

Deloitte.

A Turning Tide? The Deloitte South Island Index

A review of the performance of South Island
listed companies during the quarter to 31 December 2015



Introduction

Welcome to the 32nd edition of the Deloitte South Island Index. In this edition we reflect on the performance of South Island listed companies during the most recent quarter to 31 December 2015.

In a surprising turnaround from the first three quarters of 2015 the results for the quarter ended 31 December 2015 were phenomenal, with the Deloitte South Island Index gaining \$2,043.8 million (14.1%). The result is the largest quarterly gain ever achieved by the Index since its inception in 2007 with growth across all sectors, driving the Index to new heights finishing the year 17.7% higher than the end of 2014. This result raises the question: has the tide turned or is a rogue wave on its way to knock us off our feet again?

Movements in December 2015

The month of December saw an increase in performance, with the Deloitte South Island Index gaining 4.0%. Over the same period the S&P/NZX 50 Capital Index increased by 3.4%, the ASX All Ords grew by 2.4%, and the Dow Jones experienced a negative result dropping by 1.7%.

Quarterly movements – Q4 2015

The Deloitte South Island Index turned around its 2015 struggle for performance by achieving a remarkable result for the 31 December 2015 quarter recording a gain of \$2,043.8 million (14.1%) in market capitalisation. This result was led by a strong quarter for the Energy & Mining sector which increased by \$752.6 million and the Property sector which gained \$632.8 million.

Annual movements – Dec 2014 to Dec 2015

The Deloitte South Island Index increased by \$2,492.9 million (17.7%) during the twelve months to 31 December 2015. Comparatively, it outperformed the increase in the S&P/NZX 50 Capital Index of 8.5%, and the decreases in the ASX All Ords of 0.8% and the Dow Jones of 2.2%.



Executive Summary

The final quarter of 2015 saw a large momentum shift in the Deloitte South Island Index. The quarter's results seem to have turned a corner producing the largest increase ever recorded. The December 2015 quarter's performance is spread across the board as 21 of the 30 companies increased their market capitalisations and all sectors achieved positive results. This phenomenal quarterly performance raises hope that the tide is turning back to positive performance, however seasoned investors will be wary of the potential of the result being just a king tide.

The number of market participants on the Index remains at 30. Heartland New Zealand amalgamated with its wholly-owned subsidiary with the parent company changing its name to Heartland Bank Limited, and correspondingly its ticker from "HNZ" to "HBL".

Key points for the fourth quarter of 2015 include:

- The Deloitte South Island Index increased by \$2,043.8 million (14.1%) during the quarter to 31 December 2015. The other indices tracked also achieved positive results with the S&P/NZX 50 Capital Index growing by 12.3%, the Dow Jones gaining 7.0% and the ASX All Ords rising by 5.7%. The top performers in the Deloitte South Island Index for the quarter were Meridian Energy (up \$743.3 million), Ryman Healthcare (up \$595.0 million), EBOS Group (up \$203.0 million), Heartland Bank (up \$98.9 million) and Synlait Milk (up \$96.5 million).
- All seven of the industry sectors posted positive movements in the quarter to 31 December 2015 – a rare occurrence in the history of the Index. The title for top performing industry was close with the Property sector just surpassing the Other sector, growing by 15.9% and 15.8% respectively. The Property sectors' result was led by Ryman Healthcare, with the company announcing during the quarter that it was on target for a 15% underlying profit growth for the financial year. The Other sector's performance was boosted by strong results from Moa Group (up 83.8%), Heartland Bank (up 18.8%) and Skyline Enterprises (up 17.7%).
- The Energy & Mining sector also posted a solid performance for the quarter with a gain of 13.9%. Meridian Energy was the most significant contributor growing 13.8% in the quarter as it announced its entry into the UK market through its wholly owned subsidiary Powershop. Meridian Energy was well supported by NZ Windfarms after the company announced it had reached an agreement with another sector participant, Windflow Technology, over outstanding issues between the companies.
- The Primary sector had a superb quarter as it gained 13.7% after fantastic results from Synlait Milk, (up \$96.5 million or 26.4%) Scales Corporation (up \$57.4 million or 20.0%) and SeaDragon (up \$25.2 million 134.0%). However, Silver Fern Farms reversed its previous quarter's growth as it fell \$25.1 million (16.7%). The Biotechnology sector had a positive result (up 8.5%) driven by BLIS Technologies which grew \$11.1 million (43.9%) during the quarter as the company announced its half year result to 30 September disclosing that revenue was up 139% over the corresponding period the previous year.

The final quarter of 2015 saw a large momentum shift in the Deloitte South Island Index. The quarter's results seem to have turned a corner producing the largest increase ever recorded.

- The Manufacturing & Distribution and Retail sectors achieved similar results gaining 11.4% and 11.1% respectively. Manufacturing & Distribution's result was led by EBOS Group with the company announcing its acquisition of New Zealand natural health products business, Red Seal. Skellerup Holdings also supported the sector result with the company growing \$42.4 million (17.0%). The Retail sector gain was on the back of Kathmandu Holdings' growth of \$32.2 million (11.4%) after the company announced strong sales in the first part of its financial year.
- A large proportion of the considerable growth in the Index over the quarter can be attributed to the three largest companies on Deloitte South Island Index, with a collective increase of \$1,541.3 million (14.1%). However, without the top three companies in the Index, the remaining companies achieved a strong result collectively growing by \$502.5 million (14.0%), and outside of the ten largest companies, the smallest 20 companies grew by a solid \$76.6 million (6.9%).

Over the twelve months to 31 December the top performers, in dollar terms, were Meridian Energy (up \$1,614.7 million), EBOS Group (up \$605.6 million), and Skyline Enterprises (up \$144.7 million). In percentage terms the list looks completely different with Silver Fern Farms topping the table with growth of 197.6% for the past twelve months, followed by NZ Windfarms (up 91.7%) and BLIS Technologies (up 73.7%).

