"The Scrip"
MANY INVESTORS; ONE VOICE
NZSA
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Trying our Patience

A key reason for forming the NZSA ten years ago was to leverage the voice of small shareholders. That of course is still relevant today - perhaps more so since institutions have become larger shareholders in proportion to the total. That trend that will likely continue with the advent of KiwiSaver. However, the institution's imperatives may be very different from individual's. They may be less likely to take a long term view, especially when things are heading south. They also often take their lead on voting issues from external groups such as MSCI who took over the business of Risk Metrics, themselves listed in the USA. As a consequence there is a perception of a lack of critical analysis and independent thought by this group of large shareholders. Nowhere is this more evident than in matters of remuneration where it is rare to see institutions protesting that enough is enough.

When it comes to director's fees and executive pay, the influence of so-called independent advisor reports can also be critical to the outcome of any vote. Rises in fees and executive pay have far outstripped wage growth and company performance over the past couple of decades. Where we used to have differentials of 15 or 20 times average worker's pay to total CEO pay, it has now reached nearly 100 times locally, and is much worse in some other countries, particularly the USA.

Every time we have a huge rise the excuse is that some independent advisor report show XYZ are well behind their peers and need an increase. Of course this simply lifts the average, meaning the next report will reach the same conclusion and so the cycle spirals ever upward fuelled by its own underlying flawed logic. Then there is the excuse that we need to compete internationally to get the best people – interestingly a position often promoted by companies with Australian based Chairman. But do very high CEO salaries paid to imported executives result in higher returns to shareholders? If we look at the best performers such as Ryman and Mainfreight it quickly becomes apparent that locally nurtured talent and long term strategies give better outcomes for shareholders. Yet the total CEO pay in these companies is well below the amount paid by some underperformers such as (until recently) The Warehouse. Checking out the NZSA Key Performance Data (currently being updated) makes these trends very obvious.

Although the NZ Occupy groups seemed to be rather disorganised with a variety of complaints both real and to my mind spurious, overseas they have had a strong focus on corporate excess – particularly outrageous pay and handouts to failed executives. And they have a point. When someone of George Soros reputation is publically agreeing that things are out of hand, we can be pretty certain we have a major problem! For example (the late Sir Fred) Fred Goodwin the former CEO of Royal Bank of Scotland drove the company into the ground during his tenure, and a massive government bailout was required. Yet somehow he walked away with over $35million in severance pay! His appalling lack of risk management control can be seen in NZ as well. Just recently it was reported that 22 properties, most being developments by now defunct property developers and originally worth $1.65billion have been sold at a reputed 65% discount.

The key factor in controlling remuneration excess lies with having strong corporate governance. Companies must have good systems and present data to shareholders in a concise and transparent manner. Research in Australia by Goldman Sachs has shown that companies with excellent boards and clear audit and remuneration policies consistently outperform their peers. This research also highlights the value of standardised remuneration reports which your association is promoting for NZ companies, albeit in a more concise form than the Australian version.

Shareholders cannot at present directly influence CEO remuneration – this is decided by the board. Fortunately, we can change the makeup of boards, but it is a power we rarely used to its full potential. We should concentrate on getting strong boards with the appropriate skill set and diversity of opinion to ensure proper governance around remuneration. When directors feel the blowtorch being applied by shareholders, they do listen and react. The GPG cleanout a couple of years ago was one example. Sometimes manoeuvring behind the scenes works better, but where this fails your participation in voting at AGM's becomes crucial. A negative vote of even 20% sends a very strong signal and almost always results in positive outcomes shortly afterwards. The NZSA is always happy to obtain your proxy votes, preferably undirected.

The ongoing consultation that the NZSA has with many companies is also proving invaluable. This year for various reasons the NZSA took issue with three companies over their proposed director's fees increases. Both Nuplex and Sanford accepted the representations we made and dropped or reduced their increase. Sky City was less forthcoming, but will have to demonstrate the kind of performance they have promised or will struggle in the future. However, we also recognise that quality boards give quality outcomes for shareholders and fees must be adequate to attract new skills and talent. For that reason we supported increases in a number of other cases where performance warranted this. It is always a difficult balancing act, and not one for knee-jerk reaction.

