussion on this resolution?

Thank you ladies and gentlemen.

As I mentioned earlier Jonathan Mason is unable to be with us today as he has other commitments in the US. However, I am delighted Jonathan has agreed to join the board as he has extensive commercial experience having worked in financial management positions in the oil and gas, chemicals, forest products and dairy industries in the USA and New Zealand. This experience includes roles for International Paper, ExxonMobil Corporation, Carter Holt Harvey and Cabot Corporation. He is a former Chief Financial Officer at Fonterra and has experience as a Non-Executive Director on boards in both New Zealand and the USA. He is currently a director of Zespri, and a trustee on the University of Auckland Endowment Fund and Business School Advisory Boards.

I move, as an ordinary resolution, that Jonathan Mason be elected as a director. The proxy voting position is shown on the screen.

Is there any discussion on this resolution?

Thank you ladies and gentlemen. There appears to be no further discussion.

We now move on to the appointment of the Auditor.

This resolution is to record the reappointment of KPMG as auditor of the Company, to hold office from the conclusion of this meeting until the conclusion of the next annual meeting pursuant to section 200 of the Companies Act 1993.

I move by way of an ordinary resolution, that the Directors be authorised to fix the Auditor's remuneration for the ensuing year.

The proxy voting is again shown on the screen and I open this resolution up to any discussion?

We now move to the final resolution of the day – directors' remuneration.
This resolution seeks shareholders' approval for an increase in directors' remuneration with effect from 1 October 2013.

The board has undertaken a detailed review of the directors' remuneration including taking advice from independent expert remuneration consultants, dsd Consulting Limited.

Consistent with the advice from dsd the Board believes the increase is justified as:

- Directors' fees have not been increased since 1 October 2010. Directors also believe the remuneration is appropriate given:

  - The board's need to attract and retain the highest quality directors.

  - The increasing governance requirements and regulatory requirements on the Company's business continue to increase the workload on directors.

  - The per-director remuneration covers all of the services provided by directors to the Company, including service on Board committees.

  - dsd Consulting Limited recommended, based on a comparison of directors' remuneration of a number of New Zealand's largest companies, an increase in current directors' fees of 6%.

I move, by way of ordinary resolution:

a) to increase with effect from 1 October 2013, the monetary sum per annum payable to the Chairman of the board by $11,400 plus GST from $189,900 plus GST to $201,300 plus GST; and

b) to increase with effect from 1 October 2013, the monetary sum per annum payable to each other director of the Company by $5,700 plus GST from $94,950 plus GST to $100,650 plus GST.

The proxy voting position is again shown on the screen and I open this resolution up to any discussion?

We will now move to vote on these resolutions.

If you wish to vote, you should hand in either the Proxy Form that was sent to you with the Notice of Meeting or an alternative voting form given to you by Computershare when you entered the meeting.

When you cast your vote, please tick one box, either for, against or abstain, alongside each resolution in the section marked Step 2: Items of Business – Voting Instructions/Ballot Paper

If you hold a proxy on behalf of a shareholder you will need to cast that shareholder's votes in order for them to be counted. The proxy form given to proxy holders, sets out the number of proxy votes held and records directed votes. If there are no undirected votes the proxy holder need only sign the proxy form.

Where there are undirected votes, proxy holders may vote these as they see fit by ticking the appropriate box. Finally, in all cases, please ensure the proxy form is signed and I remind you that you are voting on each separate resolution as detailed in the Notice of Meeting. Once you have completed your form these will be collected and the votes will be counted under the scrutiny of the Auditor.

If anyone is unsure of what they are doing with the form or hasn't got a form, please make your way to the registration desk as you walked in, someone will be able to help you. So if you would like to cast your votes we could then go to General Business.

Have you all voted? Fine, so we can move on.

Are there any items of general business to be discussed?

Are there any other comments?

No?

When you arrived you were handed a feedback form which seeks your opinion on a number of matters including improvements you would like to see at next year's AGM, protocols for any media attending and the suitability of the venue. In the spirit of seeking to deliver operational excellence, we would really appreciate your feedback. If you haven't already, please put your completed form in the feedback form box as you leave.

Finally, before we close, it's appropriate that I thank my fellow Board members for their input during the year and most importantly that I thank Simon and his team, for their performance throughout the year.

To all of you as shareholders we thank you for your attendance and we look forward to seeing you next year.

I now declare this meeting closed.

Ends