A large proportion of the growth in the Index over the quarter can be attributed to the three largest companies. However, without the top three companies, the remaining companies achieved a strong result collectively growing by 14.0% and the smallest 20 companies grew by a solid 6.9%.



The Quarter to 31 December 2015

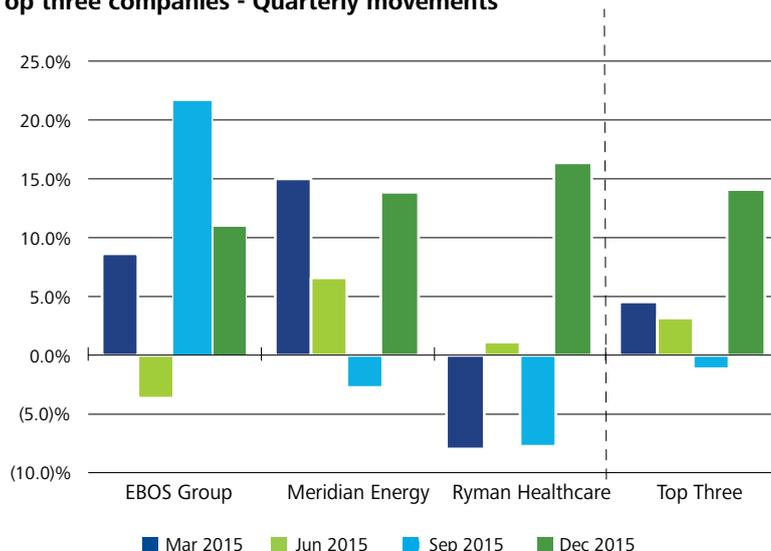
The Top Three

Of the top three companies on the Index, Meridian Energy grew the most in terms of dollar value increasing its market capitalisation by \$743.3 million (13.8%) in the quarter to 31 December 2015. During the quarter Meridian Energy announced that its wholly owned subsidiary Powershop had entered into a franchise licence agreement with UK based RWE npower to take its successful utility customer service platform and distinctive consumer brand to the UK. The company's entry into the UK market gives Powershop access to the large UK domestic electricity and gas markets without carrying wholesale energy market exposure. Mark Binns, Meridian Energy Chief Executive, said "The UK deal is a natural extension of the entry into the Australian market in 2013. The licensing deal gives Powershop the opportunity to sell the technology and know-how its team has developed, with no exposure to foreign wholesale energy markets and minimal capital outlay. It's a good news story for Meridian and it's a good news story for NZ Inc."

In percentage terms the best performer of the top three companies on the Index was Ryman Healthcare with the company growing by \$595.0 million or 16.3% during the quarter. Ryman Healthcare's share price fluctuated during 2015, with the December quarter almost managing to return the company to the same level of market capitalisation as the year prior. Ryman Healthcare announced its half year to 30 September 2015 result in November revealing that the company's underlying profit rose 6% (to \$70.3 million) in comparison to the same period the previous year and was on target for a 15% underlying profit growth for the financial year. "We've got more building activity going on than ever before which gives us great confidence about the second half," Chairman Dr David Kerr said. The company also announced an increase to its interim dividend to \$0.073 per share which was paid on 11 December 2015.

EBOS Group also had a very strong quarter as it gained \$203.0 million (10.8%) over the period in addition to its excellent result the previous quarter. EBOS Group held its annual general meeting (AGM) in October 2015 where the company announced the retirement of Chairman Rick Christie, after serving 15 years as a Director, and serving as Chairman since 2003. The chairmanship passed to Mark Waller at the end of the AGM. Mr Waller was Chief Executive and Managing Director of EBOS Group from 1987 to June 2014. Also during the quarter EBOS Group announced that it had entered

Deloitte South Island Index
Top three companies - Quarterly movements



The top performers in the Deloitte South Island Index for the quarter were Meridian Energy (up \$743.3 million), Ryman Healthcare (up \$595.0 million), EBOS Group (up \$203.0 million), Heartland Bank (up \$98.9 million) and Synlait Milk (up \$96.5 million).

into an agreement to acquire a leading New Zealand natural health products business, Red Seal for NZ\$80 million substantially bolstering EBOS Group's existing position in the healthcare consumer products market. EBOS Group Chief Executive Officer, Patrick Davies said, "We are confident we can continue to expand the sales of Red Seal products in multiple markets and we are delighted to have reached agreement to acquire this high quality business. This transaction is part of our ongoing strategic expansion and diversification into areas where we believe there are attractive long term opportunities for our Group."

Balance of the Index

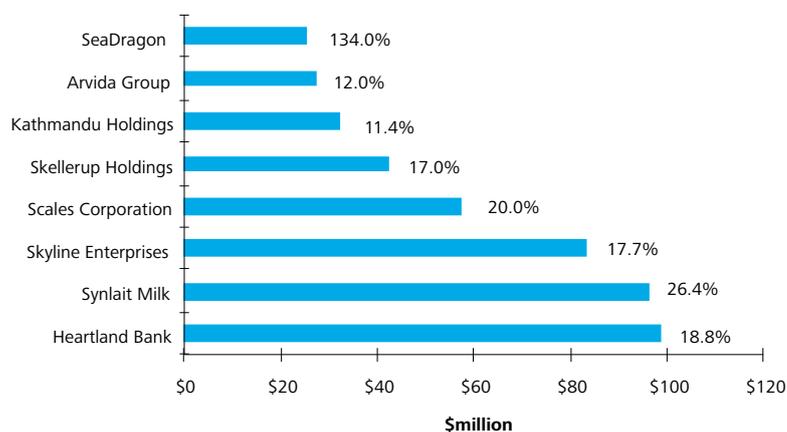
Growth in Market Capitalisation

Outside of the Top Three companies, the company catching the largest wave was Heartland Bank which grew its market capitalisation by \$98.9 million (18.8%) to end the December quarter at \$625.2 million. Early in October Heartland Bank announced its intention to acquire a cornerstone shareholding in Motor Trade Finances Limited (MTF). Heartland Bank held its AGM in December with Managing Director Jeff Greenslade stating in his address that "We are confident that Heartland will meet its previously issued forecast for FY16 of \$51 million to \$55 million net profit after tax. I note that this forecast does not allow for any impact arising from the proposed capital management initiatives". Fitch Ratings confirmed the amalgamation of Heartland New Zealand with its wholly-owned subsidiary Heartland Bank would not impact the current credit rating of credit rating of BBB (outlook stable) of Heartland Bank.

