"The Scrip"

MANY INVESTORS; ONE VOICE

New Zealand Shareholders Association Inc.
NZSA

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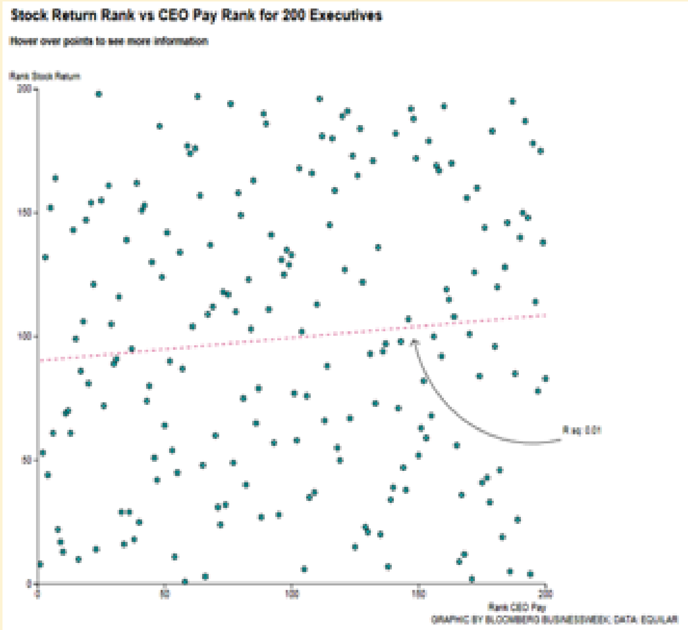
In this Issue

Smart Board or Dart Board

From time to time, NZSA is criticised for seeking moderation in executive and director remuneration. "Pay peanuts and get monkeys" is one argument. However, we are not complaining about the normal level of commercial arrangements, but rather at those at the very top end of the scale - the ones where the stratospheric rates would suggest extraordinary performance. Regrettably, such out-performance is rarely the case, and in our view, the relatively small number of times we pursue outrageous pay or fees is perfectly justified.



Recently, Businessweek ran a story arguing Pay for Performance is a myth – it referenced a study of 200 highly paid CEO's that found that income ranking is only 1% based on the company's stock return….essentially it indicated zero relationship between pay and performance . The dartboard pattern of the graph says it all!

This result mirrors a similar study we published about a year ago. As then, it shows that lower paid CEO's were just as effective as those at the other end of the scale. It would seem that many CEO's (at least in this USA study) are more adept at negotiating generous salaries, incentives and perks than they are at actually running the companies

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paying them! This reflects poorly on boards who in some cases continue to reward significant underperformance. The question is, why do they and shareholders tolerate this situation?

One response has been the mandating of more independent directors onto boards. The conventional wisdom is that they will be less likely to be "captured" by management and should be more hardnosed when setting CEO and senior executive pay.

NZX rules require that one third of the board must be independent (with a minimum of two). The audit committee must have a majority of independents. In Australia and the USA, the board must have a majority of independents and the Audit Committee be all independent. The question is whether this works and to what extent? Comparisons are muddied as in the USA, independent directors can own or be associated with parties owning up to 10% of a stock. In NZ it is typically 5% or less and in Australia 3%.

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Recently a long and scholarly paper was published by Peter Swan and David Forsberg purporting to demonstrate that independent directors destroy value and we are better off with executive directors and "grey" or related party directors. They conducted an extensive survey in Australia and drew together a broad body of research - much of it from the USA, which showed many contradictory outcomes. This should come as no surprise. The performance of Rakon versus Michael Hill is a clear example of international companies operating in tough market categories and run by significant shareholders having very divergent outcomes.

I think the dominance of USA based data is part of the problem. Suggesting as it does that the CEO selects the directors is something that NZ boards would hotly dispute. Similarly, in the USA, combined CEO/Chairman roles remain common. This concentrates tremendous power in one person and was certainly a factor in multibillion dollar crashes such as Enron and WorldCom. While those boards had independent directors, they were compliant little mice selected by the CEO/Chairman. Clearly there was no monitoring and questioning management as NZSA, NZ regulators and our courts would expect. Disastrous finance company crashes here show the risks inherent in this model, but at least the penalties applied have focussed local directors minds on the importance of their task. And a good job too!

The paper also claims that independent directors can never understand the company well and have to split their time with other directorships. That ignores the benefit of broad multi company experience, and it confuses the argument by assuming independent directors should have a close (almost operational) role rather than the oversight of governance, strategy and management performance that we expect in NZ. A reasonable example of board refreshment with strong independent directors making a real difference is Fisher and Paykel Healthcare. Another strong independent board is Air New Zealand. Both are leaders in their sectors.

A reasonable example of board refreshment with strong independent directors making a real difference is Fisher and Paykel Healthcare. Another strong independent board is Air New Zealand. Both are leaders in their sectors.

In essence, Swan and Fosberg found that firms performance declines when executive or closely related ("grey") directors leave, grey directors make better acquisition decisions, increase the "at risk" portion of CEO pay, and raise dividend payments. That would come as a surprise to long suffering NZ Refining shareholders, 75% owned by oil companies with most of the board being their executives. On the other hand, Mainfreight shareholders could well agree.

The researchers also say combining the role of CEO and Chairman adds value. This is at odds with the NZSA position which supports the appointment of independent directors especially as Chair, and head of the audit committee. We also recognise that the results have been patchy at times depending on the knowledge and background of the individuals. You all know that the non independents should include insiders with "skin in the game", and strong CEO leadership with a depth of knowledge and skill. In our view though, the stronger the insiders and CEO, the greater the need for independent monitoring and supervision. The example of GPG under Sir Ron Brierley shows why this is so important. Diligent Board Services is another. It is the combination of skills, teamwork and oversight which matters, not just the independence of a majority of directors.

So, apart from illustrating some contradictory local examples showing generalisations of the type in the study are risky, how does NZSA justify its position in the face of a 21 page document. Just like a lot of annual reports, it pays to look near the back! There we find the following: *"For example, firms that were underperforming may have replaced grey directors by real independent directors such that the under-performance we have identified is not due to the departure of desirable grey directors at all."* Like a lot of research, it seems to this writer that the study is only as good as the assumptions it makes. The failure to take account of the reasons for director changes is potentially a fatal flaw

In my opinion, we could compare it with the claim that "The company is very profitable. The CEO is highly paid. Therefore highly paid CEO's make a lot of money for the company". As we saw earlier on the graph, two separate statements can lead to a very wrong conclusion without proof of a clear linkage.

John Hawkins

Chairman

Polling at the AGM

In spite of a flurry of interest last year in conducting proper polls in each AGM, the old habit of a show of hands is hard to break. When the chair holds a clear majority of votes, to move beyond a show of hands often seems a waste of effort. So the NZSA has not always insisted on a poll. However a recent enquiry from a company prompted John Hawkins to make this reply:

"Our strong preference is for a poll in all instances, with the released result clearly indicating the numbers for and against (and abstained/invalid).

We realise that in some cases this is not going to affect outcomes when there is a dominant, controlling shareholder.

However there are still advantages in this approach.

1. It is fair and democratic to all. A show of hands gives the person with 1 million shares the same rights as the person with 100 shares. That is clearly a nonsense. Some of our retail shareholder members are in the top 20 shareholders of smaller listed companies and they prefer the voting to reflect the actual ownership.
2. A show of hands disenfranchises all those who could not attend in person. That will be the vast majority of shareholders.
3. A proxy holder with votes directed both ways is unable to vote either way in a show of hands. That is unfair. A poll allows them to vote.
4. If a show of hands opposes a resolution put by the company, we can be pretty sure the chair will not accept that, and will then call a poll. Why not do it properly in the first place and avoid the potential embarrassment? We have actually seen this situation occur.
5. A poll indicates the level of support the board and/or directors have. A 10% or more vote against something is a clear signal to the board or director and is a useful indicator that a particular matter may need more detailed consideration in the future. A greater than 20% vote is alarm bells territory. This is still valid even when a company has a 51% shareholder.
6. There is no extra cost in holding a poll. The only disadvantage is that the result is not immediately available. With some exceptions (such as complex restructures) this is not usually a problem.

Expediency is never a substitute for best practise governance In our view, polls are clear, transparent and effective - and best practise."

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Go to the NZSA web site home page at ***www.nzshareholders.co.nz***

Click on the "Members Area

Enter your CURRENT Member Number and MAC (Member Access Code)

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Go to "Update my details" and make any necessary changes

A 15% tax on Capital Gain

It is widely accepted by commentators that a new tax on capital gains would do little to depress house prices because house prices are driven by the provision of low interest, easy money from the banking sector, positive rates of immigration, and increasing costs of new houses. Capital gains taxes have not controlled house price inflation in other markets. Nevertheless, faced with the increasing demand for health, welfare and education services, governments will be thinking of ways.

Allen Smith, former Chair of NZSA Bay of Plenty has written to David Cunliffe asking several important questions.

1. If the tax is based upon capital gains on sales during a financial year would it also apply to losses incurred?
2. Assuming that Labour became the governing body by year's end when would this legislation be enacted?
3. The fair dividend rate of return tax that Labour introduced when last in power whether one likes it or not is really a Capital Gains Tax on overseas investments in disguise… Would this tax be adjusted / revoked as this then makes the two taxes a

double tax, and this is not fair.

4 The Labour Party web site has no references at present to Capital Gains. Will a paper outlining the policy be available in the near future?

David Cunliffe Replied

The key points of the proposed capital gains tax are that most New Zealanders will not pay the tax; it will not apply to the family home; and those who do pay it will still get to keep 85% of any gain they make because the tax rate will be set at a flat 15%. Tax is paid on the gain - not on the whole value of the asset. ----- -------

In our 2011 policy, CGT applied to the gains made on the sale of shares, investment properties, companies etc after the law was passed, with the transition involving a 'valuation day' (v-day). All capital gains prior to v-day would be tax-free and those after would be subject to the tax……..

