

# Deloitte.

## The latest heat wave The Deloitte South Island Index

A review of the performance of South Island listed  
companies during the quarter to 31 December 2014



# Introduction

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Welcome to the 28th 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 2014.

The Deloitte South Island Index turned around its winter decline and turned up the heat to achieve strong quarterly growth – increasing by \$691.2 million (6.2%) for the quarter ended 31 December 2014. The convincing turnaround in the most recent quarter ensured that the Index regained the losses recorded in the preceding two quarters, ending the 2014 year at its highest recorded point since the inception of the Index in 2007.

#### **Movements in December 2014**

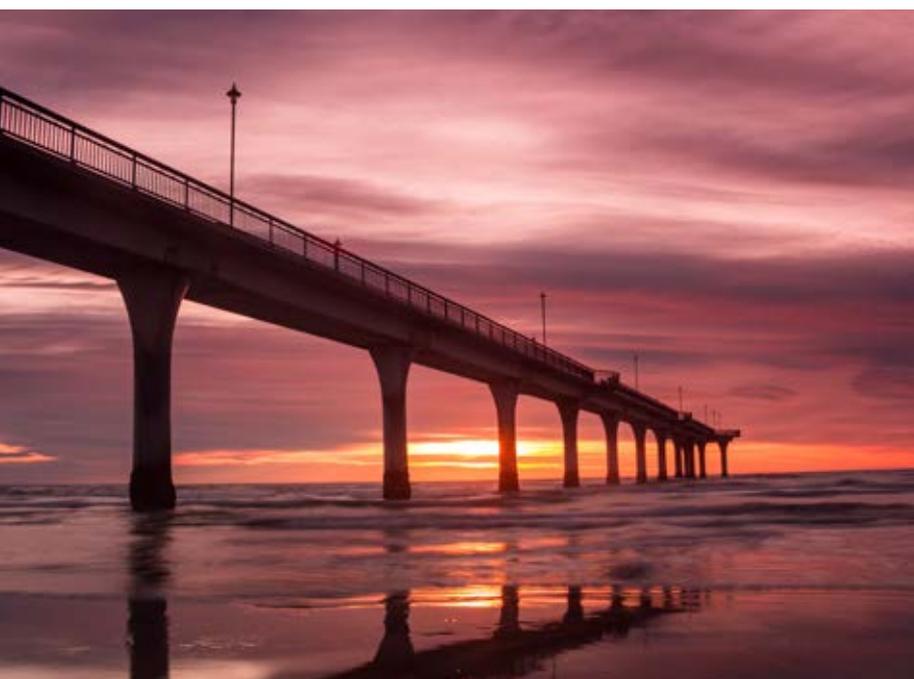
The month of December resulted in a slight increase in performance with the Deloitte South Island Index increasing by 1.5%. Over the same period most of the indices tracked also had minor movements, the NZX 50 Capital Index gained a sound 2.4%, the ASX All Ords increased by a small 1.7%, while the Dow Jones decreased marginally (a 0.03% drop).

#### **Quarterly movements – Q4 2014**

The Deloitte South Island Index achieved growth in every month of the quarter turning around the previous quarterly declines. The Index grew \$691.2 million (6.2%) in market capitalisation to 31 December 2014. This result was led by the Energy & Mining and Property sectors, which grew by \$421.1 million and \$360.8 million in market capitalisation respectively.

#### **Annual movements – Dec 2013 to Dec 2014**

The Deloitte South Island Index increased by \$814.3 million (7.4%) during the year to 31 December 2014 – performing in the middle of the pack with increases in the NZX 50 Capital Index of 12.6% and the Dow Jones gain of 7.5%. The ASX All Ords was the underperformer of the indices tracked, only gaining 0.7% in the twelve month period.



# Executive Summary

## Quarter to 31 December 2014

The final quarter of 2014 saw the Deloitte South Island Index return to positive territory, achieving 6.2% growth. Compared to the declines from the previous two quarters, this is a pleasing result and reflects the confidence of investors in the market. For the 2014 year, annual growth was 7.4% for the Deloitte South Island Index.

One company was removed from the Index during the quarter as Lyttleton Port Company was delisted on 7 November 2014 following a takeover by Christchurch City Holdings Limited. As a result, South Port New Zealand was left as the sole participant in the Port sector and consequently has been re-categorised into the Other sector.

Arvida Group joined the Deloitte South Island Index on 18 December 2014 in the Property sector as a new companion to Ryman Healthcare and NPT. The company aims to provide a continuum of care, for its retirement village and aged care facility residents. 13 of Arvida Group's 17 locations are in the South Island, qualifying the company to join the Deloitte South Island Index. This reaffirms the Property sector as our largest with market capitalisation of over \$4.5 billion.

Key points for the final quarter of 2014 include:

- The Deloitte South Island Index grew 6.2% in the quarter, outperforming the NZX 50 Capital Index on 5.0% growth. The change in direction from 3.0% and 1.0% declines for the two preceding quarters of the Deloitte South Island Index is most welcome. Across the ditch, the ASX All Ords again trailed behind with a minor increase of 1.7% for the quarter.
- The Energy & Mining, Property, Manufacturing & Distribution and Other sectors all performed well this quarter, with Energy & Mining taking the top prize up \$421.1 million (22.4%). The Property sector's rise was also substantial at \$360.8 million (8.6%).
- The largest gain in dollar terms was Meridian Energy up \$414.3 million (23.1%), driving almost all of the movement in the Energy & Mining sector. Undoubtedly, there is still some post-election relief expressed in the figures for this quarter. Meridian is also benefiting from increased demand for electricity in the market, coupled with higher generation prices being achieved.

