

**MINUTES OF THE 94<sup>th</sup> ANNUAL GENERAL MEETING  
OF KEMP & DENNING LIMITED, ABN 81 009 475 941  
HELD IN THE GREEN ROOM, WREST POINT, 410 SANDY BAY ROAD, HOBART  
ON THURSDAY 28 SEPTEMBER 2017 AT 10:32 AM**

**PRESENT:**

C A G Kemp, N Williams, S M Allison-Rogers, R J Noble, B L Hickey, R M Rex, M N Shugg, C J Gibson, B E Simpson, R T Banks, T Hickey (representing T H Management Services Pty Ltd), N J Edwards, W A Kennedy, M J Creese, M B Thorpe, K J Allison, G F Allison, B R Rex, B L Moody, P M Moody, S G Allison, R E G Kemp, A M G Banks, E M Kemp, W G Wallace, J E Kidd, M A Rayner, H M Kidd, G E Petterd, P Cooper, M P Fleet, J Campbell, A J Arnold, E E Cooper, V R Smith, J M Wallace, K D Floyed, G E J Smith, J B Smith, B M Marshall, D J Alexander, G W Nielsen, N I Richardson, B A C Creese, L C Burns, A B McKay, S A Foster, N M Campbell, B Palmer, R E Pringle-Jones, M J Kimber (representing Treasure Island Hire Boat Company Pty Ltd), P Schouten (representing Jess Superannuation Account), A E Coupe

**CHAIRMAN:**

The Chairman of Directors, Mr G Goodman, took the chair.

**SECRETARY:**

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

**GENERAL MANAGER:**

The General Manager, Mr J C Hutton, was in attendance.

**IN ATTENDANCE:**

Company Auditors represented by Carl Harris & Mason Pepper (Deloitte).

**APOLOGIES:**

Apologies were received from Mr T Hansen, Mr A McKinlay, M Meredith & B Willson.

**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 B Sampson (who was a previous Company Secretary), Mr G D Salmon, Mrs B M Pearce, Mrs H N McBryde, Mr N C Ashdown, Mr G B Burrows, Miss N P Little, Mr P W Smith.

## **MINUTES:**

Minutes of the 93<sup>rd</sup> Annual General Meeting held on 28 September 2016 have been approved by the Directors and signed as a true record of decisions made at the meeting. The Minutes are available on the website.

## **ORDINARY BUSINESS:**

### **1. FINANCIAL REPORTS AND THE DIRECTORS' AND AUDITORS' REPORT FOR THE YEAR ENDED 31 MAY 2017.**

Mr G Goodman delivered the Chairman's Address.

Mr J Hutton addressed the meeting and provided an overview of the Company's position on a range of subjects raised by shareholders prior to the meeting.

Shareholder questions received prior to the meeting are as follows:

#### **Question 1:**

The transition to trade, which seemed hopeful, has been abandoned. What were the challenges in growing the trade business?

#### **Answer:**

A very good question and a decision we considered carefully. Like us, Mitre 10's retail business was similarly impacted by Bunnings and consequently they too launched an aggressive play for market share in the Trade space. The competitive landscape changed very quickly and ultimately we believed the Tasmanian Trade market was not sufficiently big enough for three players. In Bunnings and Mitre 10, we encountered two very stubborn corporate competitors with deep financial pockets. To capture market share the weapon of choice once again was price. Profitability in the Trade space is largely dependent on scale and we considered it was too risky to engage in a price war that we couldn't fund and for which the outcome was far from certain. If we lost significant market share, there was a very real chance that asset values would be slashed.

#### **Question 2:**

What are the reasonably foreseen one-off restructuring costs that haven't been incurred as of the FY17 report?

#### **Answer:**

Redundancy costs pertaining to Cambridge including Management are \$540,000 and the lease for Cambridge to the end of the term is \$502,000. As per the Chairman's letter to shareholders on the 11<sup>th</sup> August, the decision to close the store prior to the end of the lease in March 2018 was because we believed that continuing to operate the store was no longer in your best interests. This decision was first and foremost about Kemp & Denning shareholder value and risks to that value. In simple terms, it was more economical to close immediately than to operate.

#### **Question 3:**

What were the costs to close Devonport?

**Answer:**

By way of background, the rationale to close Devonport was the confirmed development of a Bunnings store right next door. With 6 years left to run on our lease we were able to successfully negotiate an early termination of our lease with Harvey Norman's. The cost for early termination of the lease was \$2.5m.

**Question 4:**

Is there confidence that the Hobart property valuations are accurate?

**Answer:**

Absolutely, as the Chairman mentioned in his address, the properties have been recently revalued and in fact provide for additional equity. I'm not in a position to disclose the revised valuations as these have not been adopted by the Board.

**Question 5:**

The Kingston property has been advertised for sale or lease. Expressions of interest closed at 3pm yesterday. Is there an indication yet of whether the carrying value will be realisable?

**Answer:**

We haven't had an opportunity yet to evaluate any tenders. What we can say is the carrying value of Kingston is subject to the existing lease. Sale of the property on a vacant possession basis may result in a different price.

**Question 6:**

What's happened to the fixtures and fittings from the Cambridge, Devonport and Glenorchy warehouses? What's happened to the unsold inventory?

**Answer:**

We have taken impairments of \$1.8M against the plant and equipment for Cambridge, Devonport and Glenorchy. Assets have been marketed for sale, however with the closure of the Masters chain across Australia there is a surplus of retail fixtures and fittings for sale.

**Question 7:**

Given the uncertainty about the business, are there restrictions on director's trading in shares?

**Answer:**

Ostensibly there are currently no restrictions on Directors trading in shares. Directors cannot trade in shares from the end of the financial year until a dividend otherwise is formally announced to shareholders.

