“The Scrip”
MANY INVESTORS; ONE VOICE
New Zealand Shareholders Association Inc.
NZSA

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NOT THE 9 OCLOCK NEWS

Members will no doubt have watched with morbid fascination as the British gutter press tactics have been dragged into the harsh light of day recently.

The NZSA constantly reminds people that good governance is the keystone without which the whole corporate castle can come crashing down. Rupert Murdoch, an octogenarian Australian who became an American primarily for business purposes, and the rest of his motley bunch have provided a clear example of why this is all so important. Murdoch built his empire from Australia, and despite some debt issues in 1992, he has now accumulated a vast media empire. To put this in perspective, worldwide he controls over 70 major newspapers (including the Times and Wall St Journal), two book publishers (HarperCollins is one), 3 music publishers, 30 major magazines, 17 TV studio/network conglomerates, over 80 major TV channels and over 30 major internet channels. There is much, much more as well. In short, pretty much anything you read, watch or hear will have his influence on it.

He has also in the past, been quite successful at “avoidance.” In 1999 it was reported that despite earning over a billion pounds per annum for the previous 11 years, he had paid no net corporate tax.

The Murdoch empire has two classes of shares. Only one of these has voting rights. The Murdoch family owns about 35% of News Corp, but nearly all are voting shares, effectively giving him absolute control. The huge 17 member board is dominated by Murdoch and 3 of his children. His politics are right wing. News Corp has donated several million to the American Republican party in the past few years. Clearly, some divisions have also been spending up, hacking thousands of phone and internet connections. Some belong to the rich and powerful. What chance then that “influence” was gained in this way?

In both Briton and the USA, major investigations are now under way. What is known for sure is that senior managers have lied and prevaricated. The shambles has already cost News Corp (read, its shareholders) the chance to purchase the balance of BSkyB and it would be reasonable to anticipate many other opportunities will evaporate in the future.

So what is the connection with the NZSA? Well, by the time you read this, our new look website will be up and running. There you will find a series of policy statements that cover many of the governance issues we hold dear. Rupert Murdoch should read these and so should you.
We aim for diversity and capability on boards. Judging by his British select committee performance, he reached his use-by date some time ago. If on the other hand, it was a clever act, then he is unfit to Chair the company.

Does voting all your children onto the board constitute good governance? Does arranging the affairs so that the vast majority of shareholders have no voice constitute good governance? Does making large political donations with shareholders money constitute good governance? Do we support executives holding the position of chairman? Do we support boards that only have 25% as true independents? Of course we don’t. And the reasons why have been demonstrated in this case.
Rot starts at the top. Mr Murdoch can blame his “trusted managers” all he likes. If his own standards had been higher, he would have attracted executives with a much better sense of ethics. A few underlings and a couple of competent and senior police had the decency to fall on their swords. Mr Murdoch seems set to “tough it out.” Shareholders will be the ones paying. Oh

how they must wish they could actually vote on director appointments! Value this right. Use it, or make sure you give the NZSA your proxy. Your voice can make a difference!

John Hawkins
Chairman

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NZ SHAREHOLDERS ASSOCIATION NATIONAL CONFERENCE & AGM 2011

As we go to press Bay of Plenty Branch and our National Office are putting the finishing touches to the organisation of our National Conference at Mount Maunganui. There are more registrations than ever before, and summaries of the presentations will be available in our next issue.

IN THIS ISSUE

A WARNING … WHEN THE STATE SELLS SHARES

Comments recently by some consultants that Chief Executives running the country's SOEs are likely to get a large increase in pay, should the government decide to float them to the public is a warning to members of NZSA.

When similar organisations in the UK went public the directors claimed they had to pay more or stand to lose key personal. Prior to going public, turnover at the top was minimal. After they went public, wages went through the roof as each organisation started to compare and compete with what the others were being paid. In the end wages went out of control without any real improvement in performance to match the higher pay packets.

Should some of our SOEs go public then we need to ensure the basic wages do not rise substantially for key executives, and any increases are tied to long term performance over 3 to 5 years. Executives who have been handed an established market on a plate do not deserve automatic increases based purely on the quantity of assets they administer.

We also need to monitor director fees as there will be demands here too for a large increase. There is justification for realistic pay to attract some new directors, when a number of the current directors are replaced. We believe that several will not have the experience or qualifications to oversee a large organisation, when it is a listed public company competing in a more open market.

Des Hunt

BANKS ARE LIKE FOOTBAL CLUBS

English Banks are like football clubs, said Julian Cane – London fund manager. Being a footballer is great fun and very lucrative, but the owners of football clubs rarely make any money. It's better to play for a club than to own it. Last year Barclays paid GBP22 to employees for every pound paid to owners, while Deutsche Bank's ratio was only 16:1. UBS, heavily into investment banking, paid $21b to staff and no dividend at all. Investment Banks face higher capital requirements, falling revenues from stocks, bonds currencies, commodities, credit swops and CDOs. Nevertheless employee costs have increased to a higher percentage of revenue.
The income from investment banks is difficult to analyse, and speculative, and management has not yet faced up to the full extent of staff cuts that are necessary in the new trading environment. Shareholders in investment banks should be pushing for their share. Pressure is coming on from UK fund managers. It is certainly time they participated strongly in the activism amongst shareholders.

Des Hunt

SECURITIES LAW CONFERENCE

The content and speakers covered the Financial Markets Authority, Financial Advisers, and Service Providers and the current rewrite of the Securities Act. The NZSA submission was well received and on the second day, Ross Butler Chair of the Code Committee quoted at length from John Hawkins' hand-out on the move to principles based law.

This move has obviously provided concern for a number of lawyers, their view being they need prescriptive codified law to advise their clients. Of course the more sceptical say that's so they can find the loopholes to get their clients off the hook. Some of the lawyers however did attempt to calm the concerns of their colleagues that principles based law won't result in the sky falling in.

Perhaps one of the most interesting sessions was the paper by Prof Susan Watson (Auckland University). One of Susan's areas of expertise is directors' duties. She re wrote and re titled her address over the weekend as a result of the Nathans decision. She also discussed Feltex and Centro.

Susan suggested Judge Doogue was concerned that the penalty in Feltex was excessive and so looked to find a way to let them off. Susan said that Judge Doogue had made several errors, one where she used a section for a non relevant Act. There was some discussion around the lack of specialist Judges, always a concern for me, where expert counsel can bamboozle a Judge who lacks commercial experience.
Susan talked about the 'Empty Heads - Pure Hearts" that arose from Enron where directors weren't dishonest or deceitful but lacked skills and knowledge. She wondered whether criminal penalties would see defendants walking where the Court felt as she suggested Judge Doogue did.
Susan said the Centro judge in Australia got it right in her opinion, as the Court took account of the directors' responsibility to use their skills and knowledge and not pass the buck to others.
One of the attendees raised the point that one of the Feltex Five was probably more expert than the "independent expert" whose advice they took.

On Nathans, Susan thought that Paul Heath had done a good job, got to the nub of the issues, and wasn't swayed by disingenuous arguments. The directors knew what they were doing and did it anyway.
From NZSA point of view it is encouraging that we may see a change with a committed FMA, and a legal profession less inclined to look for loopholes,and more inclined to advise their clients to stick to good governance principles if they want to avoid seeing the inside of a Court room.