Surprisingly, given the market's focus on decreasing international milk prices, the next largest gain for the quarter to 31 December 2015 was achieved by Synlait Milk. Synlait Milk increased by \$96.5 million (26.4%) during the quarter as its share price jumped \$0.66 to \$3.16 per share. At the company's AGM in December, Synlait Milk's Chairman, Graeme Milne reminded shareholders that, "It's important to understand our profitability is not directly affected by international dairy prices. It impacts our revenue, but the value we create by differentiating milk inside the farm gate and throughout the manufacturing process creates a margin for our business that is essentially independent of the global pricing of commodities."

Skyline Enterprises also had a prosperous quarter as the company's market capitalisation grew by \$83.4 million (17.7%) to continue its impressive run of consecutive quarterly growth which began in 2012. The December 2015 quarter result stands out as it was the largest quarterly increase the company had ever achieved since the inception of the Index. The increase was driven by the flurry of activity in late December as the share price rose \$1.80 in a period of 10 days, resulting in the share price soaring \$2.45 to \$16.25 per share over the quarter. During the quarter the company released its Six Monthly Review to September 2015 in which the company stated that it had secured all consents for the Skyline Luge Tongyeong project in South Korea and the construction tender let. The luge will be located directly below the coastal city's iconic Hallyeosudo Landscape Cable Car which takes visitors to the summit of Mt Mireuksan. Tongyeong is a domestic tourism hotspot in South Korea and the cable car attracts more than 1 million visitors each year. Skyline Enterprises held a "ground-breaking" ceremony to mark the beginning of construction in November.

Scales Corporation was another company to achieve a strong result for the quarter, with the company's share price increasing \$0.41 to \$2.46 per share at 31 December 2015 – an increase of \$57.4 million or 20.0%. During the quarter the company provided the market with an update on its EBITDA earnings guidance for the twelve months to 31 December 2015, to between \$60 million and \$63 million, an increase

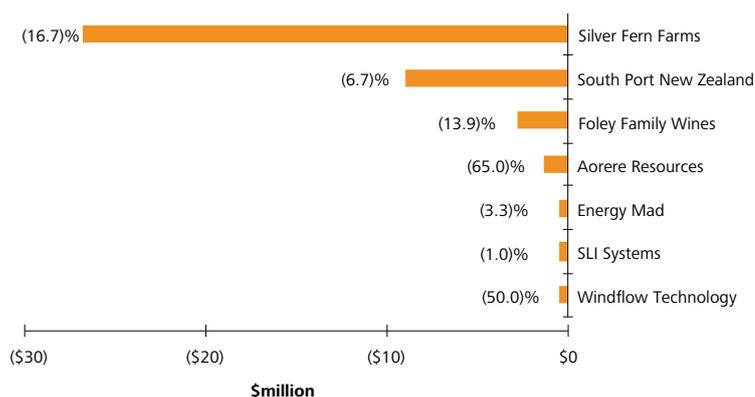


over the prospectus forecast EBITDA (\$41.2 million) of between 45% and 53%. The market update also stated that looking ahead to 2016 the directors expect EBITDA to be between \$48 million and \$55 million for the twelve month period. "It should be noted however that overall group performance in this range for 2016 would be an improvement over prospectus forecasts for 2015 by between 16 per cent and 33 per cent," Chairman Jon Mayson said. Also during the quarter the company announced the opening of its subsidiary Polarcold's new coldstore facility on Ports of Auckland's South Auckland Freight Hub.

Declines in Market Capitalisation

Silver Fern Farms had a reversal of fortunes for the quarter to 31 December 2015 as it moved from the largest gainer in the previous quarter to the largest decline of the December quarter. The company's share price dropped \$0.25 to \$1.25 per share - a decrease of \$25.1 million (16.7%) in market capitalisation. Although Silver Fern Farms' result appears significant compared with the other declines, to put it into context the company's decrease is the smallest "largest" decline in dollar terms for the past two years (excluding the results from the Top Three companies). Silver Fern Farms released its Annual Report for the year ended 30 September 2015 during the quarter with an EBITDA result of \$86.9 million, a 28% improvement on the \$68.1 million achieved in 2015. Net profit before tax for the year was \$27.2 million, up from \$1.8 million in 2014.

South Port New Zealand was next in line for declines as the company recorded a drop in market capitalisation of \$8.4 million (6.7%) for the quarter. South Port New Zealand was another company that held its AGM during the quarter with Chairman, Mr Rex Chapman stating, "Over the last five years, South Port has steadily increased dividends from 20 cents per share to 24 cents per share. Since listing in 1994, the Company has delivered about \$165 million to shareholders through share price appreciation and annual dividends." Mr Chapman also confirmed that South Port is advancing plans for an inland facility, as signalled at the previous year's annual meeting. "The facility, to be known as the Invercargill Freight Centre (IF), might be 'modest by comparison' to similar developments in other provinces; however, it is an important development being provided in response to changes in the supply chain landscape", said Mr Chapman, "and could lead to further commercial opportunities."



Foley Family Wines was another primary sector business to suffer a decline in the quarter, dropping \$2.6 million (3.3%). This quarter's movement results in the company's market capitalisation returning to the same level as at 31 December 2014. The company held its Annual Shareholders Meeting in November with the company stating that it remains cautiously optimistic, believing that the six month result to 31 December 2015 (released in February 2016) will be reflective of the progress made in the last quarter of the last financial year.

