

Steady as she goes
**The Deloitte South
Island Index**

A review of the performance of South Island listed
companies during the quarter to 31 December 2013



Introduction

Welcome to the 24th 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 2013.

Over the past quarter the Deloitte South Island Index continued its upward trend, gaining another \$995.8 million (10.0%) to the quarter ended 31 December 2013. This result ensured that the Index completed the 2013 calendar year with the perfect score of growth in all four quarters. The Index also broke through the \$10 billion barrier during the quarter for the first time since its inception in 2007.

Movements in December 2013

The month of December resulted in a slight increase of 1.2% in the Deloitte South Island Index' performance. Over the same period all the indices tracked had similar weak results, with the Dow Jones gaining a moderate 3.0%, and the ASX All Ords increasing by a marginal 0.7%. The NZX 50 posted a minor drop of 1.2%.

Quarterly movements – Q4 2013

The Deloitte South Island Index had another solid quarter – gaining \$995.8 million (10.0%) in market capitalisation since 30 September 2013. This result was mainly attributable to an extraordinary quarter for the Biotechnology sector which gained 173.2% (\$288.0 million), strongly supported by the Property sector increasing its market capitalisation by \$446.8 million.

Annual movements – Dec 2012 – Dec 2013

The Deloitte South Island Index increased by \$3.59 billion (48.9%) during the year to 31 December 2013 – outperforming increases in the NZX 50 of 16.5%, the ASX All Ords of 14.8% and the Dow Jones of 26.5%.



The Deloitte South
Island Index had
another solid quarter –
gaining \$995.8 million
(10.0%) in market
capitalisation since 30
September 2013.



Executive Summary

Quarter to 31 December 2013

The last quarter of the 2013 year extended the Deloitte South Island Index' streak of successive positive quarters to six in a row, as well as finishing the calendar year off strongly breaking through the \$10 billion mark. Included in this quarter's growth lies in the phenomenal results of the two Dunedin based Biotechnology companies: Pacific Edge and BLIS Technologies.

The number of companies in the Deloitte South Island Index increased to 33 after the highly publicised listing of Meridian Energy on the NZX in October 2013.

Key points for the fourth quarter of 2013 include:

- The Deloitte South Island Index increased by \$995.8 million (10.0%) during the quarter to 31 December 2013 – reaching its highest point since the inception of the Index. In comparison, over the same period, of the other indices tracked the Dow Jones and the ASX All Ords achieved the next highest growth rates of 9.6% and 2.6% respectively, while the NZX 50 finished the quarter at the same level as the previous quarter. The top performers in the quarter include Ryman Healthcare (up \$450 million), Pacific Edge (up \$275 million) and Synlait Milk (up \$108 million).
- All but one of the eight industry sectors posted positive movements in the quarter to 31 December 2013 – the exception being the Manufacturing & Distribution sector, which experienced a decline in market capitalisation of 2.6%. The Biotechnology sector was the leading performer – gaining 173.2% between 30 September 2013 and the end of December 2013 - almost tripling in size from the start of the quarter. This astounding growth is predominantly attributable to the issuance of new shares and increases in share price for Pacific Edge and BLIS Technologies after both companies announced positive updates on the respective progress of their developments.
- The Property sector grew \$446.8 million in market capitalisation over the quarter (12.5%) on the back of the usual suspect: Ryman Healthcare.
- The Port sector achieved a strong performance over

the December quarter gaining 12.7%, regaining the losses in the September 2013 quarter to end the 2013 year at its highest point since the inception of the Index. The positive results were on the back of Lyttelton Port's increase in market capitalisation of \$52.1 million (20.4%) after its announcement, in December 2013, that settlement had been reached with its insurers after the Canterbury earthquakes.

- The Primary sector also had another robust quarter growing \$127.7 million (13.1%) led by milk processor Synlait Milk, which recorded growth of 23.1% in its share price in its second quarter on the Index. SeaDragon and Foley Family Wines also contributed to the growth in the sector gaining 14.2% and 10.0% respectively. The result pushed the Primary sector to its highest point since August 2008.