What are the alternatives if working within the existing system proves inadequate? In Australia, we are watching with interest how the "two strikes" rule works. Basically if more than 25% of shareholders vote against the company's remuneration report for two years in a row, the whole board has to resign and seek re-election. Some companies have already failed once and are on notice. We see some problems with this approach in the smaller NZ scene, especially with this threshold it would be possible for a couple of large shareholders to manipulate the process to suit themselves, rather than for the good of all shareholders. For that reason we have taken a wait and see approach. Never-the-less, companies here are aware that such measures are possible and are reacting to avoid that possibility.

In the UK, the Prime Minister is so concerned that he has publically floated the idea of shareholders having a binding vote on executive remuneration. The problems inherent in this concept are pretty obvious, so whether he was really serious or just sending an unmanned but heavily armed drone overhead remains to be seen.

While we can reasonably claim that the rest of the world has finally woken up to the concerns the NZSA has expressed for several years now, the key thing is still how we address the issue. The message is clear. Reason and sanity must prevail in the area of remuneration or potentially unreasonable and draconian solutions will be forced on the public company sector. As the title suggests, investor's patience is wearing very thin indeed.

John Hawkins

Chairman

In this Issue

Notice of Annual General Meeting

The Conference and AGM of the NZSA is to be held before 30th September 2012 in Auckland. We will advise details in our next issue. Nominations for Board positions and Notices of Motion must be received by the Secretary at PO Box 42-139 Orakei Auckland no later than 44 days prior to the AGM. If you wish to nominate any member to the Board of the NZSA or submit a Notice of Motion, the forms to do so may be obtained from Chris Curlett by emailing him at secretary-treasurer@nzshareholders.co.nz

Disclosure of Top Salaries

It's time for greater disclosure of senior executive pay in relationship to other employees in the company and shareholders returns.

As an Association we are keen to see our public companies following the trend as in Australian to full disclosure of senior executive pay. We need to know what makes up the total package. What is the basic pay, what are the other fringe payments and how is the bonus payment structured? There is a trend creeping in to New Zealand, just as we have seen over-seas, to over pay our senior executives.

In many cases pay has no relationship to actual performance of the company or regard to what the other employees are receiving or shareholder returns. Often you wonder how the directors came up with the bonus scheme in the first place. One can only assume they take far too much notice of what the consultants recommend. This is the reason Australia has introduced the two strike rule: when 25% of shareholders vote down, two years in a row, what the directors are proposing on fees the whole board comes up for re-election.

One US study by Mercer for the Wall Street Journal, the ratio between the boss and the worker was 24:1 in 1965, 71:1 in 1989 and 262:1 in 2005. We believe that trend is totally unacceptable and reflects the unsustainable greed we have seen over these past 10 years. Without setting bonus schemes which are based on long term performance which aligns executive bonuses to shareholder returns, we will see shareholders demanding more changes to the rules to try and stop such bad practices.

The NZSA would like to see the basic pay for senior executives come back to a more realistic level of between 5 and 15 times the average salary of what the other employees are being paid. The exact ratio will be affected by the size or profitability of the company. Bonuses where possible should be paid where practical to all employees not just the top few senior executives and must be based on performance and in relationship to share holder returns.

The NZSA is not keen to see options being offered to employees but rather a cash payment. Where the payment is of a reasonable amount then we would expect some senior executive use part of the cash to buy shares at the current market price.

We would like to see short term bonuses kept to under 30% of the CEO`s basic pay. For Long term incentives we have not fixed on a particular sum, so long as it has a strong relationship to shareholders returns. Currently we believe many key performance indicators being set are weak, and do not reflect actual financial performance of the company. Recently one of our banks paid a large bonus to its CEO because customer satisfaction went up over the previous period. We would see that benchmark as part of his basic pay, not rewarded with a bonus.