In percentage terms Aorere Resources underwent the largest decline, decreasing 65.0% over the quarter, its fifth consecutive decline, as the company's share price dropped \$0.002 to \$0.001 per share. The company has lost 93.9% of its market capitalisation since the December 2006 base period of the Deloitte South Island Index. During the quarter Aorere Resources released its 6 month results to 30 September 2015 which shows revenue for the period of \$24,000 which is a decrease of 91% on the comparable period the prior year, while the company experienced a net loss of \$149,000 for the first half of the current financial year. The directors stated that the company holds stakes in three companies that have significant forward momentum and that they remain positive about future prospects for all the company's current investments.



Sector Movements

Quarter to 31 December 2015

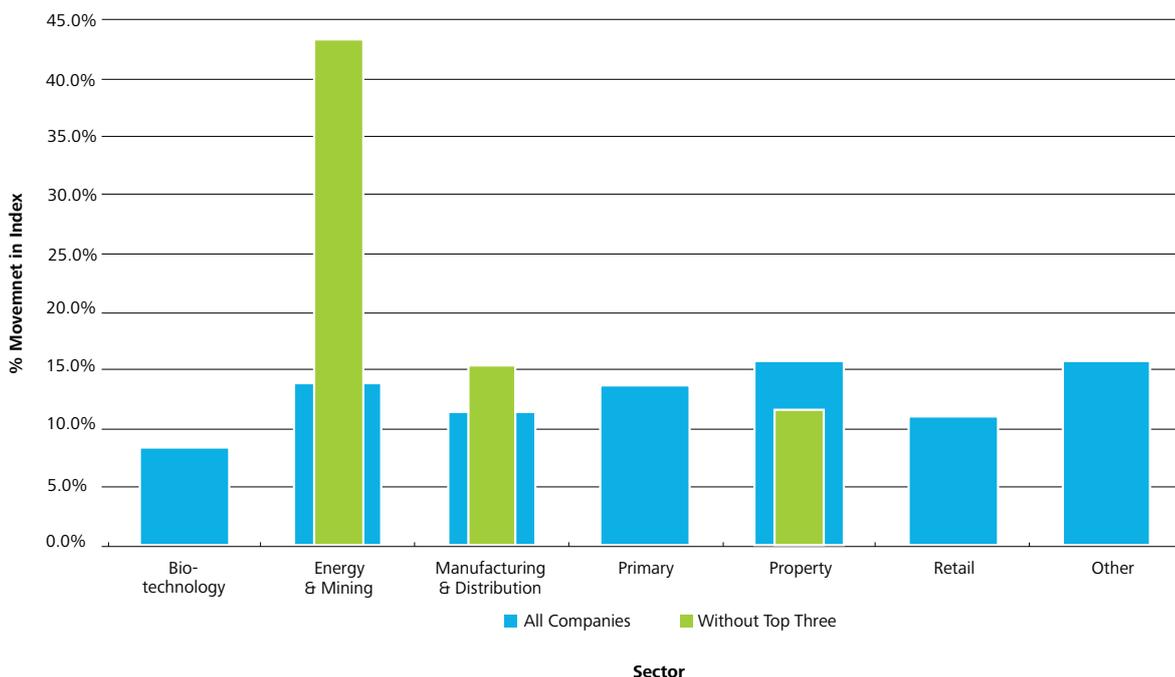
In a rare occurrence, all seven industry sectors achieved positive results over the quarter. The results ranged between 8.5% growth for the Biotechnology sector to 15.9% growth for the Property sector. After adjusting for the impacts of the Top Three companies in the Index all sectors still achieved positive outcomes.

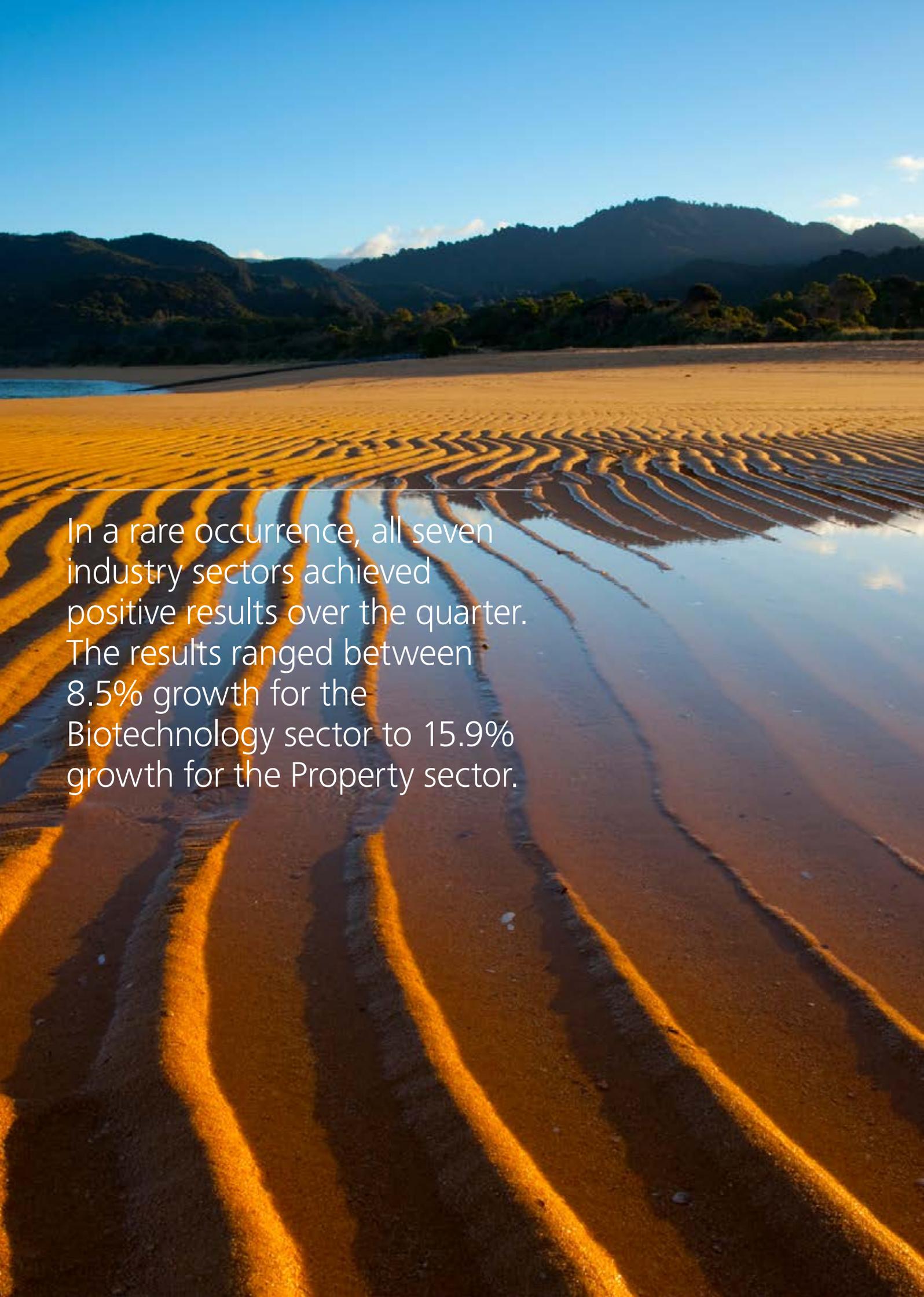
The strongest performing sector over the quarter to 30 September 2015 (excluding the Top Three companies) was the Energy & Mining sector with a growth rate of 43.7%. The leading performer of the Energy & Mining sector was NZ Windfarms with a growth in market capitalisation of \$10.4 million (64.6%). During the quarter the company announced it had reached an agreement with another Deloitte South Island participant, Windflow Technology, over the outstanding issues between the companies. On the other side of the agreement, Windflow Technology suffered a decline in market capitalisation of \$0.4 million (50.0%) during the quarter. The companies stated that, "Now that