Over the 12 months to 31 December 2013, the Deloitte South Island Index has increased by \$3.59 billion (48.9%). The majority of this market capitalisation increase is attributable to the increase of Ryman Healthcare and EBOS Group, growing \$1,650 million and \$995 million respectively in the year. On a percentage basis the greatest climbers for the past 12 months were EBOS Group (227.6%), Pacific Edge (181.2%), BLIS Technologies (97.5%) and Synlait Milk (79.1%).

The Deloitte South Island Index increased by \$995.8 million (10.0%) during the quarter to 31 December 2013 – reaching its highest point since the inception of the Index.

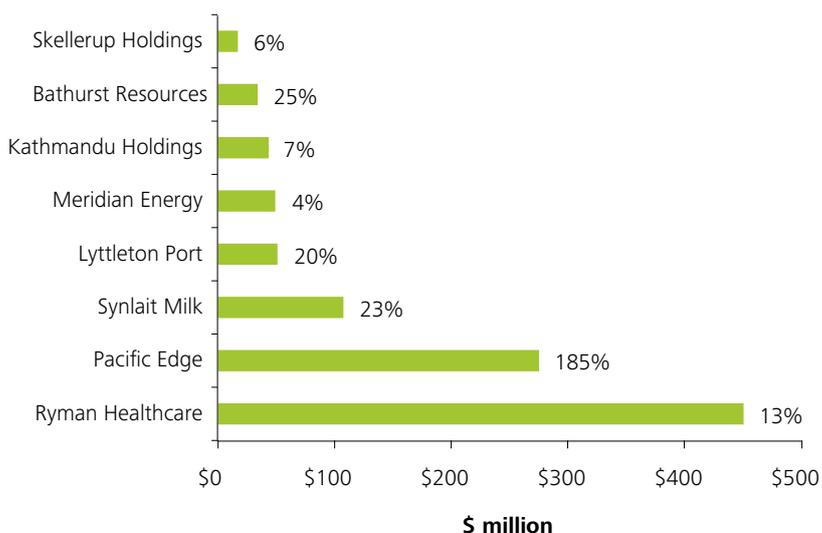
The Quarter to 31 December 2013

Growth in Market Capitalisation

Ryman Healthcare once again rose to the top as investors continued their love affair with the company, with its market capitalisation increasing by \$450.0 million (12.9%) over the quarter. This result is the ninth quarter in a row that Ryman Healthcare has achieved growth, with the lowest growth rate during that period being a solid 6.3%. Ryman Healthcare announced an underlying profit of \$58.5 million for the first half of the year – a new record for the company and up 22% on the previous year. The company also reported that construction of the first Melbourne village is progressing well with presales being well ahead of the company's own targets.

However, the story of the quarter is the phenomenal growth of Pacific Edge which increased its market capitalization by 184.9% over the quarter, following the issuance of just over 37.8 million shares and the increase of its share price by \$0.80 (150.9%) to \$1.33 per share – the company almost tripling in size. The exceptional increase in the Dunedin based company's share price followed Pacific Edge's two announcements in October that it had signed agreements with FedMed and America's Choice Provider Network (ACPN) to provide 54 million Americans with access to Pacific Edge's Cxbladder – a non-invasive and highly accurate cancer detection test. The quarter's results saw Pacific Edge leapfrog from 11th to 6th place on the Index.

Synlait Milk continued its previous quarter's strong performance, gaining \$108.3 million (23.1%) in market capitalisation with the company announcing that it expects to outperform financial targets on the basis of a favourable product mix. Lyttelton Port turned around its previous quarter's poor result, increasing its market capitalisation by \$52.1 million (20.4%) for the quarter to 31 December 2013. This result was on the back of the company's announcement that settlement had been reached with its insurers after the Canterbury earthquakes. Chairman Trevor Burt stated that, "this enables LPC to rebuild the Port, with freedom to optimise facilities for the future".