Grant Diggle

THE BEACON AND THE GLOB 2011

Remember to get your nominations for the 2011 awards in to Howard Zingel – howardz@xtra.co.nz. This is one of our most published activities, and we need strong candidates for the best and the worst of the year.
Howard Zingel

WHO PAYS NEW ZEALAND'S TAX?

In reply to a question in parliament on which groups pay the tax in New Zealand, The Minister of Finance stated:

… the number of people paying income tax is surprisingly small. The lowest-income 43 percent of households currently receive more in income support than they pay in income tax. The 1.3 million households with incomes under $110,000 a year collectively pay no net tax—that is, their total income support payments match their combined income tax. The top 10 percent of households contribute over 70 percent of income tax, net of transfers.

The data on which Mr English's answer was based tells us that overall households with income of $50,000 or below pay no net tax at all. Not only do they pay no net tax, they receive around $4.40 in benefits for every $1 of tax they pay. So they pay $1.7b in tax and receive $7.7b in welfare (and this excludes national superannuation which would probably increase the subsidy.) So that is 44% of households are net tax recipients at present.

Now let us look at the households with income of over $150,000. We don't know if this is one person earning say $150,000 or two people earning say $80,000 each but we do know it includes by definition, everyone earning at least $150,000. Household income is used as welfare payments are normally made on a household basis.

So 10% of households have an income of $150,000 or greater, and those 10% fund 71% of net taxation. If we go slightly further down to households with an income of $120,000 or greater – which is 17% of households, well, those 17% of households are paying 97% of net taxation.

Editor: This information was quoted by Grant Diggle from a note to NZSA from Patel Pike and Associates who believe that the information given to parliament should have a wider circulation. Remember that GST, other consumption taxes,and National Superannuation are not included.

COMPANY MEETINGS

GPG SGM AND AGM 8TH JUNE

The Special Meeting was called to approve a capital return of 74c per cancelled share for 1/8 of a holding, and a special dividend of 2c per share, depending on the Pound's exchange rate. Approval was also required for the issue and cancellation of deferred shares, creating distributable reserves, to allow payment of 2c dividend at the October half year.
Questions on this issue asked about the effect of a court imposed fine on Coates in UK, the impact of liabilities under the outstanding bonds. The Chairman confirmed that all liabilities contingent and actual had been taken into account. A questioner asked about the latest Net Asset Value per share and after consultation the chairman answered, 58p (our estimate $1.20) It was not surprising that a few questioners wished to set back the clock, suggesting that the board could do better with the capital than return it to shareholders, and that the payment of 35 pence was compared to the much higher asset backing. It was made clear that this was the first step in the process of orderly realisation and that it was not necessarily a model for future distributions. Electronic voting, indicative at the meeting, was 92.5m for and 2.5m against. The final figures are published on the GPG website.

That the AGM was finally to be held in New Zealand was saluted in our last issue of the Scrip. The Chairman, Rob Campbell, reported on the realisations in general terms, stressing that there need be no forced sales, and that there could be no certain time limit on the action. Nevertheless they had realised net cash of $92m plus part of the capital return above, or a total of $132m.

He then handed over to Paul Foreman the recently appointed CEO of Coates. The book value of Coates is shown as GBP 319m, nearly 25% of the group's assets. However over the past five years over GBP300m has been buried in restructuring and new facilities. Today Coates comprises 73 factories, 100 warehouses and 22000 staff. It is now

contributing over GBP30m m pa in net profit. Handsome bonuses have been disclosed for Paul and his staff if they manage to sell the business at well above book value. Members can refer to Paul's fascinating summary of this global operation on the GPG website. A later question on the current governance of Coates, disclosed that Gary Weiss would stay for a further 12 months, while Mike Allen, Blake Nixon, and Rex Woodward, would be assisted by a new director as yet to be selected. George Walker was current chair of the audit committee.(Walker has resigned since the meeting.)
Predictably there were many questions. The natural owner of Coates was said to be a public listing but all options were open to GPG including an in species distribution of shares when all other assets were realised. On the location of meetings, Rob Campbell indicated that further meetings were likely to be held in London,- not the South Island. Regarding Capral Aluminium, he indicated that strenuous efforts were be made to recover value, but that not all GPG's investment would be successful and that some failures go with diversified investment territory. Further share election schemes, dividend reinvestment plans, or the issue of options were not ruled out, but was clear that only those choices which contributed to the orderly realisation would be selected. Asked to comment on litigation, the chairman said that hearings before the European Court were inevitably lengthy and complicated, as were the claims against subsidiaries for contaminated factory sites, and the board would review these cases continuously, making adequate provisions for the outcomes in the financial accounts.

We then proceeded to voting. When a question was proposed by Oliver Saint, on the election of Blake Nixon, it was clear that most shareholders were not aware that their only opportunity for discussion had passed. This should have been challenged with a point of order. There are too many occasions in New Zealand when a chairman overrules shareholders opportunity for discussion, and we encourage members to support their right to discussion in annual meetings. The pretext of electronic voting is not a valid reason to waive the normal procedure of announcing the motion, explaining the motion where necessary, discussing the motion, and putting the motion to a vote.

As it was, the indicative voting went largely in favour of the motions by about 900m to 3m. However much stronger negative votes on Directors' remuneration (763m to 65m) and the reelection of Blake Nixon (746m to 157m) will make the directors reflect on these moves. Messrs Allen, Campbell and Walker, and auditors Deloittes, were reelected, while the proforma motions on allotment of shares, scrip dividend alternatives, disapplying preemptive rights and buybacks were also passed easily. Nevertheless before the voting had finished Sir Ron Brierley discreetly left the meeting from the head table. Did he really have a plane to catch, we wonder?

Alan Best

RESTAURANT BRANDS AGM 23RD JUNE

Max Smith, Robin Harrison and Pam Hurst, three NZSA committee members attended the AGM. About thirty three million proxies were received, largely held by the Directors. NZSA held 250 000 proxies. Christchurch has 250 shareholders.

The Chairman, Ted Van Arkel, reported record sales and a Net Profit after Tax (excluding non-trading items) of 25.1 million (25.6 cents per share), up 26% from last year's result. The increase in EBITDA came from a 5.8million growth in KFC, 0.2m in Pizza Hut and 0.9m in Starbucks Coffee. The total dividend for the year was 17 cents from 12.5 cents last year. The balance sheet has a conservative gearing ratio of 17% (2010, 27%). Total debt reduced from $50 million five years ago down to $12.2 million. Total store numbers declined from 217 to 208 from Feb 2010. (9 Pizza Hut and related stores closed, four Starbucks closed and four KFC opened four new stores). Typically, each new KFC store requires three months training for the 45 new employees.

KFC: Each year 4-5 stores are being transformed to the new format. (50 of 89 stores have been transformed to date), and sales here show increases over the old store. New products include a new grilled chicken burger and the new double downs, a boneless chicken burger. KFC had an all time high return in quarter one 2011 mostly due to the introduction of the double down promotion.

Pizza Hut: A sell down process continues of their 82 stores; selling to independent franchisees is seen as bringing in the best results. The objective is to retain the main stores in just the main urban areas. The directors are continuing to work on profit and are reducing the number of stores by ten each year. There was a negative sales growth for Pizza Hut this year, which they are trying to turn around.