full and final settlement has been reached, the two companies look forward to a mutually beneficial ongoing relationship." Chatham Rock Phosphate was another in the sector to achieve a positive result with a gain of \$0.6 million (25.0%) mainly on the back of the issuance of shares during the quarter. The other company in the sector, Aorere Resources, suffered the largest percentage drop on the Index for the quarter, declining \$1.3 million (65.0%).

The next best performing sector (excluding the Top Three companies) was the Other sector which grew by 15.8% over the quarter to 31 December 2015. The sector's strong performance was on the back of Heartland Bank gaining \$98.9 million (18.8%) and Skyline Enterprises growing \$83.4 million (17.7%). However, the company leading the way in percentage terms was Moa Group with a gain of 83.8% (\$15.0 million) during the quarter in which the company released its interim results for the 6 months to 30 September 2015. Moa Group announced that revenue for the period was \$3.3 million,

Movement in Sector Indices - Quarter to December 2015





In a rare occurrence, all seven industry sectors achieved positive results over the quarter. The results ranged between 8.5% growth for the Biotechnology sector to 15.9% growth for the Property sector.

up 32% from \$2.5 million for the same period the prior year. In terms of volume 977,904 litres was sold during the period, up 43% from 684,000 litres in the same period last year. South Port New Zealand experienced a decline in the quarter, decreasing \$8.4 million (6.7%), while SLI Systems also underwent a drop in market capitalisation of \$0.5 million (1.0%). During the quarter SLI Systems provided updated revenue guidance, with the company anticipating operating revenue for the six months to 31 December 2015 to be \$17.3 million, a 29% rise over the six months to 31 December 2014. The remaining company in the sector, Connexionz, remained unchanged, with no shares traded since June 2015.

The Manufacturing & Distribution sector achieved a strong result for the quarter, growing 15.1% (excluding EBOS Group's impact on the sector). This growth was mainly attributable to the excellent quarter of Skellerup Holdings as the company increased its market capitalisation by \$42.4 million (17.0%). Skellerup Holdings announced an updated earnings guidance with Chairman Sir Selwyn Cushing saying, "Based upon the

strong trading performance in the latter part of FY15 and in the first quarter of FY16, the company is forecasting net profit after tax (NPAT) between \$24 million and \$26 million for FY16, up from \$21.9 million in FY15." Scott Technology was another in the sector to grow, with the company increasing by \$5.5 million (8.9%) over the quarter. Scott Technology released its full year results to 31 August 2015 in early October, highlighting growth in revenue of 20% for the year from \$60.3 million to \$72.3 million, and a net surplus before tax of \$8.1 million, up 91% on the prior year. Scott Technology also announced the passing of the shareholders' approval to enable JBS Australia Pty Limited to acquire at least a 50.1% shareholding in the company. The remaining company in the sector, Energy Mad, underwent a decline as it dropped \$0.5 million (13.9%) during the quarter. The company announced its interim result for the six months ending 30 September 2015 with \$2.5 million of operating revenue generated for the period, a drop of 36.6% from the same period the year before.



The Primary sector had an outstanding quarter gaining 13.7% on the back of convincing performances from the two largest companies in the sector, with Synlait Milk gaining \$96.5 million (26.4%) and Scales Corporation growing \$57.4 million (20.0%). In percentage terms SeaDragon was the stand out performer of the sector (and the Index) with the company achieving a growth rate of 134.0% or \$25.2 million over the quarter to 31 December 2015. SeaDragon's increase was substantial due to a successful rights offer and book build being realised in early October, the announcement of the company completing its Omega-3 factory in late November and the release of its interim report for the six months to 30 September 2015. SeaDragon announced in its interim report that sales for the first half of the year more than doubled to \$5.3 million from \$2.6 million the same period the year prior.