- The silver medal goes to Ryman Healthcare building \$355.0 million in value. Similar to Meridian Energy, Ryman Healthcare dominated its sector (Property) as it announced it is on track to meet its 15% profit growth target.
- The Retail, Biotechnology and Primary sectors each lost value, with Retail suffering most down \$200.4 million (30.2%), driven by Kathmandu Holdings losing \$201.0 million after disappointing store sales and gross margin figures from the first five weeks of its Christmas sale.
- Chatham Rock Phosphate bewildered the market with a colossal 104.4% gain in market capitalisation. Approximately \$3.5 million in new capital was raised but there was also a 75.4% share price increase. The Environmental Protection Authority indicated it expected to deliver a response shortly and management remains confident resource consents will be granted for seabed mining. Further good news includes Lincoln University completing trials confirming rock phosphate sourced from the Chatham Rise is highly effective as a fertilizer.
- The smallest 10 companies on the Index collectively had a disappointing quarter, suffering a 16.7% loss in value. This selection includes Bathurst Resources' \$12.4 million (30.4%) slump as it lies dormant waiting for the international coal market to improve.

From an annual perspective, Meridian Energy was again the winner, leaping up \$903.4 million (69.2%) in market capitalisation. Ryman Healthcare had the second largest rise in dollar terms, up \$335.0 million, an 8.5% change. Heartland New Zealand also had an excellent year, gaining \$194.0 million (58.1%). In percentage terms, Blue Sky Meats performed well with a 50.0% increase in market capitalisation in 2014 whilst Bathurst Resources was the worst performer in percentage terms, down \$144.1 million (83.5%), never recovering from the fall in global coal prices.

# The Quarter to 31 December 2014

## Growth in Market Capitalisation

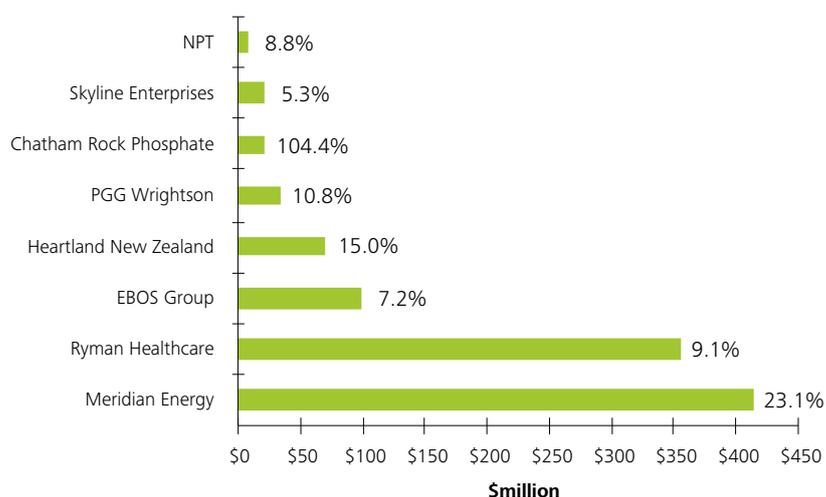
Meridian Energy again led the Index, rocketing up \$414.3 million (23.1%) during the quarter. No doubt some residual post-election relief caused part of this movement, along with improved energy margins. The Commerce Commission also approved the sale of subsidiary Arc Metering Services to Vector as Meridian Energy moved to focus on its core business. Reassurance was provided by the Mt Mercer wind farm in Australia being completed on time and on budget. In November 2014 Meridian Energy was added to the MSCI Global Standard Index which has resulted in increased trading from index funds purchasing stock to maintain their portfolio requirements.

Ryman Healthcare was the second largest gainer on the Index expanding \$355.0 million (9.1%). Continuing its recent volatility, Ryman Healthcare hit a low of \$7.22 per share in October before recovering to \$8.52 per share by the end of the quarter. Some pleasing financial results were released, with record underlying profit up 13% for the half year indicating Ryman Healthcare is on track to meet its 15% profit growth target for the year.

It was a busy quarter for EBOS Group, with the company acquiring BlackHawk Pet Care for A\$52 million on the last day of October and its subsidiary Symbion opening a new high tech distribution facility in Melbourne. EBOS Group experienced a \$99.2 million (7.2%) gain in market capitalisation during the quarter.

Another winner was Heartland New Zealand, with the company gaining \$69.0 million (15.0%) for the December 2014 quarter. Fitch Ratings upgraded Heartland Bank's credit rating to BBB outlook stable citing reductions in non-core assets and a niche market strategy providing a leading market share.

Chatham Rock Phosphate topped the table in terms of percentage growth for the quarter, up a whopping 104.4%. This is in part due to raising an additional \$3.5 million to support losses as Chatham Rock Phosphate awaits marine consents to begin mining the Chatham Rise seabed. A decision from the Environmental Protection Agency is expected shortly and management remains confident the consents will be granted.