Both in New Zealand and over-seas there is little evidence to show an over paid executive produces the best results. In fact the opposite seems to be the case and so naturally one gets the feeling that directors are giving way to senior management demands for higher pay.

Now the NZSA are producing 5 year trends covering CEO and Director pay against actual company performance and share holder returns we should have some useful facts in the future to support what is fair and reasonable in setting CEO pay.

Basic pay at the top has surges ahead when a consumer price increase has been passed on to the general public. Based on say the average wage in NZ of around $40,000 a 3% CPI increase is $1,200. Why should a person earning say $1 million receive $30,000. I would like to see cost of living increases capped to reflect real cost of living increases rather than relative pay packets.

Over the next ten years, effort should be made to close the gap between the base of the top earner and what the ordinary worker earns. Increases under incentive schemes over and above the base should then be related to company performance.

Des Hunt

Editor: *According to the Financial Times, in 1965, US chief executives received 24 times the wages of the average worker. Over the next 25 years, the ratio went to 70 times. Then, it exploded, rising to 299 times in 2000 and 325 times today. However this is not the crisis of capitalism; it is a cost, a drag on the teamwork and productivity of an enterprise. The secretary, the president, the director, and the professional manager all look for ways to increase their influence, producing reports and hiring consultants, and talking up the market for their labour. Huge amounts are paid and very often the outcomes are not measured, or if they are, we do not get to hear about them.*

A Big Thanks for FMA Feedback

The Financial Markets Authority commissioned Probity Consulting to give independent feedback on its activities and objectives. Excellent member feedback enabled NZSA to give a comprehensive picture of attitudes from the buy side of our financial market. Subjects, backed up with quotations from your emails, included:

- what the FMA needs to do to increase confi dence in our markets
- close monitoring of the banking sector's offers
- positive signs of action by the FMA
- concerns over Kiwisaver offers
- Concerns over company audits
- Relationship between NZX and retail investors
- Persistence of insider trading
- Concerns over Directors and CEO pay
- The need for clarity of accounts and IFRS
- The need for financial literacy education
- Concerns over the appointment and duties of trustees
- Easy access to foreign credit as compared with locally sourced.

The wide range of comments from members gave us lots of ammunition. Thanks to all who participated.

FMA's Guidance on Issuing a Prospectus

NZSA's legal and regulatory committee will be making submissions on the guidance note being published by the FMA on issuing a prospectus. Most members want brevity, clarity, and risk assessment, as well as the positive story. We hope there will be an improvement in these presentations from issuers in future.

Lest We Forget Savings

New Zealanders have all been taken to task by government in recent years for refraining from saving for retirement lest our country flounder under the strains of paying for the social costs of keeping our old people from poverty. The trend does indeed suggest that the present retirement age of 65 needs review if we are to have sufficient workers to provide for an ageing population.

The ability or willingness to save requires a climate that is favourable for savings. It is worth recalling the steps that have occurred for us to arrive at this position. The following have contributed in no small way to this famine:

The 1987 Crash.

This remains a big factor in the reluctance to hold equity investments. However those at retirement age now have the strongest memory and time will eventually solve this problem.

University education.

It is presently far too easy for our children to be afforded a university education. It should not be an effective right for all. Some of those that enter campus end up amassing a loan from government that either impels the newly qualified to seek opportunities overseas in order to repay student loans or to have no means whereby repayment can be anticipated given the degree obtained. How can anyone save with a massive educational debt remaining?

The fear of a capital gains tax.

In October 2004, Mr Craig Stobo, a former BT Funds Manager, chaired a paper to the Minister of Finance and Revenue under the title 'Towards Consensus on the Taxation on Investment Income'. The paper suggested in a rather unconvincing manner that a capital gains tax on property be introduced. As is usual with government seeking discussion papers, the terms of reference were seriously restricted. However the recommendation did support the introduction of a capital gains tax. Several years later, Michael Cullen, at the apex of his power, decided that the time was right to introduce a capital gains tax on all property.