Starbucks: Four poorly performing stores were closed. New menu items are being developed. A significant turnaround has taken place with profits this last year. In Christchurch, only the Riccarton site remains and new site opportunities are being sought. New menu is provides food with the coffee.

In order to refresh the board they are at present seeking to appoint another director this year, bringing the total to five.
Other developments included: new point of sales in stores in KFC, new software called XBR leading to reduced theft and shrinkage, roll out of closed circuit television in KFC, stopping the use of palm oil to a sunflower-canola blend, possible introduction of a 4th brand called Tacko Bell, introduction of new coffees, work place accidents reduced, and new sites for KFC being researched.

Four questions came from shareholders present and there were six from our NZSA proxy holder Max Smith.

1) What strategies does RB have to increase the sales at Pizza Hut? And how do they compare with Dominos same store sales?
The level of sales are less that we would like and unacceptable to us and we must improve on the result. We cannot compare with Dominos as their information is not in the market place. The Directors are working on this and their new appointed person is bringing considerable strengths to the company.

2) Would the company consider providing an early bird menu for breakfast?
Maybe. KFC in some stores does offer breakfast, in the UK especially, comprising egg and pancake type food for which the presentation and layout looked really good. Some KFC shops will be providing breakfast, lunch and dinner menus.

3) What consideration is there to move into the Chinese takeaway market, utilizing Yum expertise?
This is on hold at the moment. YUM is at present testing the Chinese market. The belief is that smaller Mum and Dad operations will work best in China. And this does not work with a corporate model. In China one new KFC is opening every day.

4) In your report you mentioned that the company has business interruption insurance: has this been paid and at what level? That is 100% of the business loss, 75% etc?
The insurance cover is set at 100%. At present there is a wrestling match going on with the insurance company. The claim was for 2.2 million of which 1.1 million has so far been received. It is believed that the cover will eventually return the full amount for loss in sales.

5) Are there expected to be some opportunities for investment in Australia?
It is early days yet and our experience with Pizza Hut in Australia has not been good. There could be opportunities for KFC but it is very early days still.

6) Does RB use Pricewaterhouse Coopers for any projects other than as auditors?
No, we do not. Our policy on non-audit services going to PWC is a matter that has to have board approval and it is discouraged.

7) How long have PWC been RB auditors? The objective is to establish if they have held this position for more than 7 years.
No, PWC were appointed in 2007, a change over from KPMG.
Further, NZSA would like to make the point that not withstanding the "Chinese wall" argument and the rotation of individual audit partners, audit firms should be rotated every 7-10 years. Our reasoning is based on the possibility that familiarity may cloud judgment over time and it ensures a fresh set of eyes overseas the process.

8) Who were the other company's Moyle Consulting Ltd considered to be "equivalent listed companies?"
No specific company was mentioned. The only comparison seemed to be with similar sized companies.

9) Is the amount that directors from similar sized companies paid the only factor considered, when the board considers what fees they should pay themselves?
No, we have not had an increase until two years ago so now it seemed important to remunerate the directors. Since the company floated in 1997 they have had just one increase to date. Directors are not paid for being on the various committees, just the one fee so now with an improvement in profit as increase is sought.

10) When considering directors fees does the Board of Directors adopt a policy which takes into account such facts as staff remuneration, shareholder returns, the general success of the company and profitability? The explanatory note covering this point states only that other company directors fees was the only factor considered to justify an increase. Fees had been held at a low level, and so all the above factors were considered.

Max pointed out to the Board that if consultants are to be used their reports should be released in full rather than selectively quoting parts from it. This increased transparency would remove any concerns shareholders may have that the board is withholding some balancing parts of such reports that may be prejudicial in their case. NZSA reminded the directors that the remuneration of directors and senior executors should always be in tandem with the returns to shareholders not simply because director's fees should be in line with other equivalently sized listed companies.

Ted van Arkel addressed the meeting and was re-elected to the board. The auditors were re-appointed. The meeting voted in favour of the increase in directors fees from $220,000 to $ 250,000.

Max Smith took the opportunity to thank the board for their contribution to the Christchurch Mayoral earthquake fund and for the food supplied to relief workers during the recent events which caused so much destruction. This did not go unnoticed and was appreciated.

Pam Hurst

KINGFISH AGM – 7TH JULY.

The new chairman is James Miller who seems keen to see shareholders achieve a reasonable return on their investment. KFL indicated the new Zealand market in the past has grown around 10% each year and that is a figure they look to better. There were a number of questions. Why pay regular dividends when the company is investing for the long term. James explained it was a matter of keeping faith with shareholders who are looking for some income. Many do not seem to understand you can achieve this by

selling shares occasionally. Around 40 to 50% re-invest their dividend in shares each year which reduces the need for the company to sell shares to pay out those who want the cash. The main concern raised was what happens if companies are unable to pay dividends say in a down turn and Kingfish continues with this policy. James indicated based on the past it is unlikely to affect the current policy but the directors will monitor things just in case such an event occurs.
We were then given a presentation of the companies in which the fund is currently invested. I came away impressed by Carmel and her team who had a good understanding of the New Zealand market and the companies in the fund.
Don Braid then gave us a presentation on Mainfreight, and where he sees the company`s future, which was very impressive. There are not many CEO`s who are prepared to say what they hope to achieve in sales, and NPAT three years out.

Des Hunt

XERO AGM 21ST JULY (NO STOPPING FOR A CUP OF TEA)

This was Xero's 5th AGM and every year it just keeps getting better. This year it also doubled as a company visit for us as Rod Drury invited branch members along to the AGM to hear the latest news from Xero.

Paying subscribers doubled in the financial year to 36,000 and as at 21 July were up another 25%. Revenue tripled to $9.3 million with growth in Australia picking up strongly. Growth in the UK was up a bit but lagging compared to New Zealand and Australia as until recently the only UK bank with automatic bank feeds to Xero was HSBC. Now Xero has integrated feeds via Yodlee available to most banks in the UK, numbers are expected to improve.

Phil Norman (Chair), Rod Drury (CEO and co-founder), Craig Winkler (director, MYOB founder) and Sam Morgan (director, Trademe founder) all spoke and three themes were apparent.

First: Xero has a choice – target break-even sooner or accelerate growth. Growth wins. While Xero could reach break-even this year, it won't. It has money in the bank and first mover advantage in the online accounting space, and so no stopping for a cup of tea.

Second: Xero has realised you can't be a major player in the accounting space in Australia unless you have an integrated payroll - I suspect Craig Winkler has pushed for this as he spoke about it at some length. Apparently the tax rules in Australia are a bit more complicated than in NZ, and more small businesses employ people than in NZ. While there is a basic payroll function in Xero, it is not a full payroll system. So Xero have purchased an Australian online payroll that already integrates via the API. By early next year it will be fully integrated and I guess wear the Xero brand.

Third: Xero will be releasing an American version but it is not going to be rushed. A beachhead is being established with some staff relocating to America in August. Watch this space.

What else?

Rod Drury commented that Xero is growing faster than Trademe did at the comparable stage in Trademe's development. There does seem to be a bit of competition between Rod and Sam Morgan there, and Rod has always said Xero will be worth more than Trademe (that would mean Xero's share price would need to be north of $8 per share).

Sam fielded a question from Gareth Morgan asking what Xero would do with all it's cash once it becomes cash rich like Microsoft? Sam replied could his mother ask him an easier question, please.