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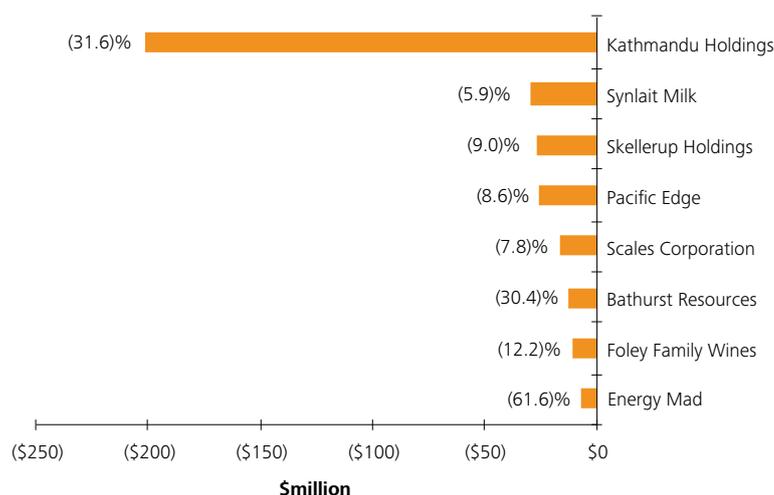
### Declines in Market Capitalisation

Kathmandu Holdings tumbled \$201.0 million (31.6%), in part because of disappointing gross margins from the first part of their annual Christmas promotion. Results for the current year are expected to be worse than the previous year, according to management. This announcement was perhaps amplified by the current expansion plan, having opened 8 new stores since August 2014 with plans to open a further 15 by the end of the 2015. Acting CEO of Kathmandu Holdings, Mark Todd, said during the quarter that “in Australia, our trading performance throughout the Christmas period to date has been below expectations, which is a reflection of negative consumer confidence and a difficult discretionary retail trading environment”.

Synlait Milk experienced a \$29.3 million (5.9%) dip, despite delivering on net profit after tax forecasts of \$19.6 million. During the quarter Chinese regulators registered the company as a manufacturer of retail-ready infant formula, opening up further export opportunities in the region. Synlait Milk considers itself insulated against the recent dry weather, as its suppliers had adequate irrigation systems in place.

The third largest decline in the quarter came from Skellerup Holdings, down \$27.0 million (9.0%). Although annual results released in the quarter were an improvement on last year, management reports the company still fell short on growth expectations from the industrial unit. Skellerup Holdings also had consents approved and began construction on their new manufacturing facility in the suburb of Wigram, Christchurch during the quarter.

Meanwhile, Pacific Edge received patent grants in Europe for their colorectal cancer prognostic technology during the quarter, opening the door to 38 European countries. Pacific Edge’s Cxbladder technology was also released in New Zealand in December with plans to launch it in the United States early 2015. It successfully matched expectations for its preliminary results announcements; even after all its activity, Pacific Edge still decreased \$25.5 million (8.6%) in terms of market capitalisation.



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# Sector Movements

## Quarter to 30 September 2014

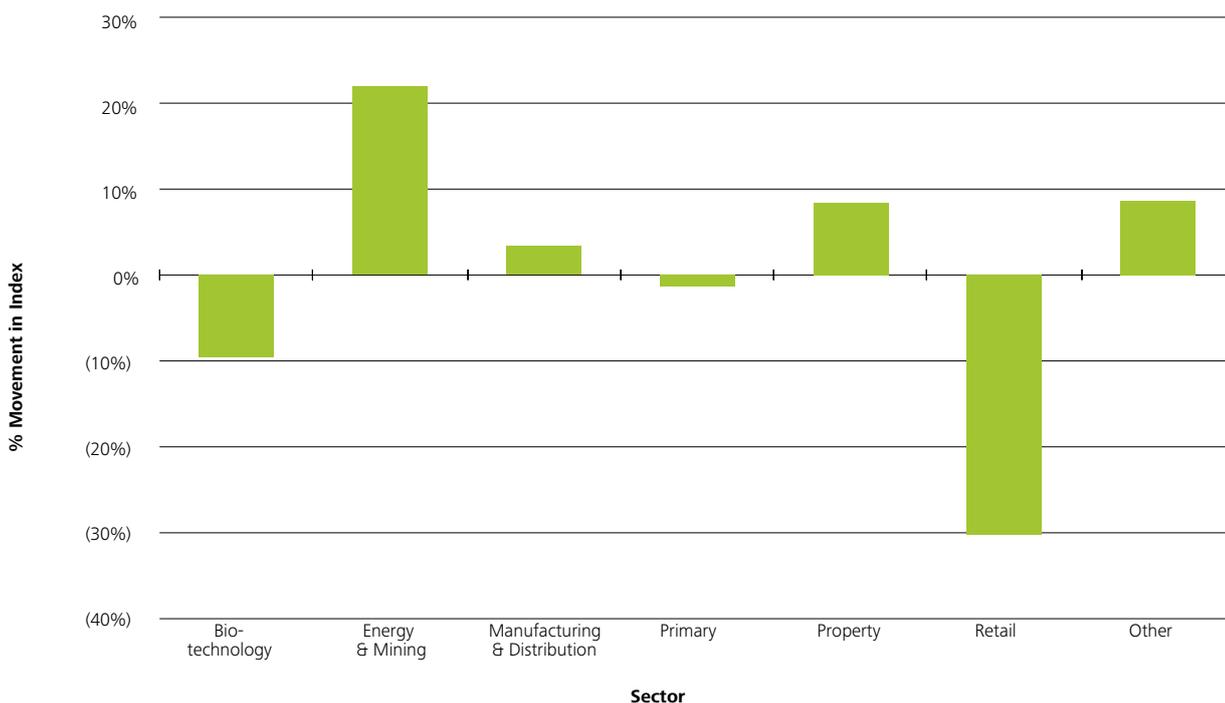
The Deloitte South Island Index is back on the upward slope following two consecutive quarters of contraction. Only four of the seven sectors rose with the Energy & Mining sector the clear winner, driven by heavyweight Meridian Energy. Conversely, the Retail sector lost \$200.4 million in value as a result of the poor performance of Kathmandu Holdings. The Port sector has been disestablished following Lyttleton Port Company's delisting and its removal from the Deloitte South Island Index. South Port New Zealand has been re-categorised into the Other sector.