The legislation was introduced as a tax on both realised and unrealised capital appreciation. The unrealised element - deliberate of course - assured a huge outcry. The Bill appeared for its first reading in Parliament under the forgettable name of 'Annual Rates, Savings Investment and Miscellaneous Provisions Bill.' The clear reason for the title was that this was a supply bill that all coalition parties had agreed to support. The fact that the Bill incorporated new taxation legislation did not rate a mention. In the event, the Finance and Expenditure Committee received over 1,400 submissions, nearly all relating to the fact that a capital gains tax was not only being proposed but on unrealised as well as realised profits. There were so many submitters seeking to be heard in person that the Committee was convened in Wellington, Auckland and Christchurch.

Part way through the submission process, the Minister of Finance and the Minister of Revenue forwarded a joint letter to the chairman of the select Committee advising that if the Finance and Expenditure Committee were to adopt the 'fair dividend rate' then the basis of the bill would be met. Thus was born the deemed rate of return methodology, a concept well beyond the wording or intention of the original bill but discussed among some submitters during the hearing.

I argued after the passing of the Bill, that the Select Committee had exceeded its powers by amending the drafting to such an extent that it bore no relation to the original intention

The Select Committee responded, "…. that the amendments were within the scope of the bill, that is, they were relevant to the subject matter of the bill and were consistent with its principles and objectives. The objective being to tax portfolio investment in offshore companies more consistently regardless of whether…."

A further point was that many objectors did not have the opportunity to discuss the changes to the bill before their hearing date nor did the majority of objectors have a second opportunity to be heard. I had thought Parliament decided on the wording of new taxation but this is apparently not so. We seem to have introduced a new wave of legislators prepared to ignore standing orders.

The birth of assumed taxable income

I have explained above how taxable income was created through the introduction of a proposed capital gains tax.

The fact that taxpayers are now being taxed on imagined income is no great incentive to invest in equities.

The law of unintended consequences has a habit of flowing through when legislation is flashed through Parliament with no thought on the effects of social consequences.

Scope and Diversity of saving

Thus we come to the practicalities of investment. The Stock Exchange (NZX) is the natural haven for the equity investor. New Zealand must be one of the very few Exchanges in the world where the Index has not recovered since 1987. At its peak in 1986 it reached 3900; today, after one or two adjustments and renaming to help the climb back to 1986 levels, it can only reach about 3200. The Exchange and members have done good work in encouraging investors to buy shares. Brokerage has dropped hugely. However the Exchange has for various reasons (an article in itself) been unable to attract many viable listed companies to its fold with the result that the market value of all quoted companies barely exceeds the value in 1986. In real terms taking account of inflation, the value has halved during the period. In normal circumstances Exchanges should be able to provide adequate diversification for investors to build a portfolio that appropriately covers a range of risks.

It must be pointed out that the NZX is devoid of industries such as banking, capital goods, insurance and mining. To address this shortage, investors rely on overseas markets and now have to contend with the Alice in Wonderland of imagined taxable income mentioned under 'the birth of assumed income'. Is it surprising that equity savings has such low priority with investors?

To appreciate the reason for investor caution, it is first necessary to know the barriers to a proper savings regime. From this understanding may come a means by which some at least of the above deficiencies can be ameliorated. I hope this short piece goes some way to an understanding of the problems.

Oliver Saint

The Proxy Coordinator's Report for 2011

During the year 57 AGM and SMs were attended by proxy representatives of the Association. This is a good achievement , although lower coverage than the previous year. Christchurch branch should be congratulated on covering 15 meetings – as Dunedin was attended by a Christchurch Committee Member – especially considering it was a difficult year for them on many fronts.