In response to a shareholders question about when break-even might happen Graham Shaw (director) noted that the directors have not had a pay increase since Xero IPO'd and would not, until break-even was achieved. Shareholders should look favourably upon any resolution to increase directors fees at next years AGM.

As always the AGM was well attended and well catered – put it in your diary for next year.

Disclosure: I have shares in Xero and we use Xero in our accountancy business.

Martin Dowse

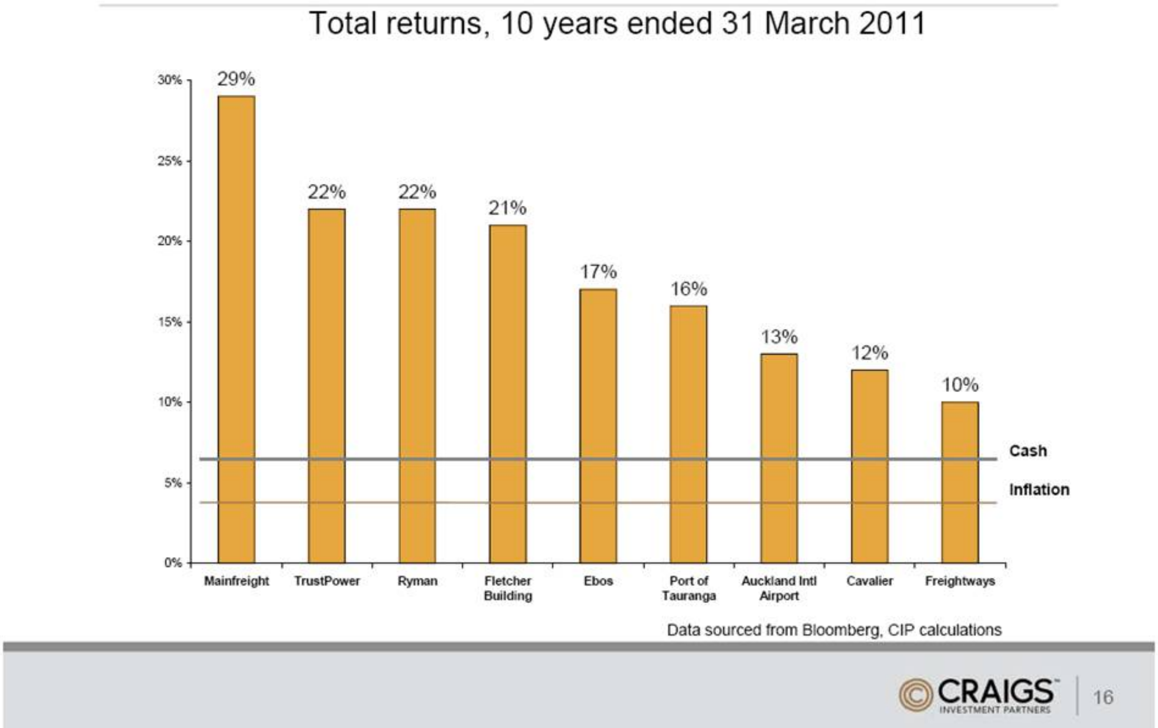
AWF GROUP AGM 27TH JULY

With a market cap of $50m and recent improved results, we did not expect proxies for the Allied Workforce AGM. However a few notes on this growing labour force provider are justified.
Ross Keenan (Chair) introduced proceedings for the 6th AGM, and emphasised that with two successful acquisitions in the past year, and successful results in all divisions, the company was in a sound position. Managing Director, Simon Hull introduced Jan Hilder from Panacea the new subsidiary, and finalist in the 2011 safety awards, which provides skilled home support for those with chronic health conditions. Jan gave a clear summary of Panacea's plan, and it was clear that there were excellent growth prospects for this business. Mike Huddleston summarised the activities of AWF labour, AWF manufacturing and logistics, Quinn Workforce, (Wellington) and AWF Mourant (Mining.) These operations had achieved a 40% lift in revenue in the past year to over $100m, and expanded to over 3000 employees. Questions ranged through the possible cost of overnight sleepovers to Panacea, (not a problem,) further buybacks of shares, (not in the immediate future,) consolidation of brands, (some movement expected,) and unusual demand in Christchurch and for the Rugby World Cup, (both very strong.) With organic expansion in Hawkes Bay, and existing markets, this is a small company to watch. Ted Van Arkle, the second of the two independents was reelected without dissent.

Alan Best

MAINFREIGHT AGM 28TH JULY

"What better place to be when developing an international transport and logistics group of businesses? For this is what we intend to become" – a quote by Don Braid – Managing Director at Mainfreight's sixteenth AGM.
It was a very successful year for Mainfreight with profits increasing by 21% and global sales up by l9%. Every country in which the company operates recorded more profit before tax than the previous year, and Mainfreight was able to reinstate their team bonuses totally $12 million – a record.
The Chairman, Bruce Plested, stressed the average annual compound growth in share value, including dividends for the past 15 years, had been 26% per annum. This means that since listing Mainfreight is the best performing share in terms of wealth creation of all companies listed on the NZX – a fine achievement.
Members will be interested in the accompanying chart provided to the meeting:



A day or so prior to the AGM Mainfreight announced that two if its Directors would be resigning. Neil Graham's immediate resignation was regretfully accepted for reasons of ill-health. He had been a partner with the Chairman, Bruce Plested, since the inception of Mainfreight and it was obvious from the presentation that Neil's contribution to the success of the company had been huge, with particular emphasis placed on his relationships with their largest customers.

Don Rowlands will resign from the Board in December 2011 after being involved with Bruce on a personal level and with the company also from its inception. Don said that at 85 he would now like to 'walk'- a reference to the early morning group run that the Board requires of each Director during their 2 day Board meetings!

Both presentations from the Chair and the Managing Director reiterated the stability and the success of their Board team which matched their long term strategy to create a business which is going to last for another hundred years and "one which seeks to enrich and inspire all we come into contact with". They did not wish to appoint "directors from a list supplied by some Directors Association, or with the attitude, "any size will do", but instead someone who fully understands the Mainfreight culture.

Over the past couple of years your Association has requested of Mainfreight that they consider succession planning for the Board - and these resignations now give the company the opportunity to promote and develop replacements for the future.

An increase in the fees for the Directors was supported by us in spite of the number of Directors being down to only 6 members for the foreseeable future, as the increases in fees have been modest.

Don Braid said that the "performance and activities of the past 12 months will redefine Mainfreight's future". Revenue has improved to $1.34 billion with operating profit up at $92 million. It was the strong and focussed performance for all business units that provided management the time to identify and complete the acquisition of the first European operation, the Wim Bosman Group.

The rationale for the acquisition was to provide a European footprint – and the logistics capability to grow international freight between Europe and their Asian and American interests. "These two trade lanes, coupled with our already successful Asia-America trade lanes, are the 3 largest freight lanes in the world".

Don Braid signalled to the meeting that next year's revenues may be close to $1.9 billion and EBITDA in excess of $130 million, shifting EBITDA ratios to more than 70% earned offshore.
The excellent results show us that Mainfreight provides a blueprint of how to run a company with directors and senior executives being part of the overall team, and how the company looks after its employees and shareholders.