PGG Wrightson also achieved a good result in the quarter, growing \$15.1 million (5.1%). The company announced in October that they were tracking slightly ahead of expectations and operating EBITDA for 2016 (including earnings of associates) is expected to be in the \$61 to \$67 million range. Also during the quarter PGG Wrightson announced the settlement of a price fixing claim under the National Animal Identification and Tracing Act 2012 with the New Zealand Commerce Commission. Not all companies in the sector had positive results with Silver Fern Farms and Foley Family Wines suffering declines by \$25.1 million (16.7%) and \$2.6 million (3.3%) respectively. The remaining company in the Primary sector, Blue Sky Meats, was unchanged with no shares were traded over the quarter.

Even excluding the results of Ryman Healthcare, the Property sector enjoyed a positive quarter, gaining 11.6%. Arvida Group led the way by growing its market capitalisation by \$27.3 million (12.0%). Arvida Group announced a strong result for the six month period to 30 September 2015 with Underlying Profit of \$7.3 million compared to the IPO prospectus forecast for the full year to 31 March 2016 of \$13.3 million. Arvida Chairman Peter Wilson said, "Supported by positive ongoing sector demographics and the favourable outlook in demand for the services Arvida provides, we are confident that by remaining on strategy, we are well positioned to deliver on the profit forecasts contained in the IPO prospectus." The other company in the Property sector, NPT, achieved an increase in its share price of \$0.065 to \$0.675 per share, a gain of 10.7% which equated to an increase of \$10.5 million in market capitalisation. The company announced in late November a trading profit of \$3.3 million for the six months to 30 September 2015, a 6.05% increase on the same period in 2014.

The Retail sector had a quarter to cheer about as it grew by 11.1%, driven by gains from Kathmandu Holdings with the company increasing its market capitalisation by \$32.2 million (11.4%). The company provided a trading update in late November announcing unaudited sales for the period 1 August to 15 November of \$91.3 million, 8.6% above the corresponding period the previous year. Kathmandu's Chief Executive Officer Xavier Simonet said, "We have made a solid start to FY2016 with sales growth particularly strong in our largest market Australia." At that time Kathmandu Holdings also

This phenomenal quarterly performance raises hope that the tide is turning back to positive performance, however seasoned investors will be wary of the potential of the result being just a king tide.

re-affirmed its full year net profit after tax expectation of \$30.2 million. The other company in the sector, Smiths City Group, also had a positive quarter gaining \$2.1 million (7.7%). The company announced its preliminary six months result to 31 October 2015, with the company revealing operating revenues for the period of \$106.2 million – a decrease of 2.9% on the corresponding period the previous year. Chairman Craig Boyce said that, “We were pleased to maintain our sales broadly consistent with last year’s level on a “same stores basis” after adjusting for the unprofitable Powerstore and L V Martin stores that have been closed.”

The Biotechnology sector had a solid quarter with all the companies growing resulting in a gain of 8.5% for the quarter to 31 December 2015. BLIS Technologies led the way gaining \$11.1 million (43.9%). The company halted trading of its stock for a short period in early November after samples of a blister-packed lozenge product in Europe were discovered to have speckled discolouration. Investigations of retention samples held by the company in New Zealand show the product remains safe although cosmetically unacceptable. BLIS Technologies emphasised that the underlying science behind its products is unquestioned and backed by clinical trials. In late November BLIS Technologies announced its half year result to 30 September disclosing that revenue was up 139% over the corresponding period the previous

year. The company stated that it remained on target to achieve an increase of over 100% in revenues for the current full financial year largely driven by increases in sales to North America and Europe. Pacific Edge also had a good quarter growing by \$7.5 million (4.0%) releasing its financial results for the six months ended 30 September 2015 during the quarter highlighting a 238% increase in commercial sales to \$1.8 million on the same period the year before. The remaining company in the sector, Pharmazen, also had a positive result growing by \$0.2 million (2.5%) over the quarter.

The Deloitte South Island Index increased by \$2,492.9 million (17.7%) during the twelve months to 31 December 2015.

The table below sets out market capitalisation by sector as at 31 December 2015 and provides a comparison against the position as at 30 September 2015.

Industry	Number of Companies	31 Dec 2015 \$ million	30 Sep 2015 \$ million	Mvmt in Quarter \$ million	% change in Mkt Cap during quarter	% of Index
Biotechnology	3	\$240.4	\$221.6	\$18.8	8.5%	1.5%
Energy & Mining	5	\$6,156.2	\$5,403.6	\$752.6	13.9%	37.2%
Manufacturing & Distribution	4	\$2,442.1	\$2,191.7	\$250.4	11.4%	14.8%
Other	6	\$1,378.4	\$1,190.0	\$188.4	15.8%	8.3%
Primary	7	\$1,379.8	\$1,213.3	\$166.5	13.7%	8.3%
Property	3	\$4,613.4	\$3,980.6	\$632.8	15.9%	27.9%
Retail	2	\$343.8	\$309.5	\$34.3	11.1%	2.1%
TOTAL	30	\$16,554.1	\$14,510.3	\$2,043.8	14.1%	100.0%

Benchmarking

Quarterly Comparison of the Deloitte South Island Index and the NZX 50 Capital Index

After a choppy first three quarters of the 2015 calendar year, the Deloitte South Island Index hit a new peak in the final quarter of the year increasing an incredible \$2.043.8 million (14.1%). The Index's convincing result was achieved after making strong gains in every month of the quarter, with the largest gain occurring in October 2015.