Breakdown by region:

Auckland	29 (down 8)
Wellington	8 (down 5)
Christchurch	14 (up 3)
Tauranga	5 (up 1)
Dunedin	1 (up 1)

Total 57

We thank all of our active representatives who give their time freely to research any potential issues, attend the meetings, ask questions of the directors and write up the report for The Scrip:

Auckland:

Oliver Saint
Grant Diggle
Des Hunt
John Hawkins
Uli Sperber
Alan Best
Bruce Parkes
Jacquie Staley
Bill Jamieson

Wellington

Martin Dowse
Anne Hare
Matthew Underwood
Ashley Chan
Scott Hudson

Christchurch

Robin Harrison
Barbara Duff
Tim Kerr
Peter Heffernan
Max Smith
Pam Hurst

Tauranga

Howard Zingel
Max Lewis
Kerry Drumm

Again, we would like to focus to be on co-ordinating proxy representatives with individual members who actively follow their 'favourite' or 'troubled' companies. So for those of you who have issues or questions that you wish to be asked at the meeting, please forward these by email to **proxies@nzshareholders.co.nz.**

For those members who hold Australian shares, please give your votes to the Australian Shareholders Association, by writing that Association's name in full on the proxy form.

Attending meetings and asking questions of the Chairman and members of the Board of our major companies is a vital activity undertaken for you our members, and important for all shareholders in order to maintain the integrity and ethics that the NZSA aspires to.

If you wish and can to assist us, please get in touch with me at the above email address, or your branch chairperson. Auckland region is particularly in need of additional help.

Jacquie Hagberg

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.

PGG Wrightson AGM 1st November

Editor: Although of interest to many members this was too long to include in the December issue, but we felt it should be included now because of the great effort by Christchurch committee member, Max Smith to raise important issues with the directors and at the same time the profile of the NZSA in Hawkes Bay.

The NZSA representative was entrusted with 2403109 proxies.

Because it was the home of Williams and Kettle now absorbed into PGG Wrightson, with lots of clients and shareholders, this meeting was held at the Opera House in Hastings. The company does have a policy of holding meetings in those areas in which it has a presence and support.

Prior to the meeting commencing Max Smith the NZSA representative spoke with the Chairman Sir John Anderson with the particular objective of establishing how the votes would be conducted, by show of hands, voice acclamation or by poll. The association put the request that we would like to see a poll rather than a show of hands. John Anderson understood, after some discussion on this point, why we wanted a poll but considered it a bit pointless because the result was a done deal and it would all be largely a waste of time.

The point was made that someone like the association's representative who had 2.4 million votes had a right to have that number of votes recognized and that the resolutions should be decided with the true feeling of the shareholders being known.

Having made the point the matter was left to rest there but it should be noted that the association should in future insist on a poll and thus allow the true feeling of the shareholders to be known.

The issue of an increase in the board numbers from 8 to 10 was raised and the association questioned the re-election of Bruce Irvine when another equally well qualified accountant was seeking election. This was answered by the fact that Mr. Irvine had been asked to stand again at John Andersons specific request to provide a period of time for the new director WK Tsang to accustom himself to the NZ modus operandi.

There were about 150 people present to hear the Chairman, Sir John Anderson, the Managing Director George Gould and Chief Financial Officer Rob Woodgate present their various reports for the 2011 year and their over view for the future.

After the usual preliminaries Sir John announced that of all the proxies placed with the chair and directors 64% were in favour of all the resolutions under item 2 of the agenda.

This was followed by highlighting the major events of the year that had impacted with the most significance and he explained their effect either positively or detrimentally. Of these the most important were the partial takeover of the company by Agria Corp, the extraction from NZ Farming Systems Uruguay Ltd and the sale of the finance arm of the company to Heartland Building Society.

The appointment of experienced personnel in key positions was a first priority and along with George Gould as Managing Director and several proven individuals in the wool, grain and seed, Fruit Fed and merchandising areas this has been accomplished.

The sale of NZ Farming Systems Uruguay and NZ Merino Ltd along with small amounts of contributed funds brought the companies core bank debt down to $125 million by the end of the financial year. By far the most significant post balance date activity was the sale of PGG Wrightson Finance to Heartland BS which transformed the company's financial position and at the same time enhanced the company's ability to offer finance assistance to their farmer clients through a distribution agreement with Heartland.

The company recorded a loss of $30.7 million dollars for the year brought about mainly by legacy issues that the current board inherited and had to deal with. However the loss was also attributed to "one off" costs associated with the integration of Wool Partners International and the Silver Farms Ltd debacle along with certain restructuring costs. The post balance date sale of the finance arm realized $15 million dollars in cash on the day of the sale.