Jacquie Staley

PGG WRIGHTSON (PGW) SPECIAL MEETING 28TH JUNE

Chairman Sir John Anderson introduced the board and executives; they held 550 million proxy votes for these two special proposals. The first proposal where-by Ngai Tahu Capital acquire 7.24% of Agria Corp of Singapore was swiftly dealt with. Trevor Burt a director of Ngai Tahu Capital explained their rational for the purchase which fitted in well with their motto of "for our children's children" and believe that they will be able to work well with the Agria Chinese investors, as both are focused on their family's welfare. It is a new type of investment for Ngai Tahu as it is their first tangible relationship between Iwi and the Chinese. When questioned why not buy the shares on the open market Trevor Burt explained that this special sale is a better way to develop the relationship into the future.

The second proposal was more problematic. Essentially, PGG Wrightsons Ltd sells its Finance company to Heartland Building Society. Heartland pays PGG Wrightsons $7.5 million cash, but PGG Wrightsons Ltd is left with the responsibility of recouping the $90 million worth of impaired loans and $30 million of restructured loans. It was mooted as a Sale and Purchase agreement for a sum of over $100 million between PGG Wrightson Ltd and Heartland Building Society for all the shares in PGG Wrightson Finance Ltd, but it leaves PGG Wrightson with all the bad debt and the prospect they will not receive the full amount of $100 million until they have collected all the outstanding debt.
The association has an issue with the effective price of $7.5 million Heartland Building Society is paying for the finance business. As an adjunct PGG Wrightson invests a further $10 million in Heartland shares.

Max Smith opened the case for the association with an address which argued that PGW was submitting to a short term negative outlook, in selling a business with a record for over $5million profit per annum for only $7.5 million. He then moved on to a number of probing questions:
1. What is PGG Wrightson giving up for his $7.5 million in cash and what if any are the advantages?

Reply: The Valuation of Finance Companies is fraught with difficulty and the same applies to PGW. Three years ago there were 74 finance companies in NZ and now there are just four with the new regulatory environment now making it even more difficult for Financial Companies to work. The main consideration for the sale is because of the Govt Guarantee expiring at the end of the year and the anticipated difficultly for PWF to be able to retain and increase deposits. The board believes that the restructuring and capitalization of the $95 million loan book, (which is being done now loan by loan as they fall due) means that it is a fair price for PGGW.

At this point the Chairman invited the representative of Northington Partners to speak in support of their independent report. While he simply endorsed what had already been published he also stated that they had reached the conclusion on the valuation because

there was no means of be able to predict forward the likely performance of the company and that a price of NTA was fair and reasonable as a result. One would have to conclude that they had very little confidence in the ability of the finance company's management as it would not be unreasonable to presume they should have the ability to forecast forward even with a margin of error.
It was pointed out to the Northington's representative that we had no issue with their strategic or logistical conclusions only their conclusions on the price.

2. On the transfer of this business will those rural people with loans from PGG Wrightsons Finance have the right to cancel them and source their finance elsewhere should they choose to do so?
Reply: Yes

3. Was a discounted cash flow forecast prepared for the business to compare with the sales proceeds of $7.5m plus the overheads of managing the 18 loans of $90m, plus the $30m loans on which HBS will have full recourse?
Reply: The discounted cash flow was inappropriate at this time. The over-riding PE valuation tests the NTA. Given that the apparent PE is less than 2, on a net price of $7.5m, while the company's head shares sell on a PE of over 20, we cannot understand this reply.

4. Is there any income stream at all from these impaired loans?
Reply: Yes, they will not be re-capitalized.

5. PGG Wrightsons will be burdened with $90million of impaired loans and $30million of restructured loans. What strategy does the board have if this amount or any part of it has to be written off? Is there a plan B?
Reply: The board is confident that most will be re-paid and processes are in operation to this end.

6. What provision has the company made if the asset value attributed to these loans is less than anticipated?
Reply: No provision has been made. Some loans have already been provided for.

7. The accompanying notes suggest that when the Government guarantees are withdrawn, securing deposits would be more difficult to attract. This is a temporary situation especially in the current rural sector which is experiencing resurgence in commodity prices.
What, in the opinion of the board, are the other factors that make the outlook negative for the PG Finance business and thus necessitate the selling of the business?
Reply: For a stock and station firm to have a financial division it is desirable that it enables further business. The current book of loans is not enabling the business and PGGW needs the Heartland Bank to provide long term capital to clients. A bank can more easily keep the money from investors flowing and hence the loan business can continue.
NZSA Comment in response: Our problem is that we think the price being paid by Heartland is not enough.

8. How do the directors propose to replace and hopefully develop the average $5m net profit contribution from the PGF business?
Reply: The rural services division of the company has been under-invested recently. The new Managing Director will now work in an environment where the distractions have gone and he can get back to the core business and look for profit there.

9. PGG Wrightsons has not had an enviable record with its top management over the past 3 – 4 years
"Can the board give shareholders any assurance they are prepared to develop sufficient skills within the company to ensure that quality management can provide for the future".
The objective of this question was to get some level of confidence back in the management of the company and to put an end to the doubtful quality of executives of recent times.
Reply: Sir John Anderson replied that this was one of their priorities and acknowledged that we were right on target with this question and that issues with previous management had been put behind them and the appointment of a new MD (George Gould) and the appointment of quality senior personnel was a priority.

Max Smith closed the association's case with a request that the directors renegotiate the sale price: This request was ignored. With Agria Corp having a 50% shareholding it was never going to come to anything but the point was made.

The Chairman closed by saying that because the Heartland Bank is so important for the South Island PGW wishes to have enduring agreements with it. They will have 26 employers working for Heartland but on PGGW premises so they will be able to talk directly to clients. They expect to have 75% of the loans repaid within twelve months on today's assessed values.

A poll vote was conducted on both issues and the result published some hour's later saw both items passed with a clear majority. However while it was a clear majority of 86.4% within the votes cast on the day including the abstentions it was very noticeable that over 200million votes representing 26% of shareholders were not exercised. If abstentions are included with the uncommitted vote it means that 40% of shareholders remained silent. While the chairman has stated that they believe the out standing loans will be repaid this does not mean they will be and it remains to be seen in twelve months if PGGW have been paid in full or part for their finance company.
Future monitoring of this company will be necessary to establish the progress on the collection of outstanding loans.

Max Smith and Pam Hurst

KING SOLOMON'S MINES AGM 29TH JULY

King Solomon Mines (www.kingsolomonmines.com) is a New Zealand junior gold and copper explorer, listed on the ASX (stock code: KSO), and hunting for gold and copper deposits in Inner Mongolia – an autonomous province of mainland China.
KSO has a small market cap of ca A$12 million (166 million shares @ A$0.07) with cash on hand of A$4 million. Cash expenditures – mostly exploration and admin – are A$1 million per quarter. There are 860 shareholders, roughly split 50-50 between New Zealanders and Australians. PricewaterhouseCoopers is the auditor.

The three founding shareholders and directors are New Zealander Stephen McPhail (Managing Director), geologist Bruce Bell, and Fu La an ethnic Mongolian from the province. Chris Castle, who represents 6% shareholder Widespread Portfolios (NZX stock code: WID), is also a director. Non-Executive Chairman is John Quinn, who helped create Newmont Australia and Newcrest Mining. According to his bio, he was Managing

Director of Newcrest Mining for 8 years and Executive Chairman of Perseverance Corp from the early 2000s until 2005.