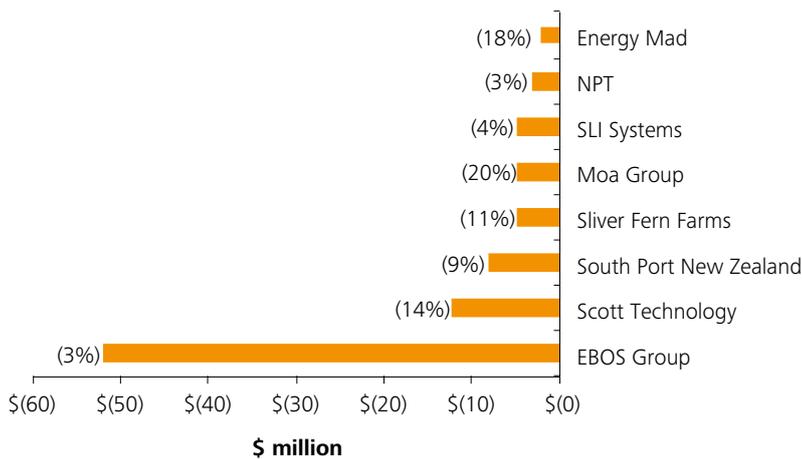
The story of the quarter is the phenomenal growth of Pacific Edge which increased its market capitalization by 184.9% over the quarter, following the issuance of just over 37.8 million shares and the increase of its share price by \$0.80 (150.9%) to \$1.33 per share – the company almost tripling in size.

Declines in Market Capitalisation

EBOS Group suffered a reversal of its recent results with its market capitalisation decreasing \$51.9 million over the quarter to 31 December 2013. However, the greater-than-normal dollar value decrease is a symptom of its newly found largeness as the drop was only a 3.5% decrease. It is foreseeable that EBOS Group may have big swings in the future dollar value of its market capitalisation due to its significantly increased scale after the Symbion acquisition in the middle of 2013.

Scott Technology's market capitalisation shrunk during the quarter by \$12.4 million (13.6%) continuing its gradual decline in market capitalisation during 2013. As an exporter, the company's results are strongly impacted by the exchange rate with the majority of Scott Technology's revenues (87%) coming from outside of New Zealand. Scott Technology's annual result was released during the quarter showing a small decrease in revenues flowing to a reduced profit of \$5.14 million compared to \$6.11 million in 2012.

South Port dropped by \$8.1 million (9.0%) in market capitalisation during the quarter with no ready explanation for the reversal in fortunes from its previous quarters growth, apart from a pattern of alternating up and down quarters for the past two and a half years. Silver Fern Farms continued its downward trend, decreasing \$5.0 million (11.1%) in market capitalisation, with the company not posting a positive quarter since 31 March 2012. During the quarter Silver Fern Farms reported a net operating loss after tax of \$28.6 million for the 12 months ended September 2013.





EBOS Group suffered a reversal of its recent results with its market capitalisation decreasing \$51.9 million over the quarter to 31 December 2013.

Sector Movements

Quarter to 31 December 2013

Seven of the eight industry sectors posted positive movements in the quarter to 31 December 2013 - the exception being the Manufacturing & Distribution sector.