Full details of our 2014 policy will be available on our website closer to the election.

No surprises there but he did not answer the question on Fair Dividend Rate.

NZSA has also been in touch with IRD's policy division, and pointed out that although we oppose the tax in principle, we believe that it could be simplified considerably if the exemption on Australian index stocks were extended to all listed Australian Equities. This would simplify returns and accounting for both tax payer and the department. The reason for bringing in the index, was to prevent listing a company in Australia to hold securities outside Australia and so avoid FDR on investments in the wider world. Surely legislation introduced after the Wine Box enquiry covers such a case, and it would be illegal.

So, based on 2011 policy, we understand that a capital gains tax would apply to listed securities, family homes held in a family trust, and to companies which develop land, and buildings, farming businesses, and the sacred family batch. Capital losses may be carried forward to offset gains, and the "v-day" would be set in the past to capture those who alter their arrangements post election. Overseas such taxes have proved a fertile ground for valuers and tax consultants, and they may indeed stimulate investment in productive companies. It's a discussion that we should all have with our politicians over the next two months.

Alan Best

Acurity Healthcare - Worth hanging on to?

There have been plenty of IPOs on NZX in recent times and most have been well supported. One truism however for IPOs, is that the seller always knows more than the buyer. This is one reason why potential investors need to exercise caution. Unsurprisingly, the reverse is true in takeovers that involve an existing major shareholder or company principle. Here the buyer will know more than the seller. This is the situation that minority investors in Acurity Health Group may find themselves in following an announcement of intent to make a takeover by the company's major shareholders.

Acurity, earlier known as Wakefield Hospital Ltd, listed in 2001 through the issue of 3.3 million shares to the investing public @ $2.50 per share. Early listed performance was not great, with earnings falling and the share price declining in early 2002 to around $1.10. Prospects subsequently improved and shareholders benefited from earnings growth and a rising share price through to early 2009 when the shares peaked at around $9. Around this time, Stewart family interests built their stake in Wakefield up to 15%.

Wakefield has expanded its hospital and healthcare portfolio over its listed life. As part of this, in 2006, Wakefield merged with a company that owned Royston Hospital in Hastings. At this time the Royston Hospital Trust Board became a substantial shareholder in Wakefield.

In mid 2012, the Stewart family along with the Royston Hospital Trust Board formed a joint venture vehicle, Austron Ltd, which then made a successful offer to acquire part of each shareholder's stake, at $6.00 per share, in order to obtain a controlling 50.1% stake in Wakefield. In addition to the Austron holding, the Stewart family retained a separate 4.48% stake in Wakefield, as did the Royston Hospital Trust Board. This gave the related parties a combined stake of around 59%.

The company changed its name to Acurity Healthcare Group Ltd. in August 2012.

In October 2013, Evolution Healthcare acquired shares in Acurity on market @ $5.50 per share which resulted in it achieving a stake in Acurity of 11.7%. Evolution is an Australian based healthcare services company, which owns a range of hospital businesses across the Tasman, and has indicated a desire to expand in New Zealand.

On 28 July, 2014 Connor Healthcare Ltd informed the market of its intention to make a takeover offer, at a price of $6.50 per share, for all of the Acurity shares it does not own. The offer is subject to a range of conditions, including achieving a level of acceptance of 90% or more. This would then allow Connor Healthcare to compulsorily acquire the balance of the shares. Connor Heathcare Ltd is currently owned by Evolution Healthcare (NZ) Pty Ltd, though the intention is that Connor will ultimately be owned 75% by Austron (the Stewart family and Royston Hospital Trust Board joint venture) and 25% by Evolution. In other words, the principal shareholders of Acurity wish to move to full ownership of the business.

In this situation, where the majority shareholders are attempting to acquire the interests of minority shareholders, the independent directors have a very important responsibility to protect and champion the interests of the minorities. How the independent directors of Acurity carry out this role will be keenly scrutinised.

It will of course be some time before shareholders receive the target statement and independent report assessing the takeover offer and, based on this, the independent director’s recommendation. In the meantime though, shareholders have the opportunity to reflect on the reasons they purchased Acurity shares in the first place, the demographic trends in the health services sector and their views on some of the issues already raised in the media by representatives of the bidding parties.

There is no doubt, with the aging population and increase in health spending that is expected to accompany this, the demand for hospital services faces a strong demographic tailwind. Over the medium to longer term it is reasonable to expect that Acurity will benefit from this. The arguments around the relative contributions to be made by private and public health service providers have been going on for a long time. It is hard to imagine there will not be an increasing role for private providers, given expected public sector budget constraints as demand for health services rises.

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investment world, and more information will be forthcoming over the next few weeks, my preference, as a shareholder focussed on the longer term, is to see Acurity remain listed. There seems little doubt that a significant capital raising will be required to provide funds for the redevelopment of Wakefield Hospital and potentially to supply growth capital. In 2012, the company indicated that earthquake strengthening the existing Wakefield building would cost $20m to $25m. Since that time the company has continued to look at its options, one of which is a complete rebuild of the hospital. This would presumably be more expensive than just carrying out strengthening work. It would however achieve a significantly longer working life and provide the opportunity to design a building well suited to meet expected future needs. An amount of $50m, mentioned in a Forsyth Barr report, is suggested as required for some of the options under consideration. It can be expected that Acurity will update the market on this matter as part of its response to the proposed takeover offer.

Acurity currently has 17.259 million issued shares. Of these, interests associated with the bidders own around 70% which means that just 5.1 million shares are held by other investors. As a consequence trading liquidity is low and this will have acted as a deterrent to some potential investors. In the longer term liquidity could be improved if the company got itself on a growth track, carried out capital raisings to support growth and created meaningful shareholder value. Greater levels of trading would be expected if investors believed that value was more accurately reflected in the trading price of the shares. Particularly for thinly traded stocks, market price often reflects nothing more than where marginal sellers and marginal buyers meet.

Whether or not the offer is "compelling" to any particular investor is dependent on a wide range of factors, some of which are unknowable to the bidder. What we can be certain of, on the other hand, is that purchasing shares at the bid price is a "compelling" opportunity for the bidder.

In a recent media article, a spokesman for the bidders, Mark Stewart, reportedly described the bid as "a compelling offer". This comment is often made by those seeking to acquire shares from other investors. It is interesting because, whether or not the offer is "compelling" to any particular investor is dependent on a wide range of factors, some of which are unknowable to the bidder. What we can be certain of, on the other hand, is that purchasing shares at the bid price is a "compelling" opportunity for the bidder. It has to be - otherwise they wouldn't make the bid in the first place.

Stewart is reported in a Stuff article to have said that, if the bid did not go through, he expected the share price to dwindle. This is very likely. What investors need to decide is how important that is to them. Are we going to be spooked by price, or will we focus instead on underlying value and longer term prospects? Part of the answer will come from whether we view ourselves as a short or a long term investor and how attractive we assess the longer term opportunity to be.

The ASX has a number of listed hospital operators, the largest of which are Ramsay Health Care and relisted Healthscope (after a period of private equity ownership). They are both multi billion dollar capitalisation companies. The history of Healthscope in particular is interesting. The company first listed around 1994 with a market capitalisation of approximately $100m. Healthscope underperformed over its first few years of listed life, with the market value dropping to around $30m at one point. In the late 1990's interests associated with well known Melbourne based businessman, the late Ron Evans, joined the register and subsequently the board. Evans associate Bruce Dixon then took over the role of managing director of Healthscope. Over subsequent years, the company went on to generate exceptional shareholder returns.

There is no doubt that Austron and Evolution, as large shareholders in Acurity, bring considerable healthcare services experience to the table. The fact that they appear to be committed shareholders with relevant sector experience actually makes the investment case for minority shareholders in Acurity stronger.

I would like to see the Acurity board and management clearly articulate the opportunities that could open up for the company if it remained listed and expanded its capital base. Rather than chasing allocations in hyped IPOs, including businesses being recycled by private equity interests, it would be good to support a significant capital raising for a business with growth prospects, heading towards a demographic sweet spot.

Martin Watson

Disclosure: This is an opinion piece and should not be taken as investment advice. The views expressed are my own and not those of the NZSA Board. Portfolios in which I have direct and indirect interests hold shares in Acurity Health Group Ltd.

A glimmer of light for MRIC

The Mutual Recognition of Imputation Credits has been on the agenda in Trans Tasman talks for some years. Justified by NZIER and Treasury analysis, New Zealand has pushed the case for MRIC. However successive governments in Australia have been reluctant to take the first time hit on the tax take. However in his recent visit, Australian Treasurer, Joe Hockey seemed more receptive to the idea.

IRD's tax policy advisers were present in the meeting between the two governments and signalled confidence than progress could be made. It is clear that investors and savers on both sides of the Tasman would immediately benefit from this measure, and NZSA plans to take it up with Australian Shareholders Association, when their Chairman visits for our Conference in September.

Company Meetings

New Zealand listed companies now usually post AGM presentations by the chair and CEO, on their website. Our commentaries therefore concentrate on the flavour of the meeting and the questions raised by shareholders. We encourage members to use the company website, before attending the general meeting, to see what has been said previously, and to familiarise themselves with the latest news. Comments are those of the attendee, who will often be a shareholder in the company, and are not necessarily NZSA policy. ***Run your cursor over the report heading for a link to the company website***

Z Energy AGM 25th June

This was Z's first AGM as a listed company and it wasn't hard to find the way to Shed 6 on Queens Wharf as there was a petrol tanker parked on the wharf forecourt pointing the way.

A couple of weeks before the AGM Jonathan Hill, Investor Relations Manager at Z, had been in contact to follow up on a request NZSA had made to set up a stand at the AGM. Jonathan had presented to our branch last year just prior to the listing and was very happy to help, so when we arrived at Shed 6 we had a prime spot next to the entrance. We also had time for a tour of the Z offices just across the forecourt. These are open plan offices that seem pretty full of enthusiastic and motivated staff.