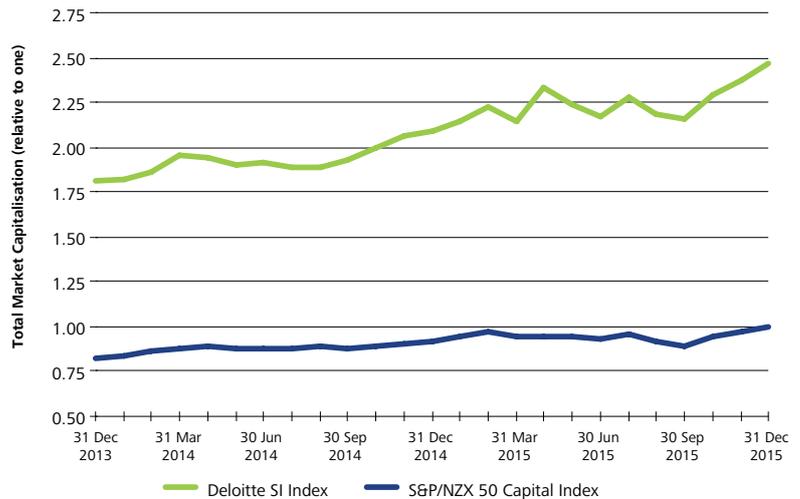
The S&P/NZX 50 Capital Index also achieved remarkable growth gaining 12.5% over the quarter to 31 December 2015. The monthly movement was similar to that of the Deloitte South Island Index, with the majority of the S&P/NZX 50 Capital Index's gain arising in October.

The S&P/NZX 50 Capital Index's result is a milestone event as it is the first time since September 2007 that the S&P/NZX 50 Capital Index market capitalisation has reached 1.0, relative to the Deloitte South Island Index's benchmark quarter of December 2006.

Comparison of Deloitte South Island Index and Other Indices

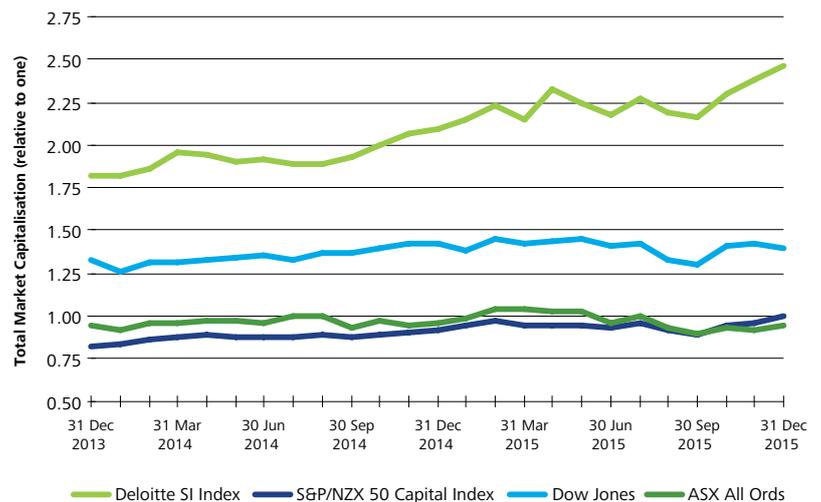
The Index's substantial increase of 14.1% for the quarter to 31 December 2015 was closely followed by the S&P/NZX 50 Capital Index with a gain of 12.5%. The other indices that we track also had positive results during the quarter, with smaller but solid results. The Dow Jones reversed its September 2015 quarter decline increasing by 7.0% in the final quarter of the year, while the ASX All Ords grew 5.7%.

Performance of Deloitte South Island Index vs S&P/NZX 50 Capital Index



Base period – December 2006 = 1.00

Performance of Deloitte South Island Index vs Major Indices



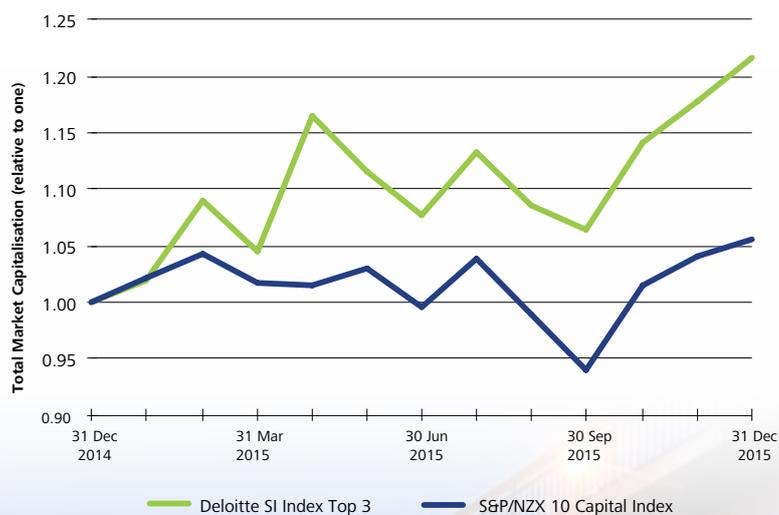
Base period – December 2006 = 1.00

Comparison of Deloitte South Island Index Top 3 and NZX 10 Capital Index

To get a better understanding of the relative performance of the three largest companies on the Deloitte South Island Index we have used the S&P/NZX 10 Capital Index as a benchmark. Like all the companies on the NZX 10 Capital Index, the top three companies on the Index all have a market capitalisation greater than \$1.0 billion.

Over the quarter to 31 December 2015 the top three companies of the Index increased 14.1% compared to the NZX 10 Capital Index's gain of 12.3% for the quarter. Over the last twelve months the top three companies significantly outperformed their associates on the S&P/NZX 10 Capital Index gaining an exceptional 21.6% for the year to 31 December 2015 compared to the S&P/NZX 10 Capital Index's gain of 5.5%.

Performance of Deloitte South Island Index Top 3 vs S&P/NZX 10 Capital Index



Base period – December 2014 = 1.00



Deloitte South Island Index

December 2015

Of the 30 companies currently listed on the Deloitte South Island Index, 21 (70%) experienced a rise in market capitalisation during the quarter to 31 December 2015, 7 (23%) declined and two remained unchanged.