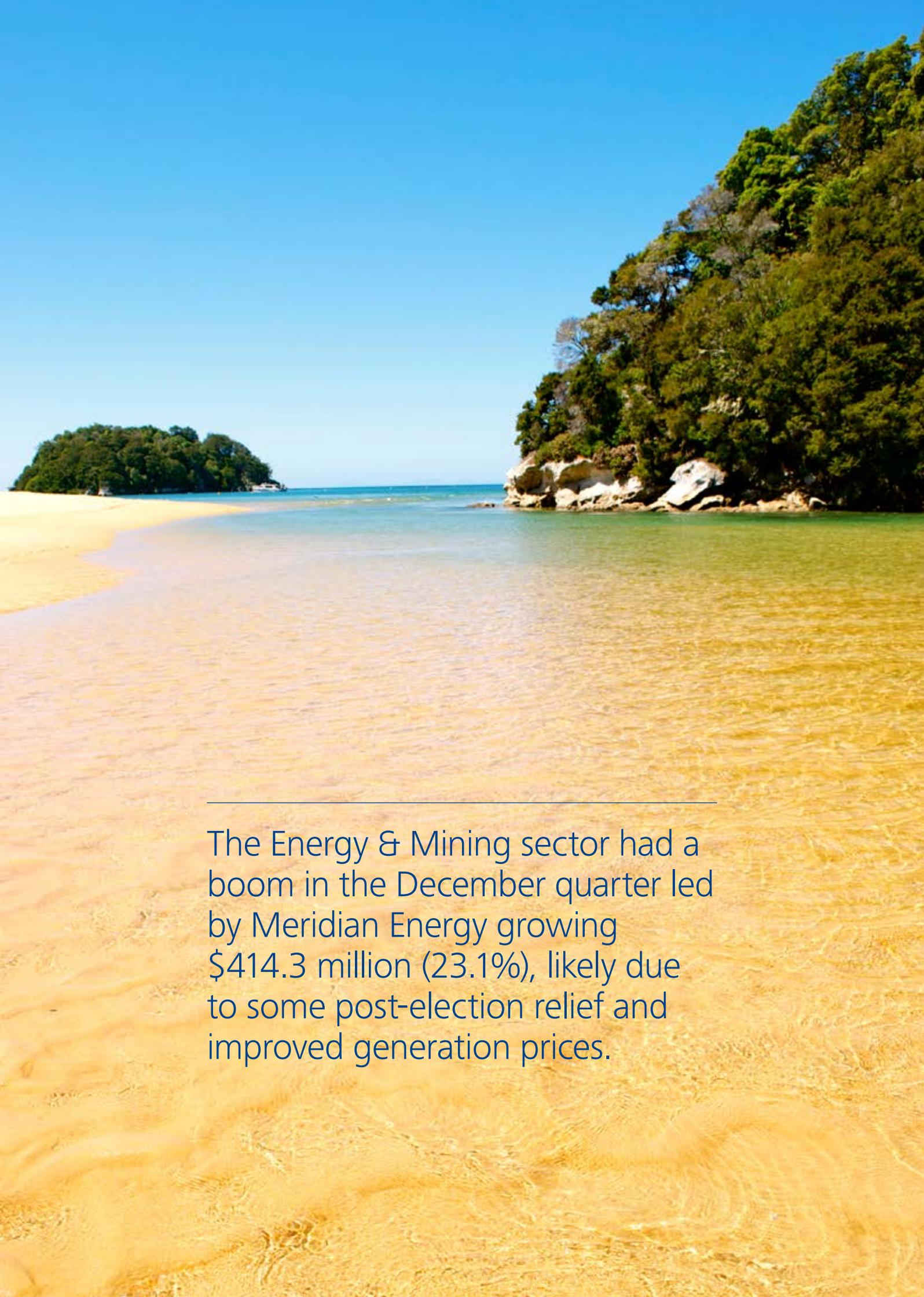
The Energy & Mining sector had a boom in the December quarter led by Meridian Energy growing \$414.3 million (23.1%), likely due to some post-election relief and improved generation prices. Chatham Rock Phosphate also pitched in with \$21.5 million (104.4%) of growth which more than offset Bathurst Resources's decline of \$12.4 million (30.4%) as it lies dormant waiting for the international market to improve to begin

large scale coal mining. NZ Windfarms and Windflow Technology decreased 12.7% and 20.0% respectively as the warranty dispute between them heads for arbitration. Aorere Resources held its ground, despite benefiting from Chatham Rock Phosphate's gain, in which it has an 8.9% shareholding.

