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## **Chairman's Address to the Property For Industry Annual Meeting at 11am on 15 June 2016**

### **Slide 1:**

Good afternoon, my name is Peter Masfen and I am chairman of the board of directors of PFI.

It is my pleasure to welcome you to the twenty second Annual Meeting of PFI.

I would ask that if you have a cell phone with you today, please turn it off or on to silent mode.

As the required quorum of three shareholders is present, I'll now formally declare the meeting open.

### **Slide 2:**

The agenda for the meeting is up on the screen.

I will make a short presentation, discussing the performance of the business.

Then, Simon Woodhams, our General Manager, will provide an insight into the operation of the business.

At the end of these presentations there will then be an opportunity to ask questions or to make comments that specifically relate to these presentations or the financial statements and auditor's report. There will also be a second opportunity for further discussion in the general business section.

Following the questions and comments, I will put various resolutions to the meeting which will need to be seconded. I will then give an opportunity for discussion, following which I will put the motion to the vote. Voting will be by poll.

At the conclusion of the meeting, light refreshments will be served and this is also a chance for shareholders to mingle with directors and the management team.

Turning to introductions.

- First, **Craig Peirce**, Chief Financial Officer and Company Secretary.
- Next, **Simon Woodhams**, General Manager;
- Next, **Susan Peterson**, who has recently joined the board. Welcome, Susan, I shall introduce you more fully later in the meeting.
- Next, **Anthony Beverley**, who has been a long serving PFI director.
- Next, **John Waller**, who joined the PFI board in July 2013.
- Next, **Humphry Rolleston**, who has served on PFI's board since the company was listed on the stock exchange.
- And finally, **Greg Reidy**, PFI's Managing Director.

We will now move on to the formal business of the meeting.

The notice of meeting, including the explanatory notes, was released to NZX on the 24<sup>th</sup> of May 2016 and mailed to shareholders on the 26<sup>th</sup> of May 2016. The notice of meeting contained the business to be dealt with at this meeting.

### **Slide 3:**

Turning now to the board and management addresses.

As you'll know from your review of the Annual Report, PFI delivered another good result in 2015, with growth in revenue, profit, and portfolio size and value. You are now a shareholder of a company with around a billion dollars in assets.

However... while we are satisfied with the result, it does represent just a point in time. As I frequently say, PFI was created to consistently deliver strong, stable returns. You should assess our performance by what we habitually do, rather than on what we achieve in a single year.

And so, for the purposes of this meeting, I thought we should review the company's performance over the past five years, and I've chosen this set of measures for us to consider...



#### Slide 4:

I mentioned **total assets**, so let's start with that. Our annual report was titled Capital Working, and you can see from the slide how the capital we're putting to work has grown over recent years. In particular, of course, you can see the benefit of the 2013 Direct Property Fund merger, but you can also see the steady growth since then. The merger was a step along the way.

Another perspective on our growth is the **number of properties** in the portfolio... now 84, up from 49 in 2011. 84 properties, worth about a billion dollars: that gives a real sense of the scale of this company today. As we've said before, we are not fixated on growth, but scale does contribute strength, and it also creates possibilities. As Simon will talk about, today we're able to consider opportunities that we would not have been able to five years ago.

Now, look at the next two rows: **Occupancy**, and **WALT**, because these are indicators of the health of the business. The reason we're not obsessed with growth is because we've all seen businesses grow too fast for their own good. But these numbers show that PFI is in good health. We have higher occupancy with 84 properties than we had with 49, and we've stretched out the weighted average lease term by a full year over the period. These numbers show the real work that goes on in the business, week in and week out, attracting and retaining quality tenants, on terms that are favourable to shareholders.

Let's look at **Gearing** next, because that is very important to this Board. Again it's a health indicator... as you know, the Reserve Bank at the moment is worrying about the Auckland housing market and dairy farms and using the term 'macro prudential'... well, we've always just called it managing risk, and as you can see, we are very prudent. Last year's rights issue was very much an exercise in prudently controlling the expansion of the business.

And now to the point of all that... strong, stable shareholder returns and I've picked two sets of data here: **earnings per share** and **distributable profit per share**...



Looking at the trend in earnings per share is important because it tells us whether the shareholders are seeing the benefit of growth... it's a measure of productivity, if you like. You can see that since 2011, a period when the number of shares has roughly doubled, earnings per share have grown.