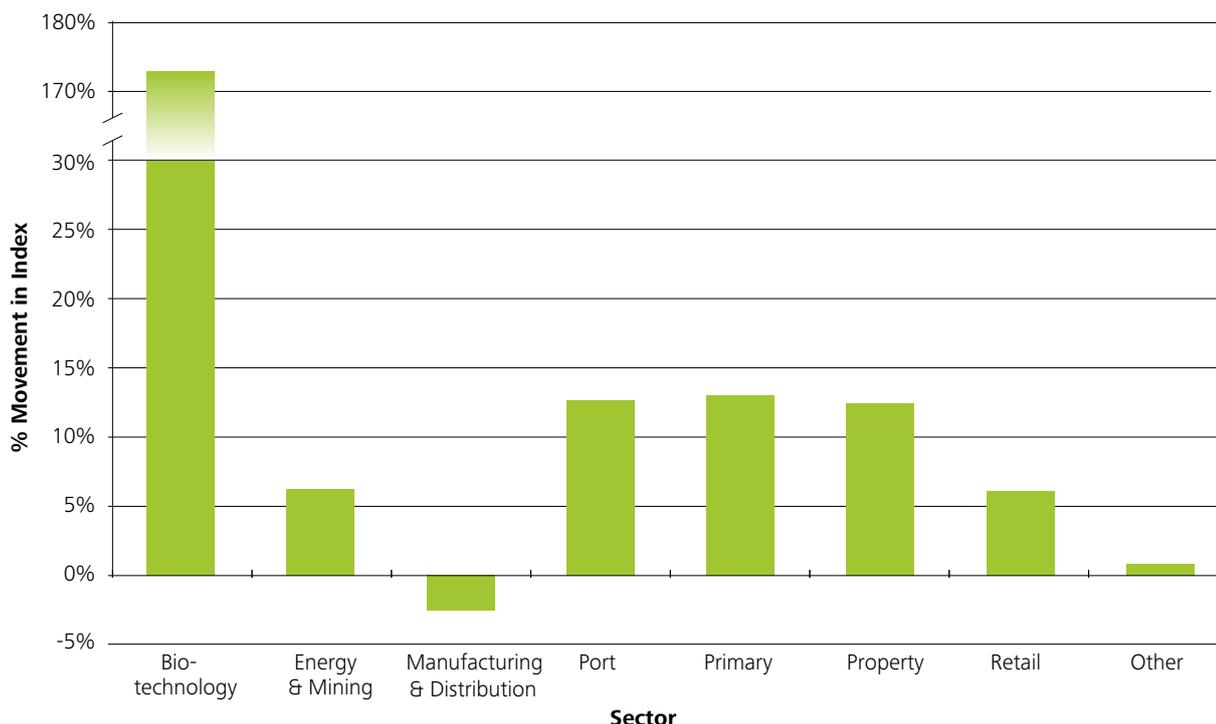
The Biotechnology sector was the standout performer over the quarter, gaining an exceptional 173.2% on the back of extraordinary gains by Pacific Edge and BLIS Technologies – 184.9% and 122.5% respectively. Pacific Edge announced in October that it had signed agreements with FedMed and America’s Choice Provider Network (ACPN) to provide 54 million Americans access to Pacific Edge’s Cxbladder – a non-invasive and highly accurate cancer detection test. BLIS Technologies raised \$3.62 million through a further share issuance during the quarter, and the growth was compounded by the share price increasing by 80.0%. BLIS Technologies opened a new manufacturing plant in Dunedin in October. While not as spectacular as the other two companies in the sector, Pharmazen also achieved excellent results for the quarter, gaining \$2.4 million in market capitalisation – a growth rate of 27.3%.

The Primary sector continued its improving results with four of the eight companies achieving growth over the quarter to 31 December 2013, the exceptions being Sliver Fern Farms and Wool Equities – declining by 11.1% and 27.0% respectively and with no movement in Blue Sky Meats and Synlait Farms, due to its takeover offer currently in progress. The leading company in the sector for the quarter was Synlait Milk which gained \$0.74 per share (23.1%), well supported by SeaDragon (14.2%) after its successful share issuance and announcing a positive interim report, and Foley Family Wines with a gain of \$0.15 (10.0%) per share.

The Port sector had a strong result, growing 12.7% during the December quarter and regaining the losses in the September 2013 quarter to end the 2013 year at its highest point since the inception of the Index. The positive results were on the back of Lyttelton Port’s increase in market capitalisation by \$52.1 million (20.4%). However, Lyttelton Port’s positive result was offset by the poor performance of South Port, which declined by 9.0%.

The Property sector continued its upwards trend with its ninth consecutive quarter of growth on the back of Ryman Healthcare (up 12.9%), increasing 12.5% over

Movement in Sector Indices – Quarter to December 2013



the quarter. However, the other company in the sector, NPT experienced a decline of \$3.2 million (3.2%) for the quarter to 31 December 2013.

The Energy & Mining sector continued the previous quarter's positive result with another sound quarter, gaining 6.2% for the quarter to 31 December 2013, with five of the six companies contributing to the growth of the sector. The standout performers were Aorere Resources and Bathurst Resources, growing 41.7% and 25.2% respectively. Chatham Rock Phosphate (accounting for 69% Aorere Resources' assets) was granted a mining permit in December in respect of its project to mine rock phosphate on the Chatham Rise. Bathurst Resources received positive news on the legal proceedings relating to environmental issues surrounding the Escarpment Mine Project near Westport and a separate matter of Climate Change being heard in the Environment Court and Supreme Courts respectively. With both cases now being finalised, and resource consents secured, Bathurst Resources is able to commence mining as soon as possible. Chatham Rock Phosphate also grew, increasing by 11.8% over the quarter.