The Other sector experienced an overall gain, driven by Heartland increasing \$69.0 million (15.0%). SLI Systems jumped \$6.2 million (9.3%) after announcing the launch of a new initiative with Hybris, part of the SAP group, which should extend SLI System's reach. South Port New Zealand posted a net profit after tax of \$6.7 million, a 2.8% improvement on the 2013 result along with a record 2.72 million tonnes of cargo volume shifted in the period. Despite these results, South Port New Zealand dipped \$1.3 million (1.2%). Connexionz lost \$0.5 million (13.2%) in value, although this only amounts to a \$0.01 change in the share price. Moa Group reported a similar loss to last year of \$3.2 million, impacting on the \$0.3 million (1.5%) decrease for the quarter. The final

## Movement in Sector Indices - Quarter to December 2014





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company in the sector, Skyline Enterprises, rose \$20.5 million (5.3%) in the quarter as management announced the company is on track to meet performance targets for the year.

Property also experienced a healthy gain of 8.6% on the back of Ryman Healthcare's hefty \$355.0 million (9.1%) gain. The new kid on the block, Arvida Group, was listed and joined the Deloitte South Island Index on 18 December. Arvida is a direct competitor to Ryman Healthcare which will make for interesting comparisons as the companies compete on the Index. By the end of December, Arvida Group's share price had dropped 1.1% from its listing price to \$0.94 per share. NPT has turned a loss into a profit comparing the six months to September against the previous period as long term anchor tenants The Warehouse and Warehouse Stationery have been secured for the Eastgate Shopping Centre in Linwood, Christchurch. This has influenced the \$8.1 million (8.8%) rise in market capitalisation for NPT, along with the recent purchase of the Roskill Centre in Mt Roskill, Auckland.

The Manufacturing & Distribution sector made a modest gain of 3.6%, ushered by EBOS Group's gain of \$99 million (7.2%) in market capitalisation after acquiring BlackHawk Pet Care. This was partially offset by Skellerup Holdings decline of 9.0%. Energy Mad plunged a massive 61.6% during the quarter, although this only had a minor effect on the sector due to the relatively small size of the company. The reasons for the

decline include a larger loss than last year caused by one-off restructuring costs, exiting the European market and a reduction in US revenue. Scott Technology had a big spike mid-November then settled down prior to announcing the acquisition of Australian firm Machinery Automation & Robotics Pty Ltd for \$13 million, ending the quarter down 3.3%.

The Retail sector plummeted \$200.4 million (30.2%) which is disappointing given the time of year, however it continues the poor performance of the sector from the previous two quarters – dropping 16.4% and 1.0% in the June and September 2014 quarters respectively. Kathmandu Holdings suffered the greatest loss of all the companies on the Index, dropping 201.0 million (31.6%) during the quarter driving the sectors performance down. The other company in the sector, Smith City Group, did manage to buck the trend by making a small gain of \$0.6 million (2.2%) during the quarter.

All three firms in the Biotechnology sector took a tumble this quarter, led by Pacific Edge down \$25.5 million (8.6%). Pacific Edge received patent grants in Europe and released its Cxbladder technology in New Zealand in December with plans to launch it in the United States early 2015. BLIS Technologies fell \$4.4 million (17.4%) after their Sinopharm test launch extended from 30 to 600 pharmacies in China, however they received a fine for breaching NZX listing rules by not disclosing this material information in a timely manner. The final



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constituent in the sector, Pharmazen, dropped \$1.6 million (16.7%) in terms of market capitalisation during the quarter.

There were four upwards movements for the Primary sector led by PGG Wrightson's \$33.9 million (10.8%) growth. Blue Sky Meats announced the acquisition of Clover Export Ltd, a beef and venison operation with export licences based in Gore which was received well, boosting its market capitalisation by \$3.4 million (19.7%). Silver Fern Farms rose \$2.0 million (5.0%), returning to a profit for the 2014 year. Red meat producers had a strong quarter, with the other Primary sector companies causing the net 1.3% decline in market capitalisation for the sector. The three Primary sector declines for the quarter included Synlait Milk dropping \$29.3 million (5.9%). Synlait Milk endured considerable volatility in the quarter after receiving approval from China for their infant milk formula. Scales Corporation also had a negative shift of \$16.8 million (7.8%), despite

its subsidiary Polarcold securing Fonterra as a customer for its new project in Auckland, where construction recently began. SeaDragon provided updated forecasts predicting a 17% increase in revenue along with news that building consents have been granted for their new Refined Fish Oil plant with the company gaining 4.8% in the 3 months to December 2014. Foley Family Wines lost \$10.5 million (12.2%) in market capitalisation as it expects a significant drop in the bulk wine price during 2015 due to excess supply in the market.

An interesting company to keep an eye on is Martin Aircraft Company, a Christchurch based company hoping to list on the ASX in February 2015. Martin Aircraft Company is attempting to become the first commercial manufacturer of jetpacks aimed at emergency services. Although Martin Aircraft Company won't meet the criteria for the Deloitte South Island Index unless it lists in New Zealand, it is great to see some local talent making a splash across the ditch.