KSO has two main project areas in what is described as the Greater Hinggan-Mongolian Fold Belt – Bu Dun Hua (copper-gold porphyry exploration) and Sonid North (gold exploration). These project areas are 'regionally' (ie 250-1000km) close to Ivanhoe's giant copper-gold deposit at Oyu Tolgoi across the border in Mongolia and to the Jinshan 5 million oz gold mine.

At Bu Dun Hua, KSO is conducting deep diamond drilling to try and find a porphyry copper deposit. Porphyry deposits can be gigantic and are responsible for supplying 75% of the world's copper and 20% of the world's gold. They are only found along volcanic arcs (e.g. Pacific Rim including Chile, Philippines, Indonesia, and Central Asia).

In 'bush geology' terms, if you imagine an A4 piece of paper with the top of the page being the ground surface, a porphyry intrusion could be described as a demagnetised "thumbprint" at the bottom of the page. Surrounding the thumbprint is a big halo of lead and zinc, then another halo of zinc. At the top of the page is a silica cap often with gold, silver, antinomy, and arsenic veins.

KSO has drilling results which it believes are indicative of a zinc halo, and a lead and zinc halo. KSO also interprets magnetic surveys as showing areas of low magnetism. The current and next rounds of drilling are to drill deep into/under the hypothesised lead and zinc halo to see if the drill holes can hit any porphyry that is there (if any).

Naturally this is a high risk, high reward game. There is no guarantee that there is a porphyry intrusion (albeit KSO appears to be looking in the right area based on the evidence) – and if there is an intrusion there is no guarantee that the porphyry will be mineralised (with copper/gold) – and if it is mineralised, whether it would be economic to mine – and if it is hypothetically economic, that KSO can complete drilling before exhausting cash reserves or losing its ability to raise cash from supportive market investors.

At Sonid North in the Mud-house prospect, KSO has intercepted gold at several spots along a corridor of 1800 metre length (strike) and 100-140 metres width and in reasonably flat terrain. Here drilling has encountered some 'narrow vein' nuggety gold mineralisation averaging 2 metres in width at 5 grams/tonne in some holes. To prove up a resource to JORC (official Australian) standard, KSO will have to drill at regular intervals along the 1800 metres to show there is consistent gold mineralisation.

The Mud-house prospect does appear to be of a small marginal scale based on current results. Hence KSO plans to drill further to the southeast, hoping to extend the strike length very significantly beyond 1800 metres. KSO also plans deep diamond drilling to see if there is – on the off-chance – any "feeder" zones with high grade gold.

In terms of permit status, management has stated that the exploration permits are currently in year 7 out of 7, but it is standard industry practice to roll over an exploration permit for an additional 2+2 years. KSO is in the process of formalising this and say that there is no evidence that the Chinese authorities won't roll over given the high level of drilling activity that is planned.

In terms of fund raising, KSO has established a relationship with Australian stockbroker Bell Potter. The company plans to increase its exposure to Australian investors and will be presenting at more roadshows and mining conferences in 2012.

King Solomon Mines is an exciting New Zealand original 'story' and we note that as with other junior mining explorers any investment is very highly speculative with a significant risk of losing one's investment so is typically not suitable for widows and orphans.

AGM

About 20 people including the five directors attended the AGM held in Wellington on 29 July 2011. Stephen and Bruce gave very interesting presentations as summarised above. They came across as knowledgeable and enthusiastic.

Chris Castle retired by rotation and was unanimously re-elected. Stephen had investigated the use of a smaller and less expensive auditor than PWC but advised that the relatively small extra cost of utilising a 'Big Four' firm was worthwhile since it would enhance KSO's credibility when seeking extra funds.

The meeting was asked to approve the issue of options to the three executive directors and other staff on the basis that a prospecting company can offer limited remuneration only and hence needs to top this up with options. This is effectively deferred remuneration assuming that the prospecting is ultimately successful. This was approved almost unanimously (20,000 shares dissenting).

Ashley Chan and Peter Milne

BRANCH REPORTS

AUCKLAND

NZ Oil and Gas Presentation

What does a breeding seal colony have in common with an off-shore oil rig? Plenty according to Chris Roberts – Corporate Affairs Manager - N Z OIL & GAS who said that since the Tui discovery started production in 2007, a group of seals had made the area their home and are happily frolicking & breeding at the site – testament to the quality of the environment around the Rig. Tui is the smaller of the 2 production areas that NZOG has a minority interest in, generating cash flow for the business.

Business Summary –

Tui: 12.5% share of (sweet crude) exported from smaller sized Taranaki basin field – profitable return on development costs with a few more years of earnings left from the field. The crude is too good for our Northland refinery.

Kupe: 15% non-operating interest in offshore gas and LPG extraction sold to the NZ market and the main revenue source for the company. It commenced in 2009 with estimated revenue of $65m.

Pan Pacific: 15% share of partly controlled listed company with interest in Tui and cash funds.

Exploration Permits: Taranaki & Canterbury basin in NZ, S/E Asia and the newly announced Tunisia –North Africa permits in JV agreements. NZOG has a 30year track record of evaluating & exploration of oil & gas prospects and sees itself as a niche explorer working in areas which the large oil companies do not find attractive.

Pike River Coal: Approx equity investment $77m, & $65m in loans, with some of loans to be repaid in Dec 2010. The company expects to recover a significant portion of its investment and it was noted that there was $100m of insurance cover at Pike River.
Cash Reserves $50m

Interesting Observations

- 20 employees mainly geologists and technical staff. Production is carried out by main operators and drilling is outsourced. Appears to have quality management but note CEO has recently resigned after 5 years in roll.
- The company's long term growth strategy is to seek opportunities in smaller overseas established oil & gas fields that appear more attractive than NZ at present. A detailed risk and benefit analysis is researched for each venture.
- This type of company having an exploration mandate will give shareholders plenty of volatility in share price along with the current uncertainty around Pike River.
- There is no dividend for shareholders this year, but they hope to reinstate dividends in future.

Noel Thompson

Branch visit AMP NZ Office Ltd (ANZO) 6 July 2011

Scott Pritchard and George Crawford hosted a large gathering of the branch at 151 Queen St (level 29) in the boardroom of the former Fay Richwhite offices and enjoyed being seated around a massive board table (originally manoeuvred in by helicopter) reviewing the property market –especially CBD Office and ANZO performance and status.

Property is a cyclical investment – peaked in 2007 and is probably at the bottom of the trough –Office following behind the Industrial & Retail sectors in recovery. Market rents were stabilising and new office towers were unlikely to affect demand for some years. The last 4 years has seen declining returns for unit holders.

ANZO is a holder of A grade prime CBD office buildings located in Wellington & Auckland on long term leases which can be subject to change – reduced Government. tenancy demand in Wellington, and Auckland, with some banks relocating away from the CBD and others consolidating to larger buildings.

ANZO Auckland – A recent highlight was the ANZ Centre where the ANZ Bank have now committed to a 15year lease over 18 floors combining both National Bank and ANZ into the same building, making them ANZO's largest customer, and securing the building as a premier Office Tower. We later visited the building and were shown over the top floor and proposed ground floor alterations. ANZO is projecting to spend $76m refurbishing by mid 2013. The refurbished 21 Queen St is now 65% tenanted from a very low base 2 years ago. Overall company occupancy is 94%.