You get the impression it would be a good place to work.

The AGM kicked off on time with about 50 shareholders there, it was a pretty nasty day outside so I suspect that put a few off. Chair Peter Griffiths recapped the year since listing and explained that Z Energy was focused on margins, supply chain, convenience food (good margins there) and the brand name. Next year the work plan includes 5 new stations, 50 station refurbishments and a bio diesel plant coming online.

He also noted that the company's preferred measure of evaluating financial performance was to use "Replacement Cost Operating Earnings Before Interest, Taxation, Depreciation (RCOEBITD)" – quite a mouthful which the company believes gives the most accurate picture on how it is trading – the fuel in the tanks is valued at replacement cost, not cost price. This resulted in a $219 million RCOEBITD this year compared to $196 million the previous year, and Replacement Cost Net Profit after Tax (RC NPAT) of $101 million.

Net profit after tax as per the financial statements (historic cost basis) was $95 million this year, similar to last year's result if you strip out last year's $41 million of one off property sales. There is more detail in the annual report about replacement cost. CEO Mike Bennetts then spoke. He lives in Auckland, works in Wellington and seems very comfortable in his role at Z. Mike talked a lot about health and safety, customer satisfaction, and sustainability – the same things the annual report talks about. The Z Energy annual report is well worth reading - it looks great, the numbers are all there, and it has a lot of interesting background information plus a guest columnist. There is quite a focus on sustainability and renewable resources and it isn't all just talk, Z is putting dollars into energy efficiency, building a bio diesel plant, and working with Norske Skog on the feasibility of turning wood waste into transport fuel – the Stump to Pump project.

Although there were only 50 shareholders present, there were plenty of questions for the directors. The first were written questions sent in ahead of time – one asked if shareholders could get a discount at the pump? (A. too hard to implement and there may be legal issues) and if Marko Bogoievski had too many directorships? (A. No – it just seems like a lot because he is on the board of many Infratil subsidiary holding companies).

From the floor a shareholder Phil noted that in the annual report there was someone at Z earning over $2 million – who was that and what might deeds did they perform? It was of course Mike Bennetts and Z had to pay well to get the best. The mighty deeds included creating value for the previous (and presumably current) shareholders.

Phil then went on to ask if buying fuel from South Korea was to the detriment of NZ Refining, of which Z was a shareholder? The response was that Marsden Point runs at capacity and can only produce about 65% on NZ's petrol requirements, and that it is also commercially useful to have two competing fuel chains.

The last question of the day was from someone who wanted to know why it was often cheaper to buy petrol at BP? Answer – Z do not aim to sell the most petrol, rather they aim to make the most profit out of selling petrol. Margins are slim so it is hard to increase your volume of sales enough to recoup lost margins if you discount too heavily.

So as shareholders what can we take away from the first Z AGM? It seems to be a well run company off to a solid start but we need to watch the financials carefully. There are lots of numbers flying around and it is hard to know which ones we should take note of. We need to make sure Z is consistent year on year with its comparisons, and keep an eye on the operating cashflow ($81 million this year compared to $367 million last year) and balance sheet .

Martin Dowse

Trustpower and Comvita- Confessions of a Novice Proxy Holder

I had the privilege of attending two AGMs on consecutive days representing the NZSA.

I am not a shareholder in either company and never having been a proxy holder before I felt a lot of trepidation..

First thing was to obtain a hard copy of the Annual Reports and study them. Nothing jumped out as unusual. I emailed Chairman, John Hawkins, to ask him if I had missed anything important to NZSA.

The questions arose from the Resolutions which I did not have. John kindly talked me through them. Thanks to an email to my Committee re resolutions, it was suggested I "Google" the Resolutions. I downloaded them to study – another great help and confidence booster.

The job is a breeze when companies are welcoming towards NZSA. When they are not, then that is their problem but your presence may make them think! One can feel confident however, as one will receive support of shareholders who will appreciate your efforts – also a great networking opportunity for NZSA.

For Comvita, Howard Zingel was official Proxy Holder and I, invited to attend as Chair of Bay of Plenty Branch, was the alternate proxy holder.

For Trustpower I was the Proxy Holder. The two meetings were like chalk and cheese!

Comvita were delighted NZSA was well represented and were keen, open to any suggestions etc.(Electronic voting) also most appreciative of my compliments re their new Visitor Experience Centre; whereas Trustpower, where I found the Directors aloof and not accessible before or after the meeting, was at the opposite end of the spectrum, .

At Trustpower, two Directors were re elected; one, Michael Cooney, is going to step down in about two weeks, which I found hard to understand. The Board will be selecting another

Director to replace him from TECT, (Tauranga Electricity Consumer Trust) Apparently any shareholder in TECT holding 20% or more shares can nominate a person but ultimately it is the Board's choice and decision. They are looking to appoint a 7th Director in a few months. I suggested to the Chairman Bruce Harker, that they appoint an up and coming younger person on merit, not necessarily with technical knowledge to the degree of the other Directors, because the NZSA believes an outside Director would bring a broader perspective to the Board.

The two large shareholders, Infratil and TECT, requested a resolution to increase their shareholding quota, which would give them ½% creep provision. For Infratil, they claim they were entitled to it and to even the score to make it fair for TECT to increase as well. They claimed it was for the benefit of all shareholders!!!

It seemed to go over their heads or they chose to ignore my comments on behalf of the NZSA that shareholders have other options on the share market! A number of shareholders came up to me at refreshment time to say they supported the NZSA stance.

I guess as a novice, I experienced both ends of the spectrum in quick succession and feel now the biggest hurdle has been jumped and I am happy to do it again. There is always help at hand when you feel you need it. I am sure the more one does it the simpler it will get - common sense really.

It's a great way to become more involved and one learns a lot as a result. "Do try it".

Jane Lyndon

Comvita AGM 24th July

For 40 years Comvita Ltd has called Paengaroa, a village in the Bay of Plenty, home. Bees have always been an integral part of this health supplement / food business. To secure a reliable source of Manuka honey the business now owns 30,000 hives. The supply chain stretches from hives to retail shops in China with a variety of other channels of distribution in between. 2014 was a good year: EPS 25cents, dividend 12 cents – in line with the planned 50% of profits. The Share price 380cents gives a p/e of 15.2, while the NAV is 465 cents, Sales are now up to $115 million of which 80% is exported. Head winds were the high dollar and a shortage of honey; the tail winds were the fashion for Manuka honey - health food of the day [long may it last,] and China where demand is strong.

The family ethos of the business is liked by shareholders and the AGM was well attended, with lots of smiles and a goodie bag to take home. The NZSA representative questioned why the directors' fees were being increased by an eighth. The Chair replied it was head room only and a new marketing colleague was still being sought. Profits in the current year are expected to be up but the first half will show an increased loss. Comvita's profit performance has been patchy but it is the executive plan to lift return on capital to 15% as against the 10% currently. This was well received by shareholders but the rider "not yet," and complexity in the business model a wee dampener.

Howard Zingel

Restaurant Brands AGM 26th June

NZSA 308,000 proxies held

Chairman Ted van Arkel was at the door to greet the large gathering of shareholders arriving for the company's AGM at the Ellerslie Events Centre. As recipients of a 16.5 cents fully imputated dividend per share, everyone seemed pleased to shake his hand.

There was more comfort from Mr van Arkel's report of a solid performance for the year. NPAT up 6.8% on the prior year and bank debt down by $6.5 million to $8.1 million. While most of the company's growth came from new store growth, same store sales were up 2.4%. The considerable expenditure ($22.6 million) in new Carl's Jr store builds and KFC refits were offset by the sale and leaseback of some stores.

Restaurant Brands believes its core competencies are in running and supporting franchise restaurant operations, and the strategy is to keep building on those key competencies.

CEO, Russel Creedy, in his address refreshingly chose to focus on the future. He defined the company's mission as to be the "Best cost provider of franchise food systems." In order to achieve this, the company needs to be the best-in-class employer, investment partner and community partner. As a mark of progress, the company is regularly being approached with franchise options/opportunities for consideration.

There were four resolutions for discussion at the meeting – all were passed with a show of hands. There was no adverse comment on any resolution.

Directors Sue Suckling and Hamish Stevens addressed the meeting before their re-election. The proxy vote directions indicated some resistance to the increase in Director's fees (21.3% of NZSA proxies were against – only 2.5% of the 47 million held by the chair were against). This has been a very small Board – just increased to 5 members – with most of the increase going to allow for that 5th member. I seconded the motion to raise the fees. The board has a policy of refreshment. Expect a further change this year.

The fourth resolution was to allow the Board to fix the auditor's remuneration.

Besides the expected shareholder questions about menus, vouchers, special promotions and individual store problems, questions were asked about opportunities for developing franchises in other food segments, such as Taco Bell. The response is that all such options are under consideration and appraisal.

As is its custom, the company provided a seemingly endless supply of its products for shareholders to sample at the end of the meeting. The enthusiasm with which this mature group tucked in suggests that the appeal of these products goes far wider than the expected target customer base.

Bruce Parkes

BLIS Technologies AGM 25th July

BLIS Technologies Limited was formed to commercialise BLIS (Bacteriocin-Like Inhibitory Substances) producing probiotic bacteria. Like most emerging drug companies, its products are based on good research, but are slow to be adopted in the market place. In the last 10 years it has eaten up $30m development costs without producing a surplus.

Chairman Peter Fennessy told the 45 shareholders that a review of operations had emphasised the need for a greater emphasis on marketing. With sales of $1.3m and a loss of $1.5m that would seem to be obvious. However, the forecast is for trading at about breakeven, and tests being conducted by shareholder- distributor, Chinese Sinopharm with 800 chemists across China could be the breakthrough. The company has renewed confidence in its local manufacturing base, (now under one roof) supplemented by two outside contractors, a diversity of resource that is preferred by its customers.