**The table below sets out market capitalisation by sector as at 31 December 2014 and provides a comparison against the position as at 30 September 2014.**

| Industry                     | Number of Companies | 31 Dec 2014<br>\$ million | 30 Sep 2014<br>\$ million | Mvmt in Quarter<br>\$ million | % change in<br>Mkt Cap during<br>quarter | % of<br>Index |
|------------------------------|---------------------|---------------------------|---------------------------|-------------------------------|--|---------------|
| Biotechnology                | 3                   | \$299.7                   | \$331.2                   | \$(31.5)                      | (9.5)%                                   | 2.5%          |
| Energy & Mining              | 6                   | \$2,299.5                 | \$1,878.4                 | \$421.1                       | 22.4%                                    | 19.5%         |
| Manufacturing & Distribution | 4                   | \$1,821.1                 | \$1,758.1                 | \$63.0                        | 3.6%                                     | 15.4%         |
| Other                        | 6                   | \$1,135.6                 | \$1,042.0                 | \$93.6                        | 9.0%                                     | 9.6%          |
| Primary                      | 7                   | \$1,195.3                 | \$1,210.7                 | \$(15.4)                      | (1.3)%                                   | 10.1%         |
| Property                     | 3                   | \$4,573.1                 | \$4,212.3                 | \$360.8                       | 8.6%                                     | 38.8%         |
| Retail                       | 2                   | \$463.7                   | \$664.1                   | \$(200.4)                     | (30.2)%                                  | 3.9%          |
| <b>TOTAL</b>                 | <b>31</b>           | <b>\$11,788.0</b>         | <b>\$11,096.8</b>         | <b>\$691.2</b>                | <b>6.2%</b>                              | <b>100.0%</b> |

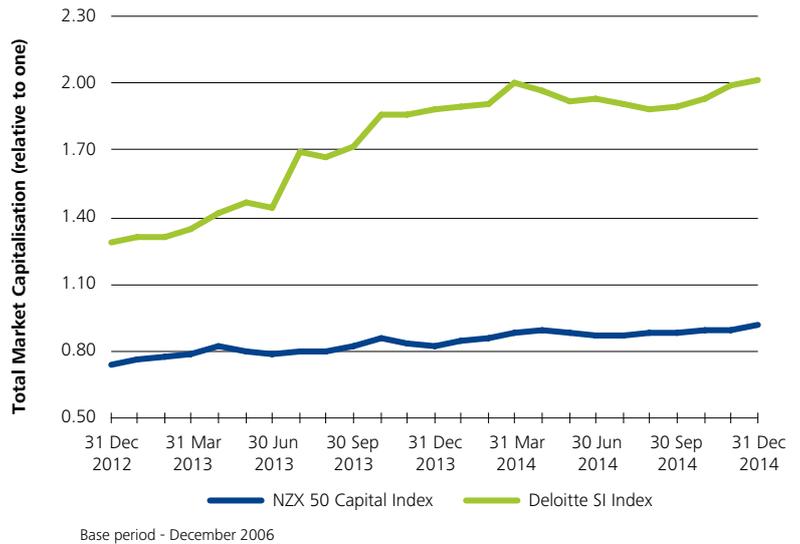
# Benchmarking

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

The Deloitte South Island Index made a turnaround from the September quarter's 1.0% decline, now up 6.2% for the December 2014 quarter. The return to positive growth is welcome following the previous six months of contraction for the Index. The Energy & Mining sector was the main driver for this quarter's performance, gaining \$421.1 million in value. The Deloitte South Island Index tracked above the NZX 50 Capital Index which was up 5.0% for the December quarter.

It is important to mention that we are now comparing against the NZX 50 Capital Index, whereas previously we used the NZX 50 Gross Index. The Gross Index includes dividends on the assumption that they are reinvested while the Capital Index does not make this assumption, making it a more meaningful comparison to the Deloitte South Island Index.

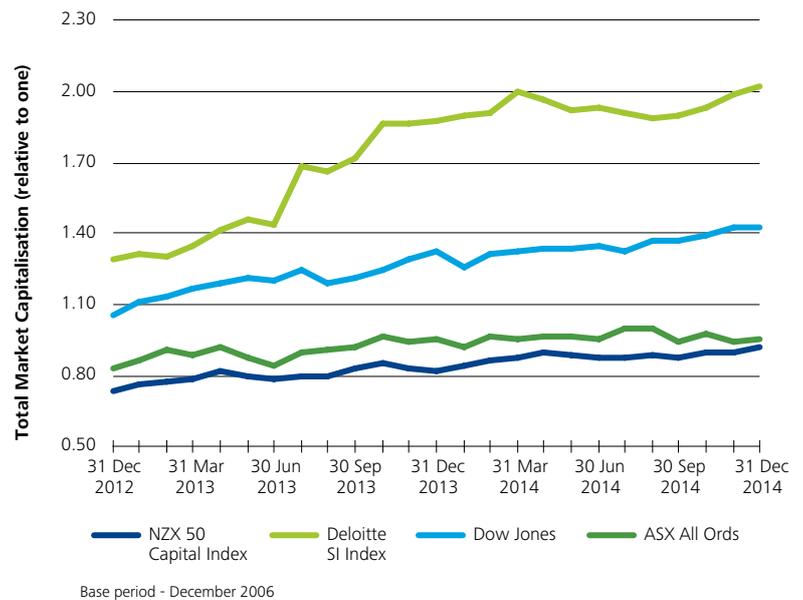
## Performance of Deloitte South Island Index vs NZX 50



## Comparison of Deloitte South Island Index and Other Indices

There were modest improvements to all the indices in the fourth quarter of 2014. The Deloitte South Island Index came out on top up 6.2%, beating the NZX 50 Capital Index up 5.0% and the Dow Jones with 4.6% growth. The ASX All Ords lagged behind with 1.7% growth, which is still a pleasing result for the Australians given the ASX All Ords was down 1.6% for the September 2014 quarter.