**Question 8:**

What is a reasonable estimate for profitability this year?

**Answer:**

After all one-off restructuring costs we expect to generate a nominal cash surplus this year. Earnings before interest, tax and depreciation are expected to be around \$200,000.

**Question 9:**

The final question relates to the offer to purchase the company by Woolworths in 2013. Specifically, why were shareholders not informed of the offer when it was initially received?

**Answer:**

The offer submitted by John Danks & Son a subsidiary of Woolworths was non-binding, subject to due diligence and confidential.

Peter Stone updated shareholders on current financial position as follows:

At 31 May 2017 we had Net Assets of \$23.4M which equates to a Net asset backing per share of \$8.74.

Apart from the closure of the Cambridge store and the expressions of interest for the Kingston property disclosed under subsequent events and which Mr J Hutton has mentioned already, the main changes to the balance sheet have been the sale of the Trade business on 13 June 2017 to Tasmania Hardware P/L trading as Clennett's Mitre10 and the Sale of the Glenorchy Building which occurred on 30 June 2017.

These two transactions are shown on the face of the balance sheet as assets and liabilities held for sale and the specific details are mentioned in Note 11 and in subsequent events note 31.

Since 31 May 2017 we have received funds for the sale of the trade business of \$4.2M and funds from the sale of the Derwent Park property at Glenorchy of \$6.0M. With these funds Bank borrowings were repaid and the majority of our finance lease. We are in the process of transferring across operating leases to Clennetts Mitre10. We have one finance lease which remains for a fork at Hobart which has a commitment of \$20K to be repaid over the next two years.

As at 31 August 2017, there is no bank debt except for the one finance lease of \$20K.

As at 31 August 2017, Net assets are \$21.6M which equates to a Net asset backing per share of \$8.06.

As of 27 September 2017 we have \$2.2M in a deposit account with the Commonwealth Bank, which will reduce by \$536K with the payment of the final dividend of 20 cents which is being paid today.

The company has a strong balance sheet and has substantial cash for the future, which will only continue to improve with the sale of the Kingston property.

Shareholders were asked if there were any questions and the following questions were received.

Mr M Kimber complimented the Board on what had been done to date and recommended that they share the strategy for the company going forward and provide shareholders with a quarterly report. Mr Goodman responded in saying that the strategy would be considered and would consider providing shareholders with more regular information.

Mr Kimber asked if the Harrington Street property had been leased and cautioned the Board in acting hastily on selling property and suggested shareholders should be consulted. Mr Goodman advised the Harrington Street property is now leased and said at this stage there were no plans to sell the property apart from Kingston.

Mr Kimber also asked about capital gains tax (CGT) status of the Melville Street property. Mr Stone advised that the land was exempt from CGT, however, the building was subject to CGT.

Mr Goodman commented that if the company structure changed to an investment company that shareholders would be asked to do this at an extraordinary general meeting.

A shareholder asked if the company had unfunded Superannuation commitments. Mr Stone responded that the company is only liable for 9.5% superannuation commitments and does not have a defined benefit scheme.

A shareholder asked what had happened to the stock at the Glenorchy and Cambridge stores. Mr Hutton advised that the Glenorchy stock had been sold and the Cambridge stock was being transferred to Hobart rather than discounted.

Mrs C Gibson asked if a Hardware store would continue on the Melville Street site. Mr Goodman said that it could continue on a redeveloped site.

Mr P Moody asked if K&D would be a property developer company and where would it be in 5 years time. Mr Goodman responded that 'the bleeding had stopped' and a vision for the company going forward would be put to shareholders.

Mr Moody asked if the store as a retail outlet was finished and was an investment property inevitable. Mr Goodman advised it was business as usual for the next 12 months while investigating further options. This could include Hardware, Supermarket, Residential or University Accommodation and that we would have a clearer picture within the next few months.

Mr C Kemp made a comment that the existing block was not developed to the maximum extent.

A shareholder commented that she was a regular shopper and was concerned about staff morale. Mr Goodman commented that he and Mr Hutton would, over the next week, be discussing with staff at the Hobart store the future for the company.

Mr M Kimber asked if turnover was sufficient to make the company profitable. Mr Goodman commented that the structure of an unlisted public company resulted in additional cost and whilst the Board had been reduced most hardware stores are owner operators. The business had looked hard at costs to improve shareholder value.

Dr N Williamson congratulated the Board on the job that they had done in the last 12 months and if the company was moving to a property investment

company, does the Board have the skills to execute this. Mr Goodman responded to say that they did.

Mr R Noble commented that it is hard to stop 'Chinese whispers' and this has to be quelled as quickly as possible. Mr Goodman reiterated that they were sitting down with staff next week.

Mr E Kemp commented that the Board had done a great job and made decisions for the long term.

## **2. ELECTION OF DIRECTORS:**

The Chairman moved that Mrs S M Allison-Rogers, who retires by rotation under clause 11.3 of the company's constitution, and being eligible, is re-elected as a director of the company.

The proxy votes received are as follows:

	<b>Shares</b>
For	146,740
Against	56,560
Abstain	1,940
Open Proxies for specific individuals	512,348
Open proxies in favour of the Chairman	3,847

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

The Chairman moved that Mr R M Rex, who has filled a casual vacancy during the year, and being eligible, is elected as a director of the company.

The proxy votes received are as follows:

	<b>Shares</b>
For	203,780
Against	Nil
Abstain	1,460
Open Proxies for specific individuals	512,348
Open Proxies in favour of the Chairman	3,847

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

## **3. GENERAL BUSINESS:**

Nil

## **CLOSE OF MEETING:**

The Chairman thanked Shareholders for their attendance and closed the meeting 11:18am.



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Chairman