Earnings are forecast to reduce in the short term due to the departure of Westpac & BNZ, as well as the removal of depreciation as a tax deduction.

Management Structure – Unit holders voted to change from a Trust to a Company at last year's AGM with lower management fees. It still does not have fully internalised management as advocated by many commentators. Property management is contracted to external managers and it was proposed to bring this in house, but an overall fee based management structure still exists.

The Outlook for the company has improved with the securing of the ANZ tenancy in Auckland, and Wellington area remains resilient.

A very worthwhile and interesting update on the property sector.

Branch visit Fletcher Building - 19TH MAY

Bill Roest (CFO) gave a presentation to about 50 branch members, and this is available on Fletcher Building's website (see Investor Centre/Investor Overview/ Investor Presentation May 2011)

Fletcher Building has a 100 year history. It became a stand-alone company in 2001 and is now the largest company on the NZX. Shareholders are about 35% New Zealand, 35% Australia, 17% US and 13% rest of world. Revenues are 45% Australia, 42% New Zealand and 13% rest of world (mainly Formica).

The company has five divisions and recently added Crane as a 6th division. Each division has a large or dominant position in its market sector.
1)Building Products - 90% share of plasterboard, pink bates and metal roof tiles
2)Distribution - Placemakers has about 35% of market
3)Infrastructure - Construction about 25% of market, Concrete about 50% of market
4)Laminates&Panels - MDF 55% market share in NZ and Australia, Formica
5) Steel - Coated Steel for roofs and sidings 5% of market, Long Steel (rebars from recycled metal) 80% market share in NZ
6)Crane - Largest plastic pipe maker in Australia with 45% share
Also owns Mastertrade stores and makes copper tubing

The company's strategy is to improve earning reliability and it will expand in Australia to smooth out volatility of earnings. FBU will focus on Australia and New Zealand and work to improve Formica's market share around the world.

Mr. Roest said half-year earnings are ahead of last year, except in building products. Key ratios are return on average equity of 11% and on average funds 14%.
The acquisition of Crane will add about $18Mil in revenue and $2Mil in profit

He mentioned that FBU will initially operate Crane as a stand-alone company, but over time may combine parts of it with existing divisions (i.e. retail stores with Placemakers) and may sell smaller operations.

Looking ahead, the Canterbury earthquake rebuild will take 5-7 years and cost $15-20 billion. Some 42,000 leaky homes need repairs which will cost about $11 billion.

Looking at 2011 to company expects New Zealand residential to improve slightly, commercial has probably bottomed out. 2012 should see growth, helped out by Earthquake reconstruction. In Australia residential will weaken and commercial remain subdued. The US should recover eventually. Asia is expected to grow and Europe will remain difficult. The current guidance for profit outlook is $330 million.

Mr. Roest than opened the floor to questions.
Q. how do you manage worldwide? A: all businesses are run by local management
Q. Foreign Exchange Outlook? A: no view
Q How do you handle Franking Credits? A: The company tries to alternate franking credits and imputation credits
Q Will FBU gradually move headquarters to Australia? A: No. Although revenue and profit are greater in Australia, company will remain in New Zealand. The New Zealand government is a major customer.
Q Are you looking to expand in the US? A: no plans at this time
Q How do building costs compare between Australia and NZ? A Australia has greater scale so manufacturing costs can be cheaper.
Q Is company exposed to leaky home claims? A: very low exposure

Q Does company plan expansion to China? A: Only Formica. No plans to expand other activities

The Association thanked Mr. Roest and Fletcher Building for hosting the group and then adjourned for a tour of the nearby plant of Winstone Wallboard, maker of GIB board.

At Winstones, Stewart Horn National Manufacturing Manager briefed the group. Plasterboard is about 85% of turnover, which is marketed in New Zealand. Exports are less than 5%. For plasterboard worldwide there are 3 large European companies and 5 in Asia/and Australia. Imports are about 3% as companies generally service own markets. In New Zealand competition is mainly from Thai products. Most cost is in raw materials. Margin is higher on speciality products. GIB board has about 92% or market but price is 10-15% over imports. Imports are heavier and have different surface. Company focus is on quality and customer service (i.e. guaranteed overnight delivery) This has resulted in industry service awards, a 92% market share and strong financial returns. The association thanked Stewart for the briefing which was then followed by a tour of the plant.
Noel Thompson

Company visit programme:
Tuesday, 16 August, 1 - 3 pm, Auckland Intl. Airport
Presentation by CEO Simon Moutter & CFO Simon Robertson - registration possible until Thursday, 11 August.

Wednesday, 5 October, 11.00 am APN/NZ Herald
Due to o/s commitment of APN CEO Brett Chenowith, visit will be hosted by NZ Media Chief Executive Martin Simons.
Max. participation: 22 (at present full & last 3 entrants wait listed).

Tuesday, 6 December, 10-12.00, Vector
Presentation by CEO Simon Mackenzie
Max. participation: 50 (24 still available)
Next visit: Auckland International Airport 16th August 1-3pm (Note change of time.)

Please register by email for each visit with Uli Sperber -uksper@gmail.com
Uli will advise you by email of arrangements for parking and meeting
Uli Sperber

WAIKATO
On June 7th John Hawkins addressed our AGM making a very good impression ----- such a different style from Bruce Sheppard ---- but just as effective. Our thanks to him for his time spent with us and the local press.
This year’s committee has three new members Joe Carson, David Phillips and Kane Ongley. New plans are afoot for the coming year. Our branch membership numbers are holding steady.
The last monthly meeting drew 30 members to hear Cameron Watson, of Craigs on "Protecting it, growing it and living on it" This brought much questioning and proved to be an enjoyable evening with pizzas to finish.
A group of us will be coming to Tauranga for the National AGM on the 6th August.
Roger Jennings

BAY OF PLENTY
Our Bay of Plenty committee has been well occupied with planning for our forthcoming conference and AGM on the 6th August. We have been heartened by the response of those wishing to attend. The quality of our guest speakers will add to the value of our day for those attending. Welcome to Tauranga.

During June Michael Batchelor from the legal firm Lyon, O'Neale, Arnold provided an excellent discourse relating to family trusts and the need for all to ensue that they have a valid will prepared before death. The preparation of a family trust was covered in detail along with the need that its careful administration is adhered to by the appointed trustees. Michael also provided a seventeen page guide in relation to trusts, wills and enduring powers of attorney. He emphasized the need to review ones will frequently as circumstances do change. A lively discussion period ensued following his most interesting talk.
Our July meeting saw forty eight attendees along with four new members being present for the first time. This month's theme was "Investing in Property Trusts, v Do It Yourself activity." Later, four discussion groups covered various Investment Companies,

King Fish - led by Jonathon Spink.
UK Investment Trusts led by Kerry Drumm.
Australian LICs – Argo and Australian Foundation - led by Allen Smith.
Do It Yourself Portfolio Investing -led by Russell Brown.

The purpose of the afternoon was to facilitate discussion from all present, and conclude with a brief resume of the positives and negatives of these various investment possibilities. It was well coordinated with all present feeling well pleased with our afternoon's activity.