In answer to a question from the NZSA representative the outstanding impaired and restructured loans totalling $130 million at the time of the agreement to sell had been reduced by $50.million and it is expected that of the remaining $67million two thirds would be recovered by the end of the next financial year and the remaining third by the end of 2012.

The inclement weather in Queensland and the Canterbury earthquake impacted negatively on the annual result, because it reduced the planting capability in Queensland, and caused damage and delays at the Rolleston seed dressing facility and distribution centre in Canterbury. Flooding in Victoria and NSW did not help but has provided opportunities for the future as replanting replacement pastures takes place. The increased sales of seeds and brassicas in New Zealand offset these negatives to some extent as did the improved Agrifeeds division with the rollout of new product ranges. There were encouraging improvements in South America particularly in Uruguay.

The reported ex gratia payments made to Tim Miles was covered by the Chairman who made the point that this payment was incorrectly described and should have been referred to as a "severance payment" agreed to as contractual entitlements entered into by the then board in 2008. The sum was paid after having sought and received legal advice on the issue.

In a subsequent question asked by the NZSA representative Sir John made it abundantly clear that no such similar payments have been entered into by the company with any existing senior staff.

The strategy forward was covered by the MD Mr. George Gould who made it clear that the company was getting back to its basic core business; that being its service to its rural customers in merchandising, grain and seed, wool and meat, pumping and irrigation Fruitfed, real estate and consulting through Agriculture NZ. He made it clear they were going to stick with these basics by creating a positive culture from the board down through ten regional managers operating 98 stores throughout the country down to the reps and including the divisional managers all of whom were now leading practitioners in their fields.

The growth areas across the company manifest themselves in the grain and seed divisions, particularly in Uruguay, farm merchandise which is seen as integral for the future, livestock auctions via the computer and particularly dairy livestock export into Vietnam where good growth is anticipated.

Mr. Gould was cautiously optimistic about the future in that he saw all the income streams well positioned to improve their performances over the next year and with the support of the cornerstone shareholder Agria and the opportunities they could provide, particularly in China there was reason to look forward to a bright future.

The question time provided the forum for shareholders to question the chairman and the directors.

The NZSA representative asked a number of questions about the outstanding loans and the Tim Miles pay out both of which are covered above.

One question from the floor covered the Silver Farms issue and the contract surrounding that. John Anderson answered the question in detail saying that the legal issues were now behind them but that the contract to supply stock remained. This had not, at least initially been handled well by the company but with the appointment of new management this had now been addressed and management was now very satisfied with the way it was progressing. A second question addressed the issue of Silver Fern's policy of eliminating the middleman (eg; PGW.) Anderson stated that this was something they believed Silver Fern's would review in time in PGW's favour due to their consistently exceeding their minimum stock supply numbers. The contract required PGW to supply a minimum of stock and if they didn't PGW would be penalized but conversely if they exceeded this minimum PGW would receive a payment from Silver Fern Farm's.

The NZSA representative presented a question on the PGC shareholding in PGW. Pyne Gould Corp have a 9.5% holding in PGW and are currently under a take offer from Baker Street Capital and one of their directors Mr. George Kerr. When asked if asked if Agria Corp had any designs on the Pyne Gould Corp holding The Chairman stated this was a question only Agria Corp could answer. The question was then redirected to the two Agria Corp directors. It was immediately apparent they did not know how to handle this and neither of them stood to address the question. There were some urgent and whispered conversations and clearly some confusion. Finally Mr. Bruce Irvine, in his capacity as a PGC director stood to reply. He stated that PGC was subject to a takeover offer bid and as a result the assets of the company were not available for any consideration or action. There the matter remained but it was interesting to see the reaction to the question. In asking this question we signalled our awareness of the issue and that we are prepared to react if necessary.

All the resolutions listed in the order of business were passed by voice acclamation.

The opportunity to ask questions was not given to shareholders. This was a disappointment but one question for Bruce Irvine was placed during General Business that