The Retail sector had a steady result gaining 6.0% in the quarter, once again lead by Kathmandu Holdings which grew its market capitalisation by \$43.0 million (6.5%). Postie Plus Group also had a positive quarter, growing

by 4.5%, even though the release of its annual report showed a decrease in 2013 sales revenue of 10.5% which was mainly attributed to the difficulties with stock distribution during the year. The third company in the sector, Smiths City Group, decreased by \$1.1 million (3.4%).

There was only a slight gain in the Other sector which grew by 0.8% over the quarter to 31 December 2013. Skyline Enterprises and Heartland New Zealand were the only companies to achieve growth, increasing their respective market capitalisations by \$8.5 million (2.6%) and \$7.2 million (2.2%). On the other side of the coin, Moa Group continued its decline from the previous 3 quarters falling 19.9%, leaving the company 48.8% down on its initial offering price in November 2012.

The only sector that underwent a decline during the quarter was the Manufacturing & Distribution sector, decreasing 2.6%. Three of the four companies in the sector declined over the quarter with the only exception being Skellerup Holdings, which grew by 5.5%. Of the companies that declined, EBOS Group was the most significant, decreasing its market capitalisation by \$51.9 million (3.5%) which had a major impact on the sector's result. The other two companies that underwent declines were Energy Mad (17.6%) and Scott Technology (13.6%).

The table below sets out market capitalisation by sector as at 31 December 2013 and provides a comparison against the position as at 30 September 2013.

Industry	Number of Companies	31 Dec 2013 \$ million	30 Sep 2013 \$ million	Mvmt in Quarter \$ million	% change in Mkt Cap during quarter	% of Index
Biotechnology	3	\$454.3	\$166.3	\$288.0	173.2%	4.2%
Energy & Mining	6	\$1,551.8	\$1,461.6	\$90.2	6.2%	14.2%
Manufacturing & Distribution	4	\$1,854.6	\$1,903.7	\$(49.1)	(2.6)%	17.0%
Other	5	\$800.2	\$794.1	\$6.1	0.8%	7.3%
Port	2	\$390.2	\$346.2	\$44.0	12.7%	3.6%
Primary	8	\$1,102.6	\$974.9	\$127.7	13.1%	10.1%
Property	2	\$4,022.2	\$3,575.4	\$446.8	12.5%	36.8%
Retail	3	\$739.9	\$697.8	\$42.1	6.0%	6.8%
TOTAL	33	\$10,915.8	\$9,920.0	\$995.8	10.0%	100.0%

Benchmarking

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

After the exceptional performance of the previous quarter, the Deloitte South Island Index returned to a more normalised growth percentage – gaining 10.0% (\$995.8 million) in market capitalisation in the quarter to 31 December 2013.

In comparison, the NZX 50 had a slight gain during the first month of the quarter but ended the quarter at the same level as the opening position.