Allen Smith

WELLINGTON
Andrew Dinsdale, Audit Partner at KPMG and former Wellington Managing Director with over 40 years experience in auditing, gave a superb presentation on the role of the auditor and audit report in regards to the company's annual report.

The key points he stressed were:

- The audit report is a report specifically to shareholders (not management or directors). Shareholders should ask questions of the auditors at the AGM.
- Auditors are looking to find material errors in the financial statements (representing e.g. 5% of profit) not insignificant differences.
- Auditors are only auditing past historic actions and are not looking at future actions of the company or management.
- Asset values are typically prepared on a "going concern" basis – as if it were "business as usual" in future. If the company were to close up shop, then the asset values could be significantly different (i.e. lower) if there has to be a quick or urgent sale of assets.

In relation to the last point, Andrew recommended that NZSA members read the 1998 Brierley Investments annual report which he audited, in particular the notes to the financial statements.

What shareholders are looking for in an audit report is an "unqualified opinion" which states that proper accounting records have been kept and that the financial statements give a true and fair view and comply with generally accepted accounting practices.

However Andrew noted that there are several ways auditors can flag to shareholders that there are matters to pay close and particular attention, even if the audit report is "unqualified".

First, an audit report can be lengthy – e.g. two or three pages. Shareholders should read carefully what the auditors have written in a long report.

Second, an audit report can have a sentence, paragraph or section with the phrase "fundamental uncertainty". This is usually in relation to the "going concern" assumption mentioned above. An example (from the St Laurence 2009 audit report) is:

"However fundamental uncertainties exist in terms of the use of the going concern assumption and the carrying value of the company's loans and advances which may, in turn, have implications for the going concern assumption…."

This flags to shareholders that if the company does not continue operating, then it might have to sell assets and these assets might be sold at a substantial discount to the value stated in the financial statements.

Finally, Andrew provided NZSA members with a number of good questions which can be asked of companies and auditors at AGMs.

For the company, these are:

1. [If a smaller audit firm is the auditor] has a Big Four audit firm declined to be your auditor?
2. [For a big company] do you have an internal auditor on your staff?

For the auditor, these are:

1. Are you being paid sufficiently to undertake your role appropriately and to ensure that you have covered all material matters?
2. Have you had full access to all matters that you believe you need to address?
3. Do you fundamentally believe that the directors and management have been totally open and honest with you?

Ashley Chan

We have had a full schedule of meetings so far this year and all have been well attended, this is a reflection on the quality of the guest speakers who have generously donated their time to come and talk to us. Recently we have had Chris Roberts from NZOG as well as Andrew Dinsdale from KPMG.
We are enjoying our new home at Turnbull House and the room we meet in seems appropriate, as it has a board-room feel to it, and is also used for the AGM's of some of our local companies - Mowbray Collectables will be holding it's AGM there on 16 August.

For details of upcoming meetings check our branch page on the NZSA website.

Martin Dowse

CANTERBURY

We held our Branch AGM on the evening of Thursday 12th July, just a month on from the big quake of 11th June, and with quite a few aftershocks in between. Our regular venue at the Fendalton Croquet Club remains robust to all that nature has so far thrown at it, including the dump of snow on 24th July. Our AGM followed the standard format with reports from the Branch officeholders. Our Treasurer, Barbara Duff, presented the annual accounts showing a strong financial position. Chair Robin Harrison gave the annual report covering the quake affected events of the previous 14 months which included a record number of 18 company General Meetings attended, 2 site visits and a several guest speakers to the Branch meetings. Regrettably the Branch had felt unable to progress with organizing the national conference planned for this August because of the February quake and aftershocks but is on track to host the 2012 conference. The meeting concluded with the election of the new committee; all six members were standing again and were re-elected.

Following our AGM an address was given by Mr Richard Pickering of Armillary Private Capital which runs the Unlisted trading platform. The address was entitled “How Unlisted functions and the role it can play for investors”. This was an excellent presentation, providing useful information for those already familiar with Unlisted and those others who had not previously been aware of the operation of the Unlisted exchange. The talk generated many questions from those attending which continued into the refreshments time which followed. We are grateful to Richard for giving so enthusiastically and generously of his time.
The Branch will be representing members at the forthcoming AGMs of Ryman Healthcare and Smith City Markets and hopefully carrying many proxy votes from NZSA members.
Robin Harrison

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MEMBERS’ ISSUES

AUDITORS AGAIN!
Oliver Saint drew our attention to the wording on the Price Waterhouse Coopers audit report, under the heading: Restriction on Distribution or Use
A copy of one of New Zealand listed companies' audit reports advises under a heading Restriction on Distribution or Use 'that ....we do not assume responsibility to anyone other than the Company and the Company's shareholders, ***as a whole****, for our audit work, for this report, for the opinions we have formed."*
Does this mean that a single shareholder cannot insist on a reply or explanation of the accounts from the auditor? We think that the Audit committees of companies should insist on wording that fully reflects the purpose of this independent expert’s report to shareholders, and the professional standards for which they should be accountable.
Alan Best

WE NEED PROXY HOLDERS IN AUCKLAND

As the season for company AGMs is on us again, we are conscious that Jacquie Staley our Proxy coordinator is always looking for members to carry the NZSA proxies. Most of the meetings are not controversial and the proxy holder usually need not speak or even exercise the proxies. To be a proxy holder, you need to read the annual report and notices of motion before the meeting, arrive in good time for the start, and summarise the discussion (concentrating on the questions from the floor) for The Scrip. If you have questions about NZSA policy in relation to the agenda, you can refer to the NZSA website for our position statements, and request clarification from a board member who will be delegated by Jacquie to answer your questions, and clarify our position on the issues you foresee.

Alan Best

FEEL LET DOWN?

Sooner or later one of your companies or its directors and management, are going to annoy you, probably because you feel that minority shareholders are getting ripped off. Remember the Lion take over, when Doug Myers and his mates got a higher price than minorities? I know that is a long time ago; but a long memory can be a strength.

What can you do?

A. Write them a letter. Keep it cool, and stick to the facts.
B. Ask them leading questions at shareholder meetings.
C. Use Section 178 of Companies Act to request information
D. Lodge a shareholder proposal to be considered at the AGM – Clause 9 of Schedule I of the Companies Act – maybe not that the Chairman take a one way ticket to Siberia.
E. Propose your own director, or your self at AGM director elections.
F. Write to Newspapers.
G. Talk to your MP or anyone else that will listen to you.

The impact will be greater if you can gain the support of your NZSA branch and the NZSA national office.

A very easy option is to nominate your villain for the Glob award. The NZSA executive gives consideration to every nomination and those villains receiving most nominations get added attention. However lesser known bad directors are often the worst, because they escape under the radar. So including a little information with your nomination would be helpful.

Fortunately, there are goodies about as well and your nomination for the Beacon award would be appreciated too. Send your Glob and Beacon nominations to:

H Zingel, PO Box 2003 Tauranga or howardz@xtra.co.nz or put them in the nomination box at the August AGM. Howard collates the nominations for the board who will consider the matter at their September committee meeting.

There is no formal Glob presentation because winners never pitch up, but the Beacon award is appreciated by recipient and reporters. The Association obtains good news coverage from both events. Corporate governance has improved hugely and we can all take some credit for this, but there is still plenty to be done.

Howard Zingel

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