The re-election of Anthony Offen and Bevan Wallace, and the election of new faces, Graeme Boyd and Veronica Aris, increasing the board to 6, passed without dissent.

As a non technical observer, I could see that the company is still having difficulty in obtaining regulatory approval in its main target markets.

Dave Johnston

Xero AGM 23rd July

This was Xero's 8th AGM as a listed company and the largest yet with around 300 shareholders and Xero staff, and a decent sprinkling of the press. It was the also the Xero AGM with the most, and the most wordy, resolutions to get through to date.

The AGM kicked off on time at 4pm and, after a brief welcome from new Chair Chris Liddell and an apology for director Sam Morgan who was absent, moved straight on to the resolutions.

As each resolution was proposed the number and direction of proxies held by the chair Chris Liddell was displayed on the main screens. Chris stated he would abstain from voting any undirected proxies on the resolution to elect him, and on all resolutions involving directors' remuneration, otherwise undirected proxies would be voted in favour of the resolutions. Of the 128 million shares on issue, Chris held proxies for 33 million (almost all in favour) and sitting at the board table were directors controlling another 50 million or so shares, so the outcome of the resolutions was never in question.

Resolution 1 (auditors remuneration) and resolutions 2 – 6 (directors elections and re-elections) were whipped through quickly with new directors Bill Veghte and Lee Hatton telling the audience a bit about themselves along the way (Chris had also done this as part of his introduction).

Resolution 7(a) to increase the directors' pool by 70% to $850,000 was passed with no comment or questions asked from the floor. The remaining resolutions were all to enable directors' fees for Chris and Bill to be paid in options in lieu of cash (more tax effective for USA based directors) and shares for Lee. Sounds simple when you say it like that but it kept director Graeme Shaw and the AGM tied up for about 20 minutes while he read the detail of each out loud and then they were voted on.

All resolutions were passed by a show of hands.

With the boring stuff out of the way Rod was able to take the stage and do what is great at doing – telling a story and getting people (staff, investors, customers) excited. The slides from the presentation are available on the Xero and NZX websites so I won't go into too much detail. The main points I took from it were that:

- Xero is the market leader in New Zealand and is winning the online accounting market in Australia and the UK. It is early days in the US and Xero is there for the long haul.
- Xero will list in the US, probably early/middle of next year. It is conditional upon Xero hitting 100 million USD revenue (it is on track to do this) and suitable market conditions. The listing is more about credibility and brand recognition in the US than capital raising.
- The focus at Xero is on building a best of breed company with the best products, team and culture. To this end Xero has assembled a very strong board and continues to put in place a high caliber senior management team, Victoria Crone being a recent addition.

Tucked in there was a mention that Inland Revenue has said it will provide a webservice for GST – this means New Zealand Xero users will be able to file their GST returns with IRD from within Xero. About time IRD.

Question time – the first asked was if Rod was worried Xero would lose its startup culture and become bureaucratic as it grows. Rod said no, they keep teams small, each country has its own culture, and if he sees bureaucracy forming he stomps on it.

A question about bank feeds in the US – Rod answered by saying that Xero uses a third party (Yodlee) to provide bank feeds for Xero. They were also starting to bring on direct connections to some US banks.

New shareholder Phil from TV3 then used question time to interview Rod – I'm not sure why he didn't try the direct approach, Rod is very interviewable. Anyway Phil asked two main questions:

- Why is the share price going down and does that mean the Xero bubble has burst? Answer – all software as a service stocks have seen a price decline, it is not Xero specific. The good news is it gives you a buying opportunity.
- Do you have a plan b if you fail to take

market share from Intuit in the US? Answer – this is just the beginning, it is a large market and a long journey, Xero will succeed in the US. No plan B needed.

It was almost 5:30pm when the meeting wrapped up and as is traditional the beer, wine, juice and nibbly things came out. Among the shareholders who stayed for a while were some Wellington NZSA branch members, quite a few accountants and IT people, investment professionals, journalists and Xero staff. They all seemed pretty happy and content to leave their Xero shares in the bottom drawer while things play out.

Martin Dowse

Editor another view: It is time someone asked "How can any one invest in a company which cannot forecast a return on investment, especially when there are so many choices of growing software companies in Australasia which are making a profit and expanding internationally?" We have all had difficulty in valuing Xero – no earnings, so no p/e, no dividend yield, and a p/s ratio of 44 when we look for something below 1.

Taking the 2014 annual report the asset base is quite small with fixed assets of $10m (8c/share) and intangibles of $35m (28c/share), but it employs about 935 people of which 222 are in sales and marketing and 236 are in product development. Only 194 employees are paid over $100k, and the admin section employs 59 people (6% of total headcount.) The staff generated $71m of revenue, at a gross margin of $47m or 67%. That looks tempting, with forecast growth of 80%, but the costs of sales staff at $55m (79% of Revenue) and product development at $34m (49% of revenue) are steep. If Xero could contain those, an 80% increase in revenue would bring it up to breakeven, but the first quarter's result have already shown that costs are growing in pace with sales, and we can expect an even bigger loss. $252,000 was paid to directors for advisory fees outside their capacity as directors, apparently for sales contacts in USA. We would hope that they have also been taking a hard look at the value added by each of those employees, but then that is the normal job of a director and would not justify an extra fee. We cannot see how a software system with versions for NZ, Australia and USA, now reduced to get rid of the unlikely personal financial management tool, can require the services of 236 product developers. Ah but that's the old way. Any one care to send in a valuation of Xero?

Methven AGM 30th July

With net profit down 8.6% and sales almost level, shareholders were expecting change. Directors allocated a large part of the meeting to presentations by its new Managing Director, David Banfield. What we were treated to, was some initial marketing principles which, if translated into action, should reactivate the company. David agreed that Methven's performance was not in line with the expectations of shareholders and detailed a marketing plan under the headings: Thinking like the market leader, putting the customer at the centre of everything, and aligning the plans of all parts of the company. He showed videos of the launch in China and Satinjet showers which will be relaunched in 2015 as part of a development programme encompassing 139 new products. He also summarised fundamental consumer research, which pointed the way to segmentation of the market at point of purchase.

Chairman Phil Lough was obviously pleased with the results of an intensive executive search, which enable the new CEO to purchase shares at current price, and warned that Directors fees were likely to be increased next year up to the lower end of the market, but not before improved results were showing.

Brian Gaynor sought clarification on the adjustments to stated profit. These should now be shown in all annual reports where the management accounts differ from the audited net profit.

Des Hunt, our proxy holder, adopted a more sceptical view, suggesting that what was proposed, was basic management that the current board should have been monitoring for years. In later discussions he felt that the board needed real familiarity with the operations so that it could cooperate with the CEO and monitor the strategic direction of the company.

James Lockie asked for more clarification on the competition in the Australia, UK, and China, while others questioned more closely the performance of the UK subsidiary in Europe's best performing economy.

Concern was also expressed at the predominance of Satinjet (a niche market product,) in the nest of manufacturing a wide range of products in New Zealand and China, and wholesaling a wide range in UK, as well as the confusing messages given to shareholders over the international marketing of 139 new products. This company, with its heritage dating back to 1886, needs to be revitalised and refocused, and its early steps are promising, but there's an awful lot of spade work to be done.

Des Hunt

Windflow Technology SGM 25th June

Acting Chairman Angus Napier, (Chairman Michael Chick was overseas,) got things underway. CEO Geoff Henderson gave a short update on how the company is faring. They now have seventeen staff, with two recent additions including a sales and marketing person. Both were present. He covered the work progressing at General Dynamics Satcom with the prototype on which hopes are pinned. There were three resolutions with Geoff Henderson giving a précis of each.

1. Private placement of 2,000,000 new preference shares
2. Possible further private placements
3. Approval for the purposes of the Takeovers code.

Resolution 1 Involved the company allocating 2 million preference shares to David Iles at .50c a share in Great British pounds (equivalent NZ$1 million). This would be paid for by a reduction in debt owed to Mr Iles by Windflow UK Limited.

There were some questions including what would happen if the resolution didn't pass. Reply was the Mr Iles would write-off this debt but also, his enthusiasm and support for the company could be compromised. The resolution passed.

Resolution 2 Windflow issue a further ten million preference shares over the next 12 months priced at .50c (as above) to David Iles. This is a precautionary resolution only so in the event further allocations are needed, a special general meeting does not need to be called for. Again, if preference shares are issued to Mr Iles, a reduction in debt owing to him, will apply. Questions included, where does this leave original shareholders? Geoff Henderson said they are anxious to restore profitability, but the company had to remain solvent using the instrument of preference shares. No other significant investors were waiting in the wings so they are fortunate to have David Iles. Geoff Henderson said "one of these days, we will be an overnight success"! The resolution passed.

The final resolution passed without comment.

There was general discussion from those present (approximately 20). Some concern was expressed at the control David Iles will have if he converts his preference shares; Geoff Henderson said that Mr Iles is patient and tremendously supportive of the company. He is currently receiving 10% dividend on his preference shares.

Other sources of revenue are constantly being assesed. These might include royalties if the GD Satcom prototype succeeds. Economies of scale are critical before institutional investors would be interested.

Barbara Duff

Ryman Healthcare AGM 30th July

The 2014 meeting was held in the Charles Fleming Retirement Village in Waikanae. The centre reception area catered for slightly more than 300 shareholders and so far as your representative could see, there were very few spare seats. The large reception area made it difficult for some shareholders to see the Chairman; also many shareholders would have had at least an hour journey from Wellington to attend the meeting. These disadvantages were outweighed by the Company being able to show off one of its newest villages to advantage.

The meeting set the tone with a short video titled 'Ryman Flashmob' which, as the title suggests, was all about village residents enjoying themselves at various facilities in the village. The stars and players were the residents and staff of the village.