## Performance of Deloitte South Island Index vs Major Indices



# Deloitte South Island Index

## December 2014

Of the 31 companies currently listed on the Deloitte South Island Index, 13 (42%) experienced a rise in market capitalisation during the quarter to 31 December 2014, 17 declined and 1 remained unchanged.

The full Deloitte South Island Index for the 31 December 2014 quarter, ranked by market capitalisation, is set out in the table below:

|   | Dec 2014 Rank | Sep 2014 Rank | Ticker  | Company                | Sector                       | Mcap Dec 2014 (\$m) | Mcap Sep 2014 (\$m) | Change in Mcap (\$m) in Quarter | Change in Mcap (%) in Quarter | Share Price 31 Dec 2014 |
|---|---------------|---------------|---------|------------------------|------------------------------|---------------------|---------------------|---------------------------------|-------------------------------|-------------------------|
| ➔ | 1             | 1             | RYM     | Ryman Healthcare       | Property                     | \$4,260.0           | \$3,905.0           | \$355.0                         | 9.1%                          | \$8.520                 |
| ➔ | 2             | 2             | MELCA   | Meridian Energy        | Energy & Mining              | \$2,209.5           | \$1,795.2           | \$414.3                         | 23.1%                         | \$1.760                 |
| ➔ | 3             | 3             | EBO     | EBOS Group             | Manufacturing & Distribution | \$1,474.9           | \$1,375.7           | \$99.2                          | 7.2%                          | \$9.850                 |
| ⬆ | 4             | 6             | HNZ     | Heartland New Zealand  | Other                        | \$527.6             | \$458.6             | \$69.0                          | 15.0%                         | \$1.130                 |
| ➔ | 5             | 5             | SML     | Synlait Milk           | Primary                      | \$468.3             | \$497.6             | \$(29.3)                        | (5.9)%                        | \$3.200                 |
| ⬇ | 6             | 4             | KMD     | Kathmandu Holdings     | Retail                       | \$435.2             | \$636.2             | \$(201.0)                       | (31.6)%                       | \$2.160                 |
| ➔ | 7             | 7             | SKYLINE | Skyline Enterprises    | Other                        | \$408.6             | \$388.1             | \$20.5                          | 5.3%                          | \$12.000                |
| ➔ | 8             | 8             | PGW     | PGG Wrightson          | Primary                      | \$347.2             | \$313.3             | \$33.9                          | 10.8%                         | \$0.460                 |
| ➔ | 9             | 9             | SKL     | Skellerup Holdings     | Manufacturing & Distribution | \$273.8             | \$300.8             | \$(27.0)                        | (9.0)%                        | \$1.420                 |
| ➔ | 10            | 10            | PEB     | Pacific Edge           | Biotechnology                | \$270.8             | \$296.3             | \$(25.5)                        | (8.6)%                        | \$0.850                 |
| ⬆ | 11            | 12            | ARV     | Arvida Group           | Property                     | \$212.7             | \$215.0             | \$(2.3)                         | (1.1)%                        | \$0.940                 |
| ⬇ | 12            | 11            | SCL     | Scales Corporation     | Primary                      | \$199.9             | \$216.7             | \$(16.8)                        | (7.8)%                        | \$1.430                 |
| ➔ | 13            | 13            | SPN     | South Port New Zealand | Port                         | \$103.6             | \$104.9             | \$(1.3)                         | (1.2)%                        | \$3.950                 |
| ➔ | 14            | 14            | NPT     | NPT                    | Property                     | \$100.4             | \$92.3              | \$8.1                           | 8.8%                          | \$0.620                 |
| ➔ | 15            | 15            | FFW     | Foley Family Wines     | Primary                      | \$75.7              | \$86.2              | \$(10.5)                        | (12.2)%                       | \$1.450                 |
| ⬆ | 16            | 17            | SLI     | SLI Systems            | Other                        | \$73.2              | \$67.0              | \$6.2                           | 9.3%                          | \$1.200                 |
| ⬇ | 17            | 16            | SCT     | Scott Technology       | Manufacturing & Distribution | \$68.1              | \$70.4              | \$(2.3)                         | (3.3)%                        | \$1.530                 |
| ⬆ | 18            | 19            | SFF     | Silver Fern Farms      | Primary                      | \$42.2              | \$40.2              | \$2.0                           | 5.0%                          | \$0.420                 |
| ⬆ | 19            | 23            | CRP     | Chatham Rock Phosphate | Energy & Mining              | \$42.1              | \$20.6              | \$21.5                          | 104.4%                        | \$0.200                 |
| ➔ | 20            | 20            | SEA     | SeaDragon              | Primary                      | \$41.3              | \$39.4              | \$1.9                           | 4.8%                          | \$0.022                 |
| ➔ | 21            | 21            | SCY     | Smiths City Group      | Retail                       | \$28.5              | \$27.9              | \$0.6                           | 2.2%                          | \$0.540                 |
| ⬇ | 22            | 18            | BRL     | Bathurst Resources     | Energy & Mining              | \$28.4              | \$40.8              | \$(12.4)                        | (30.4)%                       | \$0.030                 |
| ⬇ | 23            | 22            | BLT     | BLIS Technologies      | Biotechnology                | \$20.9              | \$25.3              | \$(4.4)                         | (17.4)%                       | \$0.019                 |
| ⬆ | 24            | 25            | BLUESKY | Blue Sky Meats         | Primary                      | \$20.7              | \$17.3              | \$3.4                           | 19.7%                         | \$1.800                 |
| ⬇ | 25            | 24            | MOA     | Moa Group              | Other                        | \$19.3              | \$19.6              | \$(0.3)                         | (1.5)%                        | \$0.405                 |
| ➔ | 26            | 26            | NWF     | NZ Windfarms           | Energy & Mining              | \$13.8              | \$15.8              | \$(2.0)                         | (12.7)%                       | \$0.048                 |
| ⬆ | 27            | 28            | PAZ     | Pharmazen              | Biotechnology                | \$8.0               | \$9.6               | \$(1.6)                         | (16.7)%                       | \$0.050                 |
| ⬆ | 28            | 29            | AOR     | Aorere Resources       | Energy & Mining              | \$4.5               | \$4.5               | \$0.0                           | 0.0%                          | \$0.007                 |
| ⬇ | 29            | 27            | MAD     | Energy Mad             | Manufacturing & Distribution | \$4.3               | \$11.2              | \$(6.9)                         | (61.6)%                       | \$0.100                 |
| ➔ | 30            | 30            | CNX     | Connexionz             | Other                        | \$3.3               | \$3.8               | \$(0.5)                         | (13.2)%                       | \$0.060                 |
| ➔ | 31            | 31            | WTL     | Windflow Technology    | Energy & Mining              | \$1.2               | \$1.5               | \$(0.3)                         | (20.0)%                       | \$0.060                 |
|   | 31            | 31            |         | <b>TOTAL</b>           |                              | <b>\$11,788.0</b>   | <b>\$11,096.8</b>   | <b>\$691.2</b>                  | <b>6.2%</b>                   |                         |

