

**MINUTES OF THE 93rd ANNUAL GENERAL MEETING
OF KEMP & DENNING LIMITED, ABN 81 009 475 941
HELD AT THE STAFF AMENITIES ROOM
CNR MURRAY AND MELVILLE STREETS, HOBART
ON WEDNESDAY 28 SEPTEMBER 2016 AT 10:30 AM**

PRESENT:

N J Edwards, C A G Kemp, S M Allison Rogers, H V Gilbert, M J Creese, M A Rayner, A J McKinlay, K D Floyed, R A Brown, H M Kidd, J E Kidd, J Simon, T Hickey (representing T H Management Services Pty Ltd), B Hickey, J B Smith, G E J Smith, D J Alexander, V R Smith, D A Moody, M N Campbell, G Morris, C F Bobrowski, R J Kelly (representing Orsa Pty Ltd), E M Kemp, B Rex, R T Banks, K J Allison, M B Thorpe, J Sloane (representing A Fisher Estate of P M Fisher), S G Allison, G F Allison, R R Rex, R E G Kemp, J E Wright, H M Hills, A B McKay, M J Kimber (representative of Treasure Island Hire Boat Company Pty Ltd), A E Coupe, W R Allison, W G Wallace, S A Foster, J M Wallace, G Goodman

CHAIRMAN:

The Chairman of Directors, Mr R A Brown, took the chair.

SECRETARY:

The Secretary, Mr P R Stone, officiated at the meeting.

CHIEF EXECUTIVE OFFICER:

The CEO, Mr Nick Fazzolari was in attendance.

IN ATTENDANCE:

Company Auditors represented by Stuart Dare and Mason Pepper (Deloitte)

APOLOGIES:

Have been received from R J Noble, T Gaffney, P Kimber, P Moody & B L Moody

NOTICE OF MEETING:

The Notice of Meeting was taken as read.

DECEASED:

The Meeting stood in silence as a mark of respect to the late: Mr I M Madden, Mrs R Kalbfell, Mrs E A Morrow, Mr A J L Yeoland and Mrs J D Cubbins

MINUTES:

Minutes of the 92nd Annual General Meeting held on 23 September 2015 have been approved by the Directors and signed as a true record of that meeting. The Minutes are on the website and a copy is available for the perusal of Shareholders if so desired.

ORDINARY BUSINESS:

1. Financial Reports and the Directors' and Auditors' Report for the year ended 31 May 2016

Mr R A Brown delivered the Chairman's Address and then invited comments and questions with respect to the Reports. There were no questions from Shareholders.

2. **Election of Directors:**

It was moved by Mr R A Brown and seconded by Mr R E G Kemp that Mr C A G Kemp, who retires by rotation under clause 11.3 of the Company's Constitution, and being eligible, be re-elected as a Director.

The Chairman advised that proxy votes had been received as follows:

	Shares
For	599,886
Against	56,560
Open proxies for specific individuals	38,058
Open proxies in favour of the Chairman	65,072

There was no discussion and the motion was carried on a show of hands.

3. **General Business:**

Mr M Kimber asked if we are transitioning to trade how will we do it better than Bunnings. The Chairman commented that currently Bunnings have around 20% of their business from trade with long term contracts with large builders, but they don't focus on the small builders. However, a time will come when they will. The CEO commented that trade is relationship based and service driven which we consider that we do better than Bunnings.

Mr M Kimber asked if we still have the turnover why aren't we profitable. The Chairman commented that sales are down 10% and that retail is down around 15%. Expenses have been reduced but more cuts need to be made. The CEO commented that the last 10% of sales is where the profit is made. We have been reviewing processes and productivity and reinvesting gains in margin and prices to ensure we are competitive. It hasn't been from lack of trying and more changes are necessary.

Mr M Creese asked as we exit from retail to trade what will change as you walk through the warehouse store. The CEO commented that nothing will change at the Hobart store, but other stores will transition to more trade products.

Mr R Rex asked what the lease end dates were on the Cambridge and Devonport properties and the annual lease payments. The Chairman commented that they expire in March 2018 and March 2023 respectively and the payments are around \$900K pa.

Mr M Kimber asked if there were alternative tenants available for the Devonport leases. The Chairman commented that we are in negotiations with the Landlord which may resolve the Devonport Lease and that he is 50% hopeful that we will obtain a satisfactory outcome.

Ms C Bobrowski commented that Harvey Norman have submitted plans for Devonport to Council.

Mr R E G Kemp asked that as the losses are gathering momentum, how is the relationship with our Bankers. The Chairman advised that we have a good relationship, we meet regularly with them and funding is not a problem. The Chairman commented that we need major surgery to stop the bleeding.

Mr M Kimber asked if the Board had sought out a private equity or corporate raider to engage with as the business is transitioned. The Chairman advised they had not sought out such a person, but as the business shrinks we would dispose of assets and return funds to Shareholders.

Mr M Creese commented on the lack of communication as Shareholders had only today learnt of the resignation of Mr G Woolley which was two and a half months ago. The Chairman commented that this had only occurred on the 17 August 2016.

Mr B Rex asked if the company should exit retail altogether as the two, trade and retail complement each other. The Chairman commented that there are operations in Melbourne and Sydney where this worked and tradesmen could grab and go what they wanted. The CEO commented that there would still be an offer for power tools, hardware and garden products but the range would be less than what is currently offered. Mr G Goodman commented that the Glenorchy store is over capitalised to run a trade only business.

The Chairman commented that we had looked at options for the Hobart site to generate more income, but nothing seemed to work.

Mr D Moody asked if Shareholders would be kept informed as significant changes occurred. Mr G Goodman advised that he would advise shareholders in November of progress via email and post information out to Shareholders.

Mr R E G Kemp asked what decision timeframe was in place. The Chairman commented that the exit of retail would be a number of months as we have \$8M of stock to deal with and that trade would be reviewed in 12 months. In retail there are a lot of employees affected and this would be communicated to ensure the message is received clearly and there is a communications plan in place. The Glenorchy store would transition to trade in a few months and there are internal plans underway for the other operations.

Mr M Rayner asked that due to the decisions that need to be taken over the next few months and with Mr G Woolley resigning and Mr R Brown retiring would there be new Directors added to the Board. The Chairman commented that this was a matter to be considered by the incoming Board.

Mr M Kimber asked if the shareholder discount could be reviewed as RACT members received better discount than shareholders. The CEO commented that this would be reviewed.

The Chairman thanked Shareholders for their attendance and reiterated that plans were in place to deal with the challenges.

CLOSE OF MEETING:

The Chairman closed the meeting at 11.18am