The meeting covered several matters of interest. A unionist mentioned the increases in hourly rates to staff more, I think, to advertise his attendance at the meeting, than any criticism of the Company. It is always hard to generate sympathy when the increases given (10% each for the last two years) exceeded most indicators used and were against a background of another stellar year of earnings for the Company. As your representative, I stressed the income statement again included realised and unrealised property surpluses and represented 89% of profit for the year. In so far as this figure included over 43% unrealised profit, I was concerned to ensure that the registered valuers of these properties at year end, CB Richard Ellis Limited, were free from any conflicts of interest. The chairman advised that this was indeed so. In fact the valuer was itself a publicly listed company in the United States and subject to the rules of the New York Stock Exchange; their work with Ryman involved a minute fraction of their business.

The Chairman gave no meaningful comment on current results but the meeting was advised of the following:

There are 8,000 residents and 4,000 staff in the group

An internal audit scheme had been introduced

Two new villages, one at Rangiora and a second on the site of the Kingsgate in Remuera, Auckland were to be developed.

Ryman is now a $4 billion listed company 30 years old and 15 years listed on the New Zealand Exchange.

Oliver Saint

Footnote

It should be noted that the Board of NZSA had exchanged views with the Company on the share Incentive Scheme for Staff and its associated loans, and the quantum of directors' fees. Both these subjects had been resolved satisfactorily prior to the meeting.

Kiwi Income Property Trust AGM 30th July

The Chairman Mark Ford opened the meeting and said this was the first meeting since internalisation in late 2013. He said it was also the 20th anniversary of the listing of the Trust and that the Trust was now the largest internalised diversified property trust in the country. The goals of the Trust are to achieve total returns per annum of greater than 9% and pre-tax distributable earnings of greater than 2% per annum.

Chris Gudgeon the CEO then summarised the last financial years results with highlights being net rental income up 9.7% over the previous year, profit after tax of $101.3 million and total cash distribution to unit holders of 6.6 cents per unit. Total assets are $2.236 billion with net tangible asset backing per unit of $1.17 up from $1.14 last year.

Both the Chairman and CEO believe the outlook for the Trust is positive with the economy buoyant and retail and office space rentals and leases increasing. Weighted average lease terms are 4.7 years up from 4.3 years last year and occupancy rates are 97%.The projected distribution for 2015 is 6.5 cents per unit and this will include drawing from the distribution reserve whilst 56 The Terrace is being refurbished and undergoing seismic strengthening due for completion in 2016.

The Board will put a proposal to unit holders later in the year to corporatise the Trust and the Chairman explained the benefits to unit holders of corporatisation including the protections of the Companies Act and the Takeovers Code.

Richard Didsbury the first Director to be elected under the internalisation spoke to the meeting regarding his re-election. A poll was taken for this resolution and this is the preferred method of the Association. The results of the poll were 99.77% For 0,23% Against.

Grant Diggle

Aorere Resources and Chatham Rock Phosphate AGMs 23rd July

Approximately 60 - 70 shareholders were in attendance at this combined AGM. Directors Chris Castle and Jill Hatchwell tendered their apologies, as they were in London facilitating a market listing there for CRP. Chris assisted with answers via phone link. The formal resolutions concerning re-appointment of directors and auditors' fees were passed unanimously and were supported almost unanimously by proxies. AGM presentations can be viewed on the companies' respective web sites. Shareholder mood was generally positive.

Chatham Rock Phosphate

There has been further significant progress in the last year with the granting of a mining licence and the lodging of a marine consent application. The outcome of this application is expected to be known in November and is critical to the success of the project. The election outcome could also have a bearing on CRP's success. Raising further capital to complete the mining licence and marine consent applications has continued to be a challenge for CRP. CRP's latest fundraising approach is to raise $8M capital and dual-list on London's AIM market, there being an appetite for projects such as this among its investors. Hopefully this capital raising and listing should be completed in the very near future.

CRP remains confident of success for its marine consent application despite the recent failure of Trans-Tasman Resources' application for marine iron-sand extraction. CRP has followed progress on that application and refined its application and proposed presentation utilising the experience gained from observing the progress of the TTR application.

Most questions centred details of the marine consent application and one questioner expressed concern that mining would not commence until 2017, Progress has been slower than shareholders hoped.

Aorere Resources

A significant part of AOR's fortune is dependent on the success of CPR in which AOR holds some 8.8% of CRP's shares or alternatively on the success of the current Kotuku oil exploration. Following AOR's Kotuku farm-in agreement with Mosman Oil and Gas (AIM:MSMN), drilling has commenced at Kotuku oil seeps with a 'discovery.' Hence there is optimism that commercial quantities will be found. AOR owns 12% of Mosman and is entitled to a 1% royalty on any Kotuku production. The effect of this discovery on Mosman's share price means that Mosman is now worth 56.7% of the AOR portfolio (up from14.7% in 2013), and CRP 37.2% (78.5% in 2013). The market value of AOR shares has recently been less than 10% or so of the value of its holdings. The directors will continue to seek further oil and mineral possibilities. Promising projects would be spun off in a similar manner to the spin-off of CRP from AOR (then called Widespread Portfolios).

Questions centred on capital raising and future returns. As at the time of the meeting AOR had offered a share purchase plan closing a few days later taking advantage of legislation that allows a company to raise up to $15,000 from each eligible shareholder but not exceeding in aggregate 30% of AOR's total shareholding. Directors declined to comment on the up-take so far, and following the meeting the closing date was extended by one week.

As mentioned in previous reports, both AOR and CRP are speculative investments.

Peter Milne

AWF Group AGM 23rd July

AWF's annual report is titled "Positioned For Growth." Positioned it might be, delivery was not achieved in the 2013/14 year. Chairman Ross Keenan described 2012/14 as a "milestone year of mixed achievement." Shareholders seeing a continual slide in share price – down 20% over the year - might have felt even less positive. On the bright side, AWF acquired Madison Recruitment, a white-collar agency, to become a full spectrum service provider. On the down side, significant debt was incurred in the Madison acquisition; demand for labour in Christchurch has yet to kick in; and apart from Auckland, there is little demand in the rest of the country. This canary in the mine is saying that development in Wellington and the provinces is dormant.

A copy of presentations by Mr Keenan, AWF CEO Mike Huddlestone and Madison CEO Simon Bennett are available on the AWF website. Note, AWF and Madison have different cultures and will stand alone in their operation. Again, more mixed messages. An admission the interim dividend was "perhaps overcooked" as income did not meet expectations and then a positive growth forecast for the current year.

Mr Keenan listed three goals: reduction of debt; growth (increased investment); and increased dividends. This drew a sharp response from Brian Gaynor who said the company was sending confusing messages; those goals were not complimentary, and which one was the main objective?

Mr Keenan indicated a probability of AWF raising more equity $8 – 10 million and invited suggestions on how that should be done. Shareholders suggested a 'rights issue' and no institutional placements. Alan Best spoke on the need to ensure any issue was fair and equitable to all shareholders, and low cost under new regulations.

Directors Ted van Arkel and Julia Hoare were re-elected and Directors were authorised to set the auditor's fees. Director's fees, which are modest, have not been reviewed for some years. Expect a review – not necessarily an increase – next year.

AWF's shareholder communications have not been good. In his NZ Herald column Brian Gaynor signalled poor posting of information to the market and inappropriate resolutions in the Notice of Meeting. Alan Best asked for all announcements to be posted on the company website. As in past years, I pointed out inadequacies in the proxy form. All these shortcomings were acknowledged. New CFO, Paul Mens, has promised to adopt best practice. His first effort was mediocre. It took AWF until August the 5th - 9 working days - to notify the NZX of the AGM results. Good companies do it within an hour. More than a day is unacceptable.

Bruce Parkes

Green Cross Health AGM 29th July

A simple green cross is an internationally recognised symbol for health services. The new brand at least gives great scope for expansion and development. There are three streams of activity; the Life and Unichem pharmacy group; the Radius and The Doctors medical centre group which is effectively a consolidator and manager of general practices (paralleling Abano's dental practices); and community and in-home support services, (Total Care.)

The retail group is the backbone having produced over 90% of the pretax profit, but there is a feeling that this market is mature and highly competitive. The 35 medical centres at a contribution of $2m 18.2% of assets is in the early stage of growth. The firm has very recently invested in 50% of Total Care Health Services concentrated on the Northern North Island. This company is reported to be performing well but is too small for it to make a meaningful contribution at this stage. The board is diverse with an orientation towards pharmacists, but it has something of a grass roots retail feel, and we would hope that it is monitoring carefully the multiple directions which are offered by its investments in medical practices and total care services.

The Chairman, Peter Merton outlined the market potential as approximately $1b in pharmacies (Green Cross sells about a quarter of this,) and around $800m in medical (excluding ACC and patient contributions) of which Green Cross has a tiny share. Questions were asked over the trading of shares by LPL Trustee, and Cape Healthcare (30% each,) which affected the NZX price sporadically, and over the lessons to be learned from Australia, which Patrick Davies (also of Ebos) answered. I particularly liked the layman's financial summary in the first 2 pages of the annual report.

The company has produced pleasing results and solid profit growth over the past few years. The Chairman did mention however, the profit growth was expected to slow this year, as the company invested further in growth for its medical division in particular. We left feeling that the company had significant potential, and was led by a skilled and capable team.

Alan Best

The Cooperative Bank - An introduction - 24th July

I attended this AGM, as I am a customer and am generally interested in Cooperatives, NZ owned businesses, and Banks.

The Cooperative Bank is a start-up bank, but not a start-up company. The banking licence is new, the Chair and Chief Executive are both quite new (3-4 years?), but the business has been around for many years in its previous guise as the PSIS, the Public Service Investment Society. The Chief Executive calls the Bank "New Zealand's best-kept secret".

Eighty five people showed up to be part of the proceedings, and were treated to updates from the Chair Stephen Fyfe, and CEO Bruce McLachlan. For those of you not familiar with the Coop Bank here is a brief profile.