And the net benefit of that to shareholders you can see from the **distributable profit per share...** another strong return in 2015, but consistently strong returns, year after year. The single indicator we like to refer to is **total shareholder returns since we listed** in 1994 and that stands at 9.85% per annum. To go back to the title of our Annual Report, that is capital, working.

Thank you. I'll now hand over to Simon....

**Simon Woodhams, General Manager, presented slides 6-12.**

**Slide 13:**

There is now an opportunity for questions or comments on the annual meeting presentations or on the financial statements and auditor's report.

Should you wish to raise a question or comment, I would ask you to make use of the microphones which are available. Please wait for a microphone and I will indicate when to proceed. Please let us know your name and whether you're a shareholder or a proxy holder and, if a proxy holder, the name of the shareholder you are representing.

**Slide 14:**

Thank you for your questions and comments. As there are no further questions on the financial statements and auditor's report, we will now consider the financial statements and auditor's report to have been received.

**Slide 15:**

We will now move to the resolutions.



The company secretary advises that 270 shareholders, representing 95,295,005 shares or 21% of the company's capital, are represented by proxies. The results of these proxies are overwhelmingly supportive, with more than 94% of all votes being cast in favour of the resolutions.

Voting for the resolutions will be conducted by poll. For the purpose of the poll, I appoint the company's registrar, Computershare, to carry out the poll, with the company's auditors, PricewaterhouseCoopers, to act as scrutineers on behalf of the shareholders.

The procedure for the conduct of the poll will be as follows:

- Voting papers have been provided with the notice of meeting, pens, where required, will be distributed now;
- If you do not have a voting paper, please see a representative from Computershare who will print off a voting paper for you;
- The voting paper already has your name, or the name of the shareholding represented, and the number of voting shares pre-printed on the paper;
- Indicate your vote for, against or abstain, by placing a tick in the appropriate box;
- If you are here as a proxy for a shareholder who has not marked 'proxy discretion' on their proxy form, your vote will be automatically counted in accordance with the voting directions given by your appointer, but please sign the voting paper provided when you arrived at the meeting;
- Where you are a proxy holder and you have been granted a discretion on how to vote the resolution, please use the voting paper provided when you arrived at the meeting;
- After recording your vote, please remember to sign your voting paper, then place the voting paper in the boxes being passed down the aisle from where they will be collected by the auditor's and Computershare's staff.

Having collected the votes, they will be taken to a separate room for counting and, while that is in progress, we will continue with the business of the meeting. The results of the poll will be announced via NZX as soon as they are available.

Please note that the board recommends that you vote in favour of each of the resolutions.



**Slide 16:**

As outlined in the Notice of Meeting, an increase in the director remuneration fee pool is proposed.

The current director remuneration fee pool for the Company is \$327,500 and the current director remuneration was approved in June 2013.

As director's remuneration has remained the same for some time, the board determined it would be prudent to assess if the current level of remuneration remained aligned to the market. In the board's opinion, ensuring director's remuneration is aligned to market will enable PFI to continue to attract and retain high calibre directors.

The board engaged PwC to provide market director remuneration information on listed companies in the same or similar sectors, supplemented with companies in the services sector with a similar market capitalisation to PFI. The board also considered research in this area carried out by Merlin Investor Relations.

In addition, the board has reviewed its current workload and skill mix and determined that it is appropriate to increase the current size of the board from five members to six, noting that this includes one unpaid director who is a representative of the manager. As a result, additional capacity is also needed in the pool to allow for an increase in the number of directors. This increase is the beginning of a period of succession planning, and it allows us to carefully integrate new directors to PFI's board, ahead of any potential retirement of current board members.

Following a thorough search for a suitable candidate, the board is pleased to have appointed Susan Peterson to the board in May of this year. Susan is one of a new generation of professional directors being appointed to boards of large corporates in New Zealand. We're delighted Susan has agreed to join PFI: she brings a fresh perspective and we look forward to her contribution.

Susan's appointment is to be confirmed today by shareholders and is covered under resolution 2. Please note that the outcome of resolution 2 is conditional on the success of resolution 1 to increase the fee pool.