## 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 calculated on the basis of the issued instalment receipts, rather than the company's issued ordinary shares.

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

## Information

Deloitte Corporate Finance is the firm's specialist corporate finance practice. For information regarding the Deloitte South Island Index or any of the services that we offer please contact any of our South Island based team below:

### Christchurch:

**Scott McClay**

Partner  
Corporate Finance  
Direct: +64 (0) 3 363 3834  
smccloy@deloitte.co.nz

**Paul Munro**

Partner  
Corporate Finance  
Direct: +64 (0) 3 363 3856  
pmunro@deloitte.co.nz

**Brett Chambers**

Partner  
Corporate Finance  
Direct: +64 (0) 3 363 3810  
bchambers@deloitte.co.nz

**Rob McDonald**

Director  
Corporate Finance  
Direct: +64 (0) 3 363 3836  
robmcdonald@deloitte.co.nz

**Don MacKenzie**

Partner  
Tax & Private  
Direct: +64 (03) 363 3819  
donmackenzie@deloitte.co.nz

**Shari Carter**

Partner  
Tax & Private  
Direct: +64 (03) 363 3849  
sharicarter@deloitte.co.nz

**Mike Hoshek**

Partner  
Audit  
Direct: +64 (03) 363 3744  
mhoshek@deloitte.co.nz

**Steve Law**

Partner  
Consulting  
Direct: +64 (03) 363 3872  
stelaw@deloitte.co.nz

### Dunedin:

**Mike Hawken**

Partner  
Audit  
Direct: +64 (03) 474 8684  
mhawken@deloitte.co.nz

**Kyle Cameron**

Partner  
Tax & Private  
Direct: +64 (03) 474 8674  
kycameron@deloitte.co.nz

**Mike Horne**

Partner  
Tax & Private  
Direct: +64 (03) 474 8647  
mhorne@deloitte.co.nz

**Steve Thompson**

Partner  
Tax & Private  
Direct: +64 (03) 474 8637  
stthompson@deloitte.co.nz

**Phil Stevenson**

Partner  
Tax & Private  
Direct: +64 (03) 474 8665  
pstevenson@deloitte.co.nz

**Daniel Hellyer**

Associate Director  
Tax & Private  
Direct: +64 (03) 474 8643  
dhellyer@deloitte.co.nz

**Christchurch**

50 Hazeldean Road, Christchurch 8024  
PO Box 248, Christchurch 8140  
New Zealand  
Tel: +64 (0) 3 379 7010  
Fax: +64 (0) 3 366 6539  
www.deloitte.co.nz

**Dunedin**

Otago House, 481 Moray Place, Dunedin 9016  
PO Box 1245, Dunedin 9054  
New Zealand  
Tel: +64 (0) 3 474 8630  
Fax: +64 (0) 3 474 8650  
www.deloitte.co.nz

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