There are now 125,000 shareholder customers and the equity of the Bank totals $143m, an average of $1,144 each. The shareholder-customers all receive an annual rebate where shareholders in other banks would receive a dividend. The balance sheet is funded by its customer base on almost a one to one basis between the amounts members lend the bank and borrow from the Bank.

The group comprises of the Bank and an Insurance Company which deals in life insurance and loan instalment insurance. The Banking Company is registered as a "Cooperative." - not a company in which liability is limited by share capital. There are 300 staff.

The Bank's balance sheet totals 1.6 billion, and, is comprised of $1,288m of residential mortgage backed loans (71% owner occupied) and $123m of personal loans as well as $190m odd of cash and marketable investments. These are probably held to meet liquidity requirements

As such the Bank has a strong funding base and a very conservative asset mix. Diving into the annual report for information on other risks paints a similar picture, with liquidity, interest rate risk and credit concentration, all conservative.

The Bank (as a group) also has a high capital adequacy ratio. The Reserve Bank requires 8% capital, with the new 2.5% buffer taking the total ask to 10.5%. Coop Bank has capital of 16.8% which is 160% of the requirement. Another conservative feature of the capital adequacy calculations is the absence of the Tier 2 capital.

The Coop Bank clears at the Reserve Bank through the BNZ. As a result the private account numbers prefix as 02 for the BNZ. There appears to be a strong funding arrangement with Westpac. There is also some securitisation of mortgages through a Trust. This provides securities that the Reserve Bank accepts as collateral in their clearing operations and no doubt it drives down funding costs.

It has been a good year for Coop Bank in many ways – customer numbers up by 10,000, lending increased by 9%, deposit increased by 8%, bad debts were down 37%, and the rebate to shareholder customers increased by 30%.

John Isles retired as a Director, after 26 years. Given modern views on the tenure of Directors, that may be an unbeatable record. John was thanked for his tremendous contribution over the years and noted the essence of the Coop Bank was three things: mutuality; a customer base of ordinary New Zealanders; and that it was NZ Owned. He observed the Bank is well placed to build to a higher plateau and closed with an astute observation on the tension between the goals of profit and the benefit for members. John phrased this in horse racing terms, regarding the balance as like holding a Quinella ticket. So long as you achieve both it doesn't matter which comes first. Well said John!

The Challenges

Many of the challenges for the bank relate to scale. Several years ago I sat at my first AGM and looking across the tables at the front of the room I could see Auditors, Directors and the Chief Executive. These totalled a fair sum against the profit of the bank. This year that "trifecta" (because you need to have all three) costs out at just under $1.2m, around 14% of the after tax and rebate profit.

On the bigger scale, banks use a standard Expense Ratio which measures how much cost is incurred in earning every dollar. This was noted as in the 80% for Coop which compares to bigger banks in the 40's. This is an identified focus for management.

I've wondered about rationalisation amongst the smaller banks, credit unions, and the like. A merger looks to be an attractive path for Coop members from a strictly financial point of view. I expect it would be a real challenge to find a similarly member-orientated institution. I am sure this has been well explored by all the smaller players. Meanwhile Coop's growth in customers and profit this year suggests organic growth will continue. At one point in the AGM a comment was made that the members are decent people who are in the habit of paying their bills. That's a pretty good bunch of people.

Another issue relating to scale is the dependence on other providers for some services where it is not economic to do it alone. The one disappointment for the year was the non-delivery of a Coop Credit Card. It appeared the project to implement this had failed through a third party. Other options are being considered. Meanwhile there doesn't appear to be any shortage of credit card providers to service the COOP Bank's customers while they wait for the Coop card.

Mention was made of having to ration the development of services. We heard of a push into Auckland, and the introduction of Saturday banking. We can see a youth focus which will no doubt drive down the average age of customers. We were treated to a first look of the mobile banking app. The functionality is right up there and the art work is simply spectacular. I made a point of downloading it when it became available on the Monday. First class, well done!

Another challenge to be addressed in the year ahead is to revisit one of the founding documents. Currently the customer rebates can only be applied to relationships with individuals. This excludes any Company or Trust balances. Coop has identified a push into small business banking, where their core services will fill most needs. That is likely to be much more attractive if the governing document for the Rebates is expanded to include non-individuals.

In Summary

A great little start-up bank with a long history as an NZ Owned business. The place looks soundly managed along conservative lines. There is a recognition of the challenge of scale. There is good organic growth occurring and a reasonable and increasing range of services.

Currently the Bank is providing great services to a bunch of people as their primary bank. These people have a stake in the business and a direct share in the profits.

It is hard to see how that can be a bad thing.

Once the Rebate Entitlement extends beyond individuals it looks well placed to serve Companies and Trusts as either their primary bank or perhaps as “a significant other”.

Isn’t it nice to share a “best kept secret” in the confidence that crowds won’t ruin it!

Mathew Underwood

Energy Mad AGM 18th July

If for no other reason, Chairman Rick Ramsay can be congratulated on the brevity and directness of his address. It was a frank admission that the company had not performed; the shareholders had a right to be unhappy and he offered no excuses. He did however make it clear that the board was acutely focussed on addressing the issues and putting into action their plan to change their focus to LED eco-bulbs. The market had trended towards this technology and as a direct result Energy Mad was actively pursuing three marketing initiatives;

1. Their direct marketing plan within New Zealand,
2. Continuing to develop the Australian energy saving plan in Victoria, ACT and NSW; and
3. The appointment of Advantage Corporation in the USA to develop the Walgreen distributorship. This latter initiative also allows for additional retail outlets in the USA to be developed.

In addition, they had increased the number of manufacturing sources in China up to four. The original decision to appoint one, was intended to protect their intellectual property and give them greater control, but was unsuccessful. The move to a greater number of contracted manufacturers was a risk management initiative.

Dr Chris Mardon, the MD and founding shareholder, presented rather depressing annual accounts along with some explanations. One of these was the very high cost to the consumer, which was a deterrent for many homeowners. Essentially, this meant the failure to develop offshore markets, in particular the UK and USA. Both were acknowledged as very fertile areas for development and growth and with the change in technology and market strategy, Mardon believed they were well on the way to achieving the results that had so far eluded them. He displayed the sales for the first three months of the current financial year. These clearly showed a substantial improvement that looked very encouraging. They were focussed on getting consumer acceptance of LED lighting and selling the considerable benefits. Lower energy consumption - the bulb would pay for it-self in a year; longevity - the bulb will last 15 years for most average households; and spread over that time it was very cost effective.

Chris Mardon was very much aware they needed to perform in the coming year and was confident they would.

Questions from the floor were specific and in general were not antagonistic. One shareholder questioned the direct, door-to-door sales plan. Chris Mardon was of the firm view that on results so far achieved this system was working. Asked if they had promoted the product to architects, building and construction companies, interior designers and property developers the answer was, no they hadn’t, as it was not seen as a productive area. They do promote the product to electricians because most people seek and get their advice on lighting from this source.

Neither do they offer their product through any retail outlets. NZ customers buy on line, and it was suggested that service centres in major towns would be of benefit. "Not on the plan," according to the Sales Manager with whom the writer spoke after the meeting.

The major shareholder who was an original investor and who recently sold out and caused some fall in the share price, also brought about the loss of major tax write offs. This prompted a question as to how much this would affect the company. Chairman Rick Ramsey stated that it had a negative impact, and they had investigated every avenue to prevent this from happening but without success. Although disappointing, they did still have $4.7million in write-offs available.

While this company has suffered from an enthusiastic but probably naïve management, a sense of urgency and professionalism is becoming apparent. This writer remains doubtful that they are completely on the right track, and concludes they still have some way to go. The board seems to be reasonably well constituted, and it is a bit of a mystery that they haven't made a better fist of it to date. However, we can expect a better year in 2015.

Max Smith

Goodman Property Trust AGM 5th August

704,000 proxies held

Operating under a Trust Deed, annual meetings of GMT are usually bland affairs as nothing of a contentious nature is brought to unit holders to vote on. Until now, even 'Independent Directors" have not been subject to vote. However, some change is coming. From next year unit holders will be given the opportunity to nominate and vote on independent director appointments - but probably not a great deal else.

This year, we got to vote on changes to the Trust Deed that would change (reduce) the management fee paid to the external manager, Goodman NZ (part of the Australian Goodman Group which has A$26 billion of funds under management worldwide) AND allow Goodman to exchange their fee for new units in the Trust acquired at market rates.

Before we got to discussion on the resolution, chairman Keith Smith, CEO John Dakin and CFO Andy Eakin took us through a review of the Trust's performance over the 13/14 year. They reported a strong performance, a record financial result and active capital management. Fifteen new projects are underway with a $165m project cost. After tax dividends of 6.25 cents a unit this year is projected to increase to 6.45 cents a unit giving those in the 33% tax bracket a 9% yield. The Distribution Reinvestment Plan is to be suspended and will not be available to those receiving the September 1.6125 cent interim dividend.

So on to the resolution.

The resolutions before the meeting reflected negotiations between the manager and the independent directors. The fee structure under the trust deed comprised

- a base of 0.5% of assets up to $500m and 0.4% of assets over $500m,
- a performance fee based on Total Unit Return relative to other listed real estate entities.

In order to limit the accumulation of a large development land bank (which qualifies for the base fee but produces no income), the directors had agreed to a fee rebate of 0.42% over the development land. This incentivises the manager to limit the interest-eating land bank and develop it as swiftly as possible. We think this is a good move.

The second change obliges the manager (Goodman NZ) to buy new units with its base fee as well as its performance fee. Over the 3 preceding years for example, this would have raised the managers' holding in units from 17.6% to 19% of the total. The ceiling proposed is 25%, because a vote of 75% of unit holders can retire the manager. The downside is that this further entrenches the manager's position. Directors still reserve the right to pay the base fee in cash. The payment of the fee in units forces the manager to cover all its operating cost from dividends, and to focus on Total Unit holder return. While not ideal, on balance we think this approach has some merit.