Performance of Deloitte South Island Index vs NZX 50



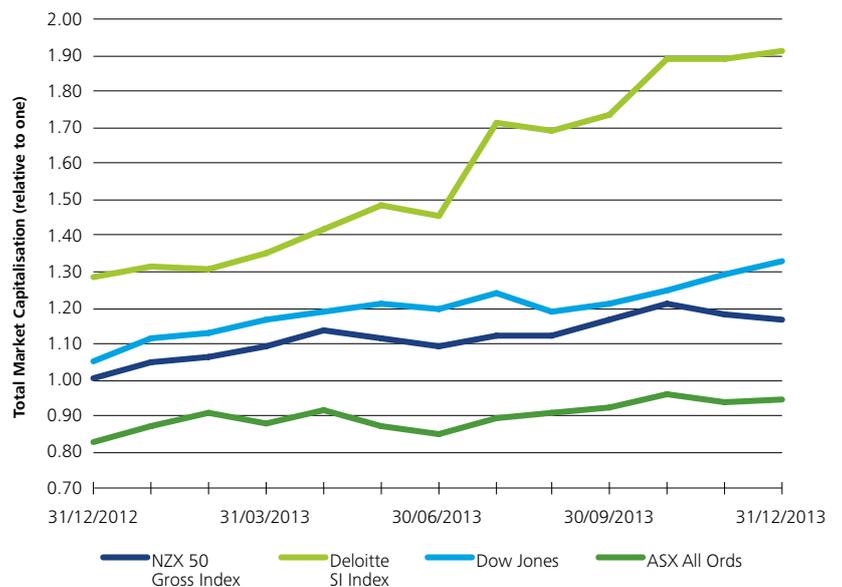
Base period – December 2006 = 1.00

Comparison of Deloitte South Island Index and Other Indices

The Deloitte South Island Index continued to outpace the other indices tracked, with two of the three indices achieving low or no gains in the quarter to 31 December 2013.

Behind the Deloitte South Island Index at 10.0%, the Dow Jones had the closest comparable growth of the indices over the quarter gaining a solid 9.6%. Meanwhile, the ASX All Ords slight 2.6% gain over the quarter still surpassed the NZX 50's flat performance.

Performance of Deloitte South Island Index against major indices



Base period – December 2006 = 1.00

Deloitte South Island Index

December 2013

Of the 33 companies currently listed on the Deloitte South Island Index, 19 (58%) experienced a rise in market capitalisation during the quarter to 31 December 2013, 11 declined and three remained unchanged.

The full Deloitte South Island Index for the 31 December 2013 quarter, ranked by market capitalisation, is set out in the table below:

	Dec 2013 Rank	Sep 2013 Rank	Ticker	Company	Sector	Mcap Dec 2013 (\$m)	Mcap Sep 2013 (\$m)	Change in Mcap (\$m) in Quarter	Change in Mcap (%) in Quarter	Share Price 31 Dec 2013
➔	1	1	RYM	Ryman Healthcare	Property	\$3,925.0	\$3,475.0	\$450.0	12.9%	\$7.85
➔	2	2	EBO	EBOS Group	Manufacturing & Distribution	\$1,431.8	\$1,483.7	\$(51.9)	(3.5)%	\$9.70
➔	3	3	MELCA	Meridian Energy	Energy & Mining	\$1,306.1	\$1,255.9	\$50.2	4.0%	\$1.04
➔	4	4	KMD	Kathmandu Holdings	Retail	\$703.7	\$660.7	\$43.0	6.5%	\$3.51
➔	5	5	SML	Synlait Milk	Primary	\$576.6	\$468.3	\$108.3	23.1%	\$3.94
⬆	6	11	PEB	Pacific Edge	Biotechnology	\$423.3	\$148.6	\$274.7	184.9%	\$1.33
⬇	7	6	HNZ	Heartland New Zealand	Other	\$333.7	\$326.5	\$7.2	2.2%	\$0.85
➔	8	8	SKL	Skellerup Holdings	Manufacturing & Distribution	\$333.6	\$316.2	\$17.4	5.5%	\$1.73
⬇	9	7	SKYLINE	Skyline Enterprises	Other	\$332.0	\$323.5	\$8.5	2.6%	\$9.75
➔	10	10	LPC	Lyttelton Port	Port	\$307.8	\$255.7	\$52.1	20.4%	\$3.01
⬇	11	9	PGW	PGW Wrightson	Primary	\$301.9	\$286.8	\$15.1	5.3%	\$0.40
➔	12	12	BRL	Bathurst Resources	Energy & Mining	\$172.5	\$137.8	\$34.7	25.2%	\$0.21
➔	13	13	SLI	SLI Systems	Other	\$111.7	\$116.5	\$(4.8)	(4.1)%	\$1.86
➔	14	14	NPT	NPT	Property	\$97.2	\$100.4	\$(3.2)	(3.2)%	\$0.60
⬆	15	16	SPN	South Port New Zealand	Port	\$82.4	\$90.5	\$(8.1)	(9.0)%	\$3.14
⬇	16	15	SCT	Scott Technology	Manufacturing & Distribution	\$78.9	\$91.3	\$(12.4)	(13.6)%	\$1.90
⬆	17	18	FFW	Foley Family Wines	Primary	\$71.6	\$65.1	\$6.5	10.0%	\$1.65
⬇	18	17	SNLF	Synlait Farms	Primary	\$65.3	\$65.3	\$0.0	0.0%	\$1.60
⬆	19	20	CRP	Chatham Rock Phosphate	Energy & Mining	\$44.4	\$39.7	\$4.7	11.8%	\$0.31
⬇	20	19	SFF	Silver Fern Farms	Primary	\$40.2	\$45.2	\$(5.0)	(11.1)%	\$0.40
➔	21	21	SCY	Smiths City Group	Retail	\$31.6	\$32.7	\$(1.1)	(3.4)%	\$0.60
➔	22	22	SEA	SeaDragon	Primary	\$30.5	\$26.7	\$3.8	14.2%	\$0.02
⬆	23	24	NWF	NZ Windfarms	Energy & Mining	\$21.6	\$20.5	\$1.1	5.4%	\$0.08
⬆	24	27	BLT	BLIS Technologies	Biotechnology	\$19.8	\$8.9	\$10.9	122.5%	\$0.02
⬇	25	23	MOA	Moa Group	Other	\$19.3	\$24.1	\$(4.8)	(19.9)%	\$0.64
⬇	26	25	BLUESKY	Blue Sky Meats	Primary	\$13.8	\$13.8	\$0.0	0.0%	\$1.20
⬆	27	28	PAZ	Pharmazen	Biotechnology	\$11.2	\$8.8	\$2.4	27.3%	\$0.07
⬇	28	26	MAD	Energy Mad	Manufacturing & Distribution	\$10.3	\$12.5	\$(2.2)	(17.6)%	\$0.24
⬆	29	32	AOR	Aoreere Resources	Energy & Mining	\$5.1	\$3.6	\$1.5	41.7%	\$0.01
⬇	30	29	PPG	Postie Plus Group	Retail	\$4.6	\$4.4	\$0.2	4.5%	\$0.12
⬆	31	33	CNX	Connexionz	Other	\$3.5	\$3.5	\$0.0	0.0%	\$0.07
⬇	32	31	WEL	Wool Equities	Primary	\$2.7	\$3.7	\$(1.0)	(27.0)%	\$0.09
⬇	33	30	WTL	Windflow Technology	Energy & Mining	\$2.1	\$4.1	\$(2.0)	(48.8)%	\$0.10
	33	33		TOTAL		\$10,915.8	\$9,920.0	\$995.8	10.0%	

