Steven Matthews, proxy holder for 251 shareholders & almost 875,000 shares
I have two questions in relation to the accounts and I'm representing the Australian Shareholders Association today. I have two questions of which we've given you, notice in the expectation that we will receive a considered reply but before going to those two questions, I received an email late last night and was unable to give notice of this and I wonder if I might just read it to you as I think it's interesting and is one that may interest a number of shareholders. It's from a shareholder in Adelaide, I guess he's also a customer of CCA products and if this is being webcast I imagine he's looking forward to the answer from you. He says and I quote, "I notice that the packaging on the recently released Goulburn Valley Dairy Company flavoured milks and flavoured milk in South Australia particularly coffee flavoured milk is very very popular as I'm sure you know – I have noticed that the recently released Goulburn Valley Dairy Company flavoured milks shows that ownership of the brand is held by the Coca Cola company in the US. This causes me concern that Australian brands not related to the core Coca Cola brand are being transferred to the Coca Cola company USA and that CCA is then having to pay royalties back to the Coca Cola company USA for what were originally Australian brands. I'm also concerned that such a practice may not be in the best interests of CCA as a whole, not to mention the Australian economy and it causes me concern about the level of influence exerted by the Coca Cola company USA over CCA." I wonder if without notice you could give us a comment on that Mr Chairman.

No thank you Mr Matthews. Can I firstly say that's not new. When we acquired SPC Ardmona which is where we got that brand and a number of others from, it was very clear how we did it and indeed how we financed it. The Coca Cola company brought some brands and we have very good arrangements with those brands. We are above all, and very good at it I believe, maybe that's being immodest but it's on behalf of our staff. We're very good at distributing and basically dealing with these brands we have very good arrangements which will protect many of the things that your correspondent there is asking. It's working extremely well. As our CEO mentioned, we're building very good returns from these brands and we're not concerned that it would be to the jeopardy at all, of our company. We believe we get a very good return for what we put into that venture and very good returns from the efforts we're making to exploit and to deal with generally and responsibly those brands.

Thank you. I wonder if my correspondent follows up with more emails I might send them on to you for consideration. Now the questions with which we've given notice. In the Financial Review on page 5 of the annual report, the $332m increase in net debt is said to be the result of a number of factors including the impact of the $170m off market buyback that was committed in January 2008. At the time the buy back was said to be delivering on a commitment to use part of the proceeds from the sale of the South Korean business to return capital to shareholders. And my question Mr Chairman is this. If we were using the proceeds of the sale of the South Korean business to buy back shares then why are we borrowing that money?

Well Mr Matthews not a lot misses you, but I can tell you that the reason for this is basically this. If we go back into history in 2007 we balance on the 31st December, that was after we received the proceeds of the sale of Korea. So what that, because we got the cash in from that, was to reduce our debt levels. We then did the buy back, we can debate if anybody wants to how buy backs work, but they take time, we did that in this year that we're talking about, mainly in the 2008 year, and obviously therefore the debt went up when you compare 07 to 08. But what I did do just because you were very good enough to give us your question in advance, was I thought you might give us a second question which is, how do you compare your debt from 06 to 08 given that in 07 it went down by selling Korea and in 08 it went up a bit because you bought back shares. The difference between 06 level and 08 level is $135m less debt this year than in 06 and that gives you an idea of the benefit from the moneys coming in from Korea.

Thank you. And my second question relates to page 64 of the Annual Report. In 2008 we sent almost $27m on termination benefits, plant and equipment impairment and restructuring SPCA. In the segment report on page 60 of the AR there is a mixed – of the Annual Report there's a mixed picture of the performance of the food and beverages business. And I don't mean to be – don't mean to suggest that by using the word mixed that it's not an improvement as I'm sure you'll point out. Revenue appears to be down while earnings before interest and tax, assets and depreciation are all up. Food and services EBIT appears to below the average for the rest of the business. Can you give us a sense of the benefits that have flowed to the company from the purchase of SPCA and do you remain confident that it was a good purchase for shareholders.

Thank you for that question. I'm going to ask Terry Davis to reply to this. He's the man who's right at the front on that. Terry.

Well I think there's two elements of that Steven, that we certainly look at, is no-one's been immune, for those of who – Victorians amongst us about the drought for SPC and there's no doubt that SPC's been impacted by that. On a relative basis I notice that National Foods reported yesterday $2.8b worth of revenue and $300m worth of profit. SPC which competes in that segment or the food services, $600m worth and revenue and $90m worth of profit. So on a relative basis we would say, we're doing very well. If those who are shareholders of Goodman Fielder would also say the same thing. On the second basis is that the reason for the purchase of SPC was particularly to get assess to the Goulburn Valley brand. Launching that brand into a juice has been particularly profitable for our beverages operation and now as the number one or equal number one fresh juice in the convenience and leisure market, so we're very very pleased with that outcome. The third point I would make there is that – as a result of the combining of these two businesses, we've got significant procurement gains in our beverages business which is reflected into the beverage earnings. And I think for those of you who'd look at our beverage earnings at 20% margins, our 20% EBIT margins are world best class. Thank you.

Could I just offer our congratulations of those I represent on the results achieved, and particularly on the 10% increase in dividends which is particularly welcome given the times in which we live. The sooner we're through this GFIC and global financial crisis the better. I'm sick of hearing it every night on the news. Thank you.

Thank you very much Mr Matthews, thank you.