In general discussion there were only 4 questions from the floor.

One was on whether the manager could in the future increase its holding to more than 25% and so block any management buyback. The answer is that: the independent directors could suspend the share purchase option; and there is a legal opinion that a High Court order could be sought to force a buyback.

Noel Thompson queried why Goodman was being offered new units when the DRP was being suspended. The answer is that, by comparison, the Goodman option was of a far smaller magnitude than the DRP where, at times, up to 40% of the total distribution has been re-invested. (As a result there is some evidence that Institutions have gamed the situation)

Alan Best outlined the NZSA viewpoint, noted that Goodman was an excellent manager and was commended for its strict compliance with regulations. He believed that Goodman would be a very reluctant seller of the management rights and saw the resolution as being the "best we could expect."

I voted all undirected proxies in support of the resolution. The poll result was 99.79% of 313,643,032 votes were in favour.

During the after meeting refreshments I was approached by a number of attendees who seemed completely lost on the structure of Goodman Trust, the roles of the manager and Directors and why we did not get to vote on resolutions typical of most company AGMs (that's what wearing a suit and name badge gets you)

I don't know how satisfied they were with my answers, but I spoke to Keith Smith and he agreed that it would be helpful to have some simple explanations available on the Trust's website.

Bruce Parkes

Mainfreight AGM 30th July

As if to depart even more from tradition, the Executive Chairman Bruce Plested opened by describing his recent board meeting right from the morning jog and breakfast, after flying in from Chicago, to the full day in Los Angeles, and continuing in Amsterdam and Belgium followed by a quick transit to Shanghai. The global scope of the business was then emphasised by CEO Don Braid, who doffed his jacket, left the rostrum and came down amongst shareholders to deliver an "unscripted" but well rehearsed presentation on how they are now positioned for another major leap forward. Shots of the big new warehouses Brisbane Sydney and Melbourne signalled that Australia would soon overtake NZ as the major profit centre, while the Mainfreight missionaries for USA, Europe and China spread their unique culture. Although capex of $100m will be required this year, all areas are poised for growth and the first quarter is in line with expectations, (no budgets here.)

One shareholder questioned the wages and staffing levels in Europe as compared with those in Australia and the most profitable, NZ. Don Braid agreed that the drive for productivity was receiving the attention of all managers.

The election of Carl Howard Smith was a formality, but the election of Bryan Mogridge was contested initially by Coralie Van Camp (who felt that both he and Richard Prebble were not a proper fit with the Mainfreight ethic,) and your proxy holder who opposed Bryan Mogridge on the basis of his performance in PGC and Rakon. There was sufficient support in the show of hands, although the result was clear, to show that Mogridge is on notice.

I spoke to him afterwards and he claimed some credit for the rapid turnaround in the results of PGC, and corrective action taken in Rakon. We will see.

Under general business we sought support from the company to have its registry post hard copy according to individual shareholders wishes, rather than to the bulk deal it is signing with the company. Don't hold your breath on that one either.

I checked the NZSA website before I left and noted that Mainfreight's gearing had reduced from 42.56% in 2012 to 35% in 2014, return on assets grew from 8.76% to 9.18%, and dividend from 26c to 32c/share. This company is still in good shape, and good heart.

Alan Best

Caught on the Net

The highest paid CEOs are the worst for investors

This story is germane to John Hawkins' editorial. Research by Professors Michael Cooper, Huseyin Gulin and Raghavendra Rau found that CEO pay is negatively related to future stock returns. The more the CEOs were paid, the worse the stock performed. **More**

Australia's (and NZ's) addiction to dividends is killing us

So says Alan Kohler in Business Spectator. He claims that dividend imputation is distorting investment decisions and moots for a return to double taxation. **More**

The difference between savings and investment

John Aziz, posting in Pieria, sees the rejection of Keynesian economic ideas as a misunderstanding of the difference between savings and investing. For him, saving is by definition inactivity whereas investing is putting money to work. In the 'real world' they move in opposite directions. **More**

The forgotten financial panic of 1914

This month is the 100th anniversary of WW1. What has not been remembered is a linked global financial panic where every stock exchange in the world was closed - except for New Zealand, Tokyo and the Colorado Mining Exchange. **More**

What's almost as certain as death? Not talking about the inheritance

This NY Times article looks at why people are reluctant to talk about inheritance and offers four reasons. **More**

Corporatism not capitalism is to blame for inequality

Economics Nobel Prize winner, Edmund Phelps, in a Financial Times opinion piece, has a swing at the 'Egalitarians' (Piketty et al) who blame inequality for lethargic growth. He claims the blame for the losses of innovation behind slowdowns in productivity lies with the spread of corporate values, particularly solidarity, security and stability.

More

Investors think about risk differently from the Finance Industry and why this matters

Nelli Oster, in a Blackrock Investment blog, says individual investors and finance professionals tend to think about the riskiness of assets differently and these differences can have a real negative consequence for portfolios. **More**

Buy and hold investing is impossible

So claims Chuck Jaffe in the WSJ's Market Watch. Then he hedges his claim and says it is okay if investors can keep their heads during the carnage of a 2008 type market downturn. **More**

Seven market myths that make investors poorer

Cullen Roche, in a Market Watch piece, says "financial markets are populated by irrational and biased participants." We have a tendency to not only misunderstand how the markets function, we tend to buy into myths that often harm our financial well being. **More**

Can individual investors time market bubbles?

While common wisdom might say no, this 14 year research study (50 pages) documents a significant persistence in the ability of individual (Finnish) investors to time stock market bubbles. Those investor who successfully timed the market in the first half of the sample were more likely to successfully time it in the second half. The evidence suggests that it is possible to use the trading patterns of successful investors to anticipate market movements. **More**

Wealth Managers enlist spy tools to map portfolios

Who owns what can be very complicated, at least in the USA. The NY Times reports Addepar, a company that used to solve problems for the CIA, is charging clients $50,000 to $1m to provide clear and reliable information about complex assets inside pension and investment funds. **More**

The biology of (financial) risk

Risk is more than an intellectual exercise - it is a profoundly physical experience says John Coates in the NY Times. He says that if we understand how a person's body influences risk taking we can learn how to better manage risk takers. **More**

Why is calling a market top so hard?

Asks Barry Ritholtz in BloombergView. While he offers 6 reasons, in conclusion he says that if your investment plan is dependant on identifying when the market is at the top, you are in deep trouble. **More**

EBITDA is not a perfect measure but it is less easily manipulated in accounts

For those whose eyes glaze over when they turn to the financial pages in an annual report, this Ian Kelly post n Pieria is a must read. He explains it with a easily followed example. **More**

Finance blogger wisdom - Advice for novice investors

Investment blog Abnormal Returns asks 12 financial bloggers for one piece of advice for a novice investor. **More**

How our economy works (and doesn't work) in words and pictures

Graphics are a great medium for getting a message across in an easily understood format. While you might not agree with the message in this on-line comic, you will understand it. **More**

Teens and Money

With Money Week coming up this site is a gold mine. Its full of short videos and teacher lesson plans to help teens - and others younger and older - understand the basics of financial self management. **More**

How fund managers spend your money

Writing in the Financial Times, Norma Cohen discusses the cost of transaction fees, "the murky murky part of the Fund industry." Eightyfive percent of these costs, which might be hidden, are carried by investors. Try asking your fund manager "what would the investment return have been at the end of the year if you did not trade a single share?" **More**

Investment Adventures in Emerging Markets

In this post Templeton Investments manager, Mark Mobius, recounts some of his trading adventures over 25 years. He is bullish on the future growth in these markets. **More**

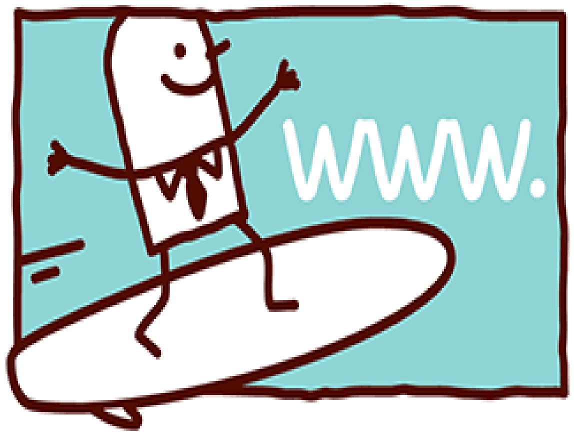
A Nobel Laureate's Retirement Proposal

Robert Merton, a Nobel prize winning economist, published a paper in the HBR titled "The Crisis in Retirement Planning." John Rekenthaler, a Morningstar Vice President, opines that Merton's idea is good, but the benefits are overstated. While the language and emphasis on US pension funds might sound a little arcane, this could be of interest to Kiwi Fund investors. **More**

Using happiness scales to inform policy: Strong words of caution

Self reported measures of happiness are growing in popularity as an alternative to GDP. (In a 'World Ranking Survey, NZ ranked 10th and Australia 17th out of 57 countries). Kevin Land and Timothy Bond, writing in VOX, say beware, no meaningful comparisons can be made without assumptions on the distribution of happiness. **More**

Bruce Parkes



Branch Reports

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We recognise that branch reports in our newsletter do not adequately represent the expertise and preparation of those presenting. The work of these professionals who give their time is appreciated by all who attend. Members are encouraged to refer to the individual company websites for the latest news and disclosures.

Auckland

Company visit to Sanford Fisheries.

The visit was met by Voulker Kuntzsch (CEO) who remained with us right throughout the visit. As the production for the day was due to finish, we were taken straight to the factory where we were given an overview (literally), of the production process by Margret Hall, the Production Manager (23 years with the company).