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 Financial Advisory services that we offer please contact any of our Corporate Finance Team:

Paul Munro

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

Brett Chambers

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

Scott McClay

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

Rob McDonald

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

Richard Bailey

Associate Director
Direct: +64 (0) 3 363 3828
richardbailey@deloitte.co.nz

Tim Burnside

Associate Director
Direct: +64 (0) 3 363 3758
tburnside@deloitte.co.nz

Kyle Callow

Associate Director
Direct: +64 (0) 3 363 3832
kcallow@deloitte.co.nz

Penny Thomson

Associate Director
Direct: +64 (0) 3 363 3861
pethomson@deloitte.co.nz

Steven Paul

Manager
Direct: +64 (0) 3 363 3818
stevenpaul@deloitte.co.nz

Jamie Clapperton

Senior Analyst
Direct: +64 (0) 3 363 3740
jclapperton@deloitte.co.nz

Alex Shi

Senior Analyst
Direct: +64 (0) 3 363 3814
ashi@deloitte.co.nz

Emma Morar

Senior Analyst
Direct: +64 (0) 3 363 3853
emorar@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

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/nz/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte has in the region of 200,000 professionals, all committed to becoming the standard of excellence.

Deloitte New Zealand brings together more than 900 specialists providing audit, tax, technology and systems, strategy and performance improvement, risk management, corporate finance, business recovery, forensic and accounting services. Our people are based in Auckland, Hamilton, Rotorua, Wellington, Christchurch and Dunedin, serving clients that range from New Zealand's largest companies and public sector organisations to smaller businesses with ambition to grow. For more information about Deloitte in New Zealand, look to our website www.deloitte.co.nz

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the "Deloitte Network") is, by means of this publication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this publication.