Shareholders will also note that \$20,000 has been proposed as part of the pool as an amount available for specific payments. It is common practice to establish a pool that has sufficient headroom to accommodate unforeseen needs, such as appointment of additional directors, greater committee workload, or similar other fee increases. This is intended as a contingency sum and in all likelihood will not be expended.

Having considered the findings of PwC's review, Merlin's research, the review of board composition and desire to create sufficient headroom to remunerate directors for additional work, the board proposes that the director remuneration fee pool be increased as outlined in the table in your notice of meeting to \$430,000.

Whilst, as I have outlined, there are valid reasons for the proposed increase, the board acknowledges that this is a significant increase, and as such, does not intend to seek any further increase in fees for at least two years.

The motion is: "That the maximum aggregate remuneration pool available to all directors of the Company be increased from \$327,500 to \$430,000."

Do I have a mover?

Do I have a seconder?

Is there any discussion?

Please mark your voting papers for resolution 1.

Next, in accordance with the company's constitution, Susan Peterson, who was appointed by the board as a director on 24 May 2016, has retired and being eligible, has offered herself for re-election. No notice of nomination of any other person has been received and the board supports her re-election.

By way of background to Susan's appointment, recently the board felt it was in the best interests of the company to identify a new director. Stability and length of service are of great value, but so too is



regeneration. Bringing on a new director not only brings different skills and a fresh perspective, but succession planning is also good practice.

We sought the assistance of a recognised company that specialises in director recruitment to identify a suitable candidate, and they assisted us in a process that resulted in Susan's appointment by the board. Susan brings experience that we think will be a great asset to this company. We are delighted that Susan has agreed to join the team, and we now ask you to elect her to the board.

The motion is: "That, subject to shareholders passing resolution 1, Susan Peterson (appointed by the board as a director on 24 May 2016), who retires and is eligible for election, be elected as a director of the Company."

Do I have a mover?

Do I have a seconder?

A profile of Susan – including her other directorships – can be found in both the notice of meeting and on the company's website.

It is customary that directors standing for election should make a brief address on the relevant experience they bring to the role, and I now invite Susan to do so.

**Susan Peterson spoke briefly.**

Is there any discussion?

Please mark your voting papers for resolution 2.

As the next resolution is in respect of my re-election, I would like to call upon Anthony to chair the meeting.

**Anthony Beverley chaired the meeting.**



Thank you Peter.

In accordance with the company's constitution, Peter retires by rotation. Peter, being eligible, has offered himself for re-election. No notice of nomination of any other person has been received and the board supports his re-election.

Peter is well known to most of you, but for those who are unfamiliar with his background, Peter joined the PFI board in May of 2002 and was appointed chairman in June of 2002. Peter is a director of, and has interests in, a number of private companies, as well as holding a number of trustee roles.

Turning to the resolution: "That Peter Masfen, who retires and is eligible for re-election, be re-elected as a director of the Company."

Do I have a mover?

Do I have a seconder?

Is there any discussion?

Please mark your voting papers for resolution 3.

I will now hand the meeting back to Peter.

**Peter Masfen resumed chairing the meeting.**

Next, in accordance with the company's constitution, John Waller retires by rotation. John, being eligible, has offered himself for re-election. No notice of nomination of any other person has been received and the board supports his re-election.

The motion is: "That John Waller, who retires and is eligible for re-election, be re-elected as a director of the Company."



Do I have a mover?

Do I have a seconder?

John is well-known to many of you, and there is a profile of him – including his other directorships – in both the annual report and the notice of meeting.

I now invite John to make a brief address on the relevant experience he brings to the role.

**John Waller spoke briefly.**

Is there any discussion?

Please mark your voting papers for resolution 4.

Turning to the fifth and final resolution: “That the directors are authorised to fix the fees and expenses of the auditors, PricewaterhouseCoopers.”

Do I have a mover?

Do I have a seconder?

Is there any discussion?

Please mark your voting papers for resolution 5.

**Slide 18:**

We now come to the general business section of the meeting.



Should you wish to raise any matter that may be properly submitted to the annual meeting in accordance with the constitution, please raise your hand and wait for one of the microphones. I will indicate when to proceed.

That concludes the formal part of the meeting. I declare the meeting closed.

**Slide 19:**

Thank you for your attendance and your continued support, please join us now for light refreshments and further conversation.