Sanford's Auckland plant processes 6000 tonne of fish per annum. Thirty percent of the production is for the local market. Forty percent of the remainder is exported by air freight, chilled. This goes mostly to Australia (snapper, terikahi). The balance is frozen for export. Orange Roughy is exported to the US. Sanford contract supply foodstuffs. Progressive run their own production plant.

They employ 120 waged staff on 2 shifts – 0600 to 1400 and 2200 to 0600. Production staff are mainly Pacific Islanders and gender balanced. The plant processes 20 species whilst the South Island plant processed 5 species. Species are seasonal and the customer gains best advantage by buying at peak season. Currently it is Hoki. There are 2 production lines – filleting and trimming. There are electric counters above the production line. These motivate production staff as no one wants to be the least productive on the line. The factory operates at Ambient temperature. Scraps are sold for production into fish meal. Sanford have 7 trawlers working out of Auckland. One of them is a long-liner. There is a daily fish market starting at 0600. A minimum purchase at this market is a 25 Kg bin.

Sanford has 25% of the quota, is the second biggest producer of King Salmon and 50% of the company's revenue is generated from aquaculture.

There is great potential as the company operates in the fourth to fifth largest fishing economic zone in the world. The certified sustainability is a strong marketing tool. The aim is to add value. One of the greatest challengers is to manage the impact of exchange rates. Sandford is working to grow the local market, which currently takes 17% of its production. NZ consumes 21 Kg of fish per capita per annum compared with Japan at 70 Kg and Iceland at 90+%.

Sanford is an active participant in precision seafood harvesting technology. This is a joint industry/government project to supersede fishing nets which is showing exciting results in productivity and sustainability.

The company premises are well positioned in respect of the Wynyard development. This should deliver thousands of high discretionary income apartments to their doorstep. The company is exploring the development of the existing seafood market/ restaurant/bar along the lines of Pike Place market in Seattle.

Mr Kuntzsch sees real advantages in the industry developing a co-operative approach to the supply line, similar to the NZ refinery approach. With an aging trawler fleet worth $50 million for each vessel, one can see why.

Suffice to say, a light lunch and no requirement for an evening meal, was the result. We sampled chef prepared examples of the company's finest. If you want to know more visit – www.auckland-seafoodschool.co.nz.

Mark Leys

Auckland Education Courses

Western Springs Community College will run its education courses again this month.

Website: www.leisuretimelearning.co.nz/businessandfinance

Our courses are right for new investors, for current investors who need more knowledge, and for those who want to understand their Kiwisaver investments.

Course1. Investing for your future – general investing principles - 2*2hr sessions

Commencing August 13 at 7pm; Tutor John Hawkins

Price $65 inc GST; plus $20 for the NZSA course book

Course1 will be offered again commencing October 29

Course 2. Sharemarket basics – understanding how and why to invest in shares.

Commencing November 11 at 7pm; Tutor Jacquie Hagberg – 2*2hr sessions

Price $65 inc GST; plus $20 for the NZSA course book

Tell your friends, family, and work colleagues about these informative courses. You don't have to be an NZSA member – just keen to develop your understanding.

Future Auckland Branch Meetings

All at Alexandra Park Convention Centre, Green Lane. 7pm tea & coffee – 7.30 pm start

Wednesday 17th September,

John Penno, MD, Synlait Milk

Wednesday 19th November,

To be advised

Future Company Visits

Further visits are being arranged for October, and December by new co-ordinators Fiona and Stuart Gray. Auckland members will be advised by e-mail when information is available.

Bay of Plenty.

We gave our usual last Friday of the month Discussion Group Meeting a miss for July.

We will, however, be making up for it in due course!

Programme for the next 3 months:

5 August "after 5" at Mt Maunganui Golf Club – the guest speaker will be Jon Mayson, chairman of the recently listed Scales Corporation, and former CEO Port of Tauranga.

29 August Discussion Group meeting at Gate Pa Bowling club – guest speaker, Max Mason, CEO Bob Owens Retirement Village, -also "Our Portfolio" segment.

26 September, Discussion Group Meeting

16 October, Money Week Seminar at Club Mt Maunganui.

Watch this space.

Jane Lyndon

Waikato

Forward programme

Tuesday, 19 August with Graeme Milne, Chairman, Synlait Milk Ltd. Guests welcome. Enquiries contact waikato.nzsa@gmail.com

Thursday, 18 September with Chris Day, CFO, Z Energy. Guests welcome.

Tuesday, 14 October 2014 with Mark Powell, CEO, The Warehouse Group.

Waikato Branch NZSA November Year End Dinner

Tuesday, 25 November with Paul Glass, Devon Funds Management Ltd.

Waikato Branch NZSA functions are held at The Verandah, Hamilton Lake, www.theverandah.co.nz meeting at 5.00 pm for a 5.30 pm start (start times apply to the regular monthly events and not to the dinner functions held in June and November).

Members and non-members are welcome..

Event fee, including a light supper: $15 each, and $20 for non-members (except for the dinner events).

For further details contact Mike Lamb at waikato.nzsa@gmail.com

Wednesday, 13 August 2014. "Election 2014". A panel discussion featuring MPs and sector representatives from the major political parties. For more details visit www.waikatopia.org.nz

John Davies

Wellington

It has been a full-on year so far and we haven't even found time for our Branch AGM yet – I must get onto this but we seem to keep filling up our branch meeting slots with guest speakers.

Last month we had Doug Heffernan and Fraser Whineray from Mighty River Power along, both were very impressive. They have had a good four months of handover time together so Fraser should be well prepared for his role as CE from 1 September. I hope Doug pops up somewhere else in corporate NZ, it would be a shame to lose his experience.

In August we have Green Cross Health (previously known as Pharmacy Brands) and in September we have MOA beer pencilled in – the September meeting might be a good time for our branch AGM too.

Martin Dowse

Canterbury

Canterbury Branch members were invited to join with their shareholders to Infratil's Roadshow held at Riccarton Park on30th June to hear a presentation from Tim Brown, who is a member of Infratil's Senior Management Team, Director of Wellington Airport and NZ Bus. Tim gave an entertaining overview of the Infratil's performance and handled questions from the audience with accomplished ease. The evening concluded with a generous provision of light refreshments. We extend our thanks to Tim Brown and Infratil for facilitating this invitation and for the positive references made during Tim's talk to the work of the NZSA.

Our branch AGM was held on Thursday, 24th June. It was a short meeting where the formalities of annual accounts and officers' reports were dealt with expeditiously. The five members of the branch committee seeking re-election were returned unopposed and Michael Mellon was elected taking the slot vacated by Barbara Duff. Barbara has stood down from the committee and the role of Treasurer which she has held since the branch was formed a decade ago. A vote of appreciation for Barbara great work was passed unanimously. The role of branch Treasurer has been taken by Pamela Hurst.

Our next function will be at 4pm on 8th August in the Fendalton Croquet Club where the Rt Hon Ruth Richardson will give a talk under the title "Business Building – the Critical Elements". This is a different topic than previously announced as the Committee had originally planned for Ruth to give a presentation to an audience of girls from Christchurch high schools. Surprisingly, however there was insufficient interest from the schools to justify this larger event! We plan to revisit this proposal next year.

Robin Harrison

Upcoming Events

For more information go to Branch section of NZSA website

2014

August 8	Canterbury Branch meeting
August 12	Wellington Branch meeting
August 19	Waikato Branch meeting
August 29	Bay of Plenty Discussion Group meeting
September 6	NZSA Annual Conference
September 17	Auckland Branch meeting
September 18	Waikato Branch meeting
September 26	Bay of Plenty Discussion Group meeting
October 14	Waikato Branch meeting
October 16	Bay of Plenty Money Week seminars
November 19	Auckland Branch meeting
November 25	Waikato end of year dinner

A lazy balance sheet may signal a lazy company

Tony Knights wrote:

In the July 4 edition of NBR I came across an interesting article by Mr David Wallace " Free up Lazy Balance Sheets" It describes and ailment that has become almost chronic in New Zealand companies.

Mr Wallace describes the relationship between profit and the return on capital, involving stock turn, terms of trade, and debt collection. He concludes, "Globally our companies rank well in terms of operating profit margins, but are generally keeping too much capital locked up on balance sheets…. Although there are good examples (like Briscoes, Restaurant Brands and Hallensteins,) which survived on low levels of working capital, plant and equipment, turning over their asset base numerous times a year, too many companies are not focussing on the basics of stock turn, debtors, margins and productivity of available funds."

Instead of telling us about fees, bonuses, share buybacks, and the reports from consultants, and forming yet more committees, companies should report specifically on how the "nuts and bolts" of the company are working. David Wallace concludes that ROC can be easily determined, but too many organisations aren't looking at where productivity gains can really be made. We need to insist on clear explanations of the basic productivity of our capital within our listed companies.

Editor: Thanks Tony. We say Amen to that!

How fair is the Dividend Reinvestment Plan to the Retail Shareholder?

Martin Watson and Kane Ongley are thinking about this in depth and have agreed to give us their thoughts next time. Keep reading The Scrip!

Proxy Forms - A crusade in little steps

NZSA in the past has advocated for simpler and clearer proxy voting forms.

Most companies now include voting choices for shareholders as FOR-AGAINST- ABSTAIN – PROXY DISCRETION. The inclusion of proxy discretion is important to our proxy holders because it allows NZSA to complete its research on resolutions and vote in the light of the most recent facts, often after discussion with the company.

We have also promoted the internet voting system with registries, who now include NZSA amongst their usual proxies for voting through the registry website. Not all companies enable out of town shareholders to participate in this way, and we think all members should raise the issue where internet voting is not offered in the current round of company meetings.

This year we have pursued the idea of clearer proxy forms, and used the example of PFI's exemplary form, because it was one of the earlier meetings in the round. Our suggestions have been well received by Company Secretaries in such diverse companies as Energy Mad, and AWF. Look for a broad improvement in your voting papers over the next year, and take advantage of NZSA's proxy service.

Max Smith

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Editor Alan Best

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