The full Deloitte South Island Index for the quarter ended 31 December 2015, ranked by market capitalisation, is set out in the table below:

	Dec 2015 Rank	Sep 2015 Rank	Ticker	Company	Sector	Mcap Dec 2015 (\$m)	Mcap Sep 2015 (\$m)	Change in Mcap (\$m) in Quarter	Change in Mcap (%) in Quarter	Share Price 31 Dec 2015
➔	1	1	MEL	Meridian Energy	Energy & Mining	\$6,125.6	\$5,382.3	\$743.3	13.8%	\$2.390
➔	2	2	RYM	Ryman Healthcare	Property	\$4,250.0	\$3,655.0	\$595.0	16.3%	\$8.500
➔	3	3	EBO	EBOS Group	Manufacturing & Distribution	\$2,080.6	\$1,877.6	\$203.0	10.8%	\$13.750
➔	4	4	HNZ	Heartland New Zealand	Other	\$625.2	\$526.3	\$98.9	18.8%	\$1.320
➔	5	5	SKYLINE	Skyline Enterprises	Other	\$553.3	\$469.9	\$83.4	17.7%	\$16.250
➔	6	6	SML	Synlait Milk	Primary	\$462.4	\$365.9	\$96.5	26.4%	\$3.160
⬆	7	8	SCL	Scales Corporation	Primary	\$343.9	\$286.5	\$57.4	20.0%	\$2.460
⬆	8	9	KMD	Kathmandu Holdings	Retail	\$314.3	\$282.1	\$32.2	11.4%	\$1.560
⬇	9	7	PGW	PGG Wrightson	Primary	\$313.3	\$298.2	\$15.1	5.1%	\$0.415
➔	10	10	SKL	Skellerup Holdings	Manufacturing & Distribution	\$291.1	\$248.7	\$42.4	17.0%	\$1.510
➔	11	11	ARV	Arvida Group	Property	\$254.1	\$226.8	\$27.3	12.0%	\$0.930
➔	12	12	PEB	Pacific Edge	Biotechnology	\$195.8	\$188.3	\$7.5	4.0%	\$0.520
➔	13	13	SFF	Silver Fern Farms	Primary	\$125.5	\$150.6	\$(25.1)	(16.7)%	\$1.250
➔	14	14	SPN	South Port New Zealand	Other	\$116.2	\$124.6	\$(8.4)	(6.7)%	\$4.430
➔	15	15	NPT	NPT	Property	\$109.3	\$98.8	\$10.5	10.6%	\$0.675
➔	16	16	FFW	Foley Family Wines	Primary	\$75.7	\$78.3	\$(2.6)	(3.3)%	\$1.450
➔	17	17	SCT	Scott Technology	Manufacturing & Distribution	\$67.3	\$61.8	\$5.5	8.9%	\$1.480
➔	18	18	SLI	SLI Systems	Other	\$48.1	\$48.6	\$(0.5)	(1.0)%	\$0.780
⬆	19	21	SEA	SeaDragon	Primary	\$44.0	\$18.8	\$25.2	134.0%	\$0.014
➔	20	20	BLT	BLIS Technologies	Biotechnology	\$36.4	\$25.3	\$11.1	43.9%	\$0.033
⬆	21	22	MOA	Moa Group	Other	\$32.9	\$17.9	\$15.0	83.8%	\$0.690
⬇	22	19	SCY	Smith City Group	Retail	\$29.5	\$27.4	\$2.1	7.7%	\$0.560
➔	23	23	NWF	NZ Windfarms	Energy & Mining	\$26.5	\$16.1	\$10.4	64.6%	\$0.092
➔	24	24	BLUESKY	Blue Sky Meats	Primary	\$15.0	\$15.0	\$0.0	0.0%	\$1.300
➔	25	25	PAZ	Pharmazen	Biotechnology	\$8.2	\$8.0	\$0.2	2.5%	\$0.051
➔	26	26	MAD	Energy Mad	Manufacturing & Distribution	\$3.1	\$3.6	\$(0.5)	(13.9)%	\$0.040
⬆	27	28	CRP	Chatham Rock Phosphate	Energy & Mining	\$3.0	\$2.4	\$0.6	25.0%	\$0.007
⬇	28	27	CNX	Connexionz	Other	\$2.7	\$2.7	\$0.0	0.0%	\$0.050
➔	29	29	AOR	Aorere Resources	Energy & Mining	\$0.7	\$2.0	\$(1.3)	(65.0)%	\$0.001
➔	30	30	WTL	Windflow Technology	Energy & Mining	\$0.4	\$0.8	\$(0.4)	(50.0)%	\$0.011
	30	30		TOTAL		\$16,554.1	\$14,510.3	\$2,043.8	14.1%	

Compilation of the Deloitte South Island Index

The Deloitte South Island Index ('the Index') is compiled from information provided by the NZX, and Unlisted on the market capitalisation of each South-Island based listed company. Broadly, a company is included in the Index where its registered office is in the South Island and/or a substantial portion of its operations are focused in the South Island. The information on South Island listed companies is extracted and totalled to provide a cumulative market capitalisation for all South Island listed companies.

The base period of the Deloitte South Island Index is 31 December 2006 and for the purposes of the Index this data is given a notional value of one. All subsequent quarterly cumulative market capitalisation totals are divided by the totals for the December 2006 quarter to obtain a relative movement. Market capitalisation will move as a result of capital injections, payments of dividends and capital returns. If a new South Island based company lists on the NZX or Unlisted they will be reflected in the Index as though they were present in the base period. Accordingly, the Index will only reflect changes in market capitalisation subsequent to listing. If a company is suspended or delisted during a quarter, no data will be included for the company, including any historical data, until the company is re-listed or the suspension lifted.

The metrics for Meridian Energy Limited have been recalculated on the basis of the issued ordinary shares after receipt of final instalment payment and cancellation of the instalment receipts.

For the purposes of the sector analysis some sector segments have been grouped to provide a more meaningful analysis.

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