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I did wonder when I was preparing for this meeting if by not saying anything I might have more impact than by saying something, particularly in view of the very good outline that you've given us Ms Brenner. There is a lot to be said from a shareholder perspective for the remuneration principles and practices adopted here at CCA and that are detailed in the Remuneration Report. For the CEO there's an annual three years long term incentive share plan with verifiable twin hurdles linked to TSR and average growth in earnings per share under which we'll be asked to approve a 2009 – 11 grant later in this meeting. Now while shareholders accept that there is no boiler plate remuneration formula and the companies vary in their complexity and long term challenges there are some principles that enhance alignment between executive remuneration and shareholders interests over the long term. And in the case of the CEO at Coca Cola Amatil the rolling long term three years equity incentive component makes up about 30% of total possible remuneration and is a very important part of his package. Now many shareholders believe that three years is not sufficiently long term and that it does not reflect their investing time horizon. From next year as has been foreshadowed, ASA will be advocating a four year term for LTI awards. Now as we've said year in and year out ASA does not believe that retesting for awards under an LTI plan reflects well on boards that might otherwise be expected to reward on budget and on time performance. We believe that adequate smoothing will

remove the risk that market aberrations will deprive successful executives of their awards over the long term. With smoothing in and out and a plan that is genuinely long term the aspirations of shareholders and executive directors will be truly aligned. In keeping with their focus on the long term retail shareholders would like to see a meaningful amount of an executive director's remuneration held in equity for two years beyond retirement. We'll be advocating this from next year. Shareholders believe that this will encourage long term strategy development and internal successional planning for the benefit of the company and its shareholders. Now it will come as no surprise to you Mr Chairman that in the event of a poll which you have already announced will take place at the end of the meeting we will vote the undirected proxies we are holding against this remuneration resolution, and we ask again that the board give consideration to the suggestions we have made. The ASA has always acknowledged that they are not, we are not experts in matters of executive remuneration but we think we know what retail shareholders think about this matter and the need to bring it to your attention. Thank you.

Well thank you Mr Matthews. Firstly as Catherine said we will be looking very seriously at the ASA suggestions, the four years and the two years beyond retirement and we'll be looking at that when we set the next plan. As you know we set this plan before that was released. I would just like to make one mention which we've discussed over many years and that is retesting. I think that, there's no right or wrong answer there. I have actually grave difficulties in saying that we shouldn't have retesting. We as you know, do not have and should not have, retesting in relation to that part of the LTISP which relates to earnings per share. We only have it in relation to the total shareholder return. And the reason for that is that that is a comparative thing and if something happens in the first few months of the three year period, somebody gets taken over quite – nothing to do with us, it can totally skew the numbers so that for three years basically our staff have no chance of getting a right there whereas with the retesting you spread it out a bit like smoothing if I may say so, over into the next period. The same is the case is something happens at the end of the three year period, you can smooth it out over time. There's no right or wrong, the Board has favoured and you've been very eloquent over the years on retesting, and we've decided in favour of it, not because we're trying to be weak or whatever but we're trying to be fair. But thank you and I can assure you we will be looking at all the points you've made in coming to our decisions when we do it later this calendar year for the next period.

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Thank you Chairman. I should have taken a seat down the front. You and Ms Brenner have already mentioned the reduction in hurdle for the EPS part of award from 8.2 to 7%. In a road show last month for investors in the USA Mr Davis presented a 2008 financial score card in which he highlighted compound average growth in earnings per share over the last seven years at 11.7% and that was slightly below the 12.5% achieved in 2008. These targets are presumably not set without reference to budgets that are signed off by the Board and thought to be achievable. How should shareholders interpret this reduction in average annual growth in EPS for threshold awards under this plan? Presumably the bar has been lowered for a specific reason. Is it because we can expect growth in EPS to slow over the next three years? And if the answer that that question is no, can you tell us specifically why there was a reduction from 8.2 to 7%? Thank you.

Mr Matthews may be trying to get us to make a forecast of our earnings for the next three years. This we won't do. Can I say that when we sat down to work out what the base should be, we were aware, just as he mentioned in his previous comments, of the great financial crisis. We were aware that we were dealing with a three year situation, it's not just one year, it's for three years and we were aware also that we had to make sure that not only was this a reward for our executives for superlative work but also that it was something they could achieve and would have an alignment with our shareholders. So what we chose to do was to take 7% for basically what is half of what one can get and we actually build it up to 16%, you know when you get the whole lot. That gave us a good range we felt as a committee, which was led by Catherine and looking at other advice that we get, that would make sure that even in troubled times our employees had some range that they could achieve, that would make them achieve as much as feasible and proper for this company in the three years to go but at the same time, was not set at a totally unachievable range, and that's what we chose to do. None of us have perfect foresight and none of us can say whether it'll be right or wrong, unless we're lucky enough to be standing here in three years. I absolutely look forward to us being totally wrong in three or four years times because it'll mean that shareholders got returns that were way out of it. But we felt that this was the right thing to motivate our executives, and as I say, it's not a prediction, nor I might say do we do precise budgets for three years hence. In a global business looking at what we do, that's almost impossible. We listen to what's going on, we work out what is reward and we give a range and we think that works very effectively for us.

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Thank you chairman. Yes I have a general question. You mentioned that Mr Finan was unable to attend, always to regularly attend board meetings given his other commitments and we noted that from the Annual Report. I just wondered if you could give us all a sense of how the meetings, how the board meetings are conducted. I gather the overseas representatives don't always attend in person, I presume some are done – attend by telephone or video conference. I just wondered if you could tell us how that happens?

I can certainly do that. We do have video conferencing facilities and good ones at that and from time to time Mr Finan has used them, and I might say, which shows his commitment to the company. We always choose the middle of the night, wherever he is, to do it, and he appears to remain awake right through. Mr Kelly who I don't think believes in telephones comes every time. So he's always here but then he does hale from Australia originally so perhaps that's one of the reasons. So I assure you they're both very hard working directors and we're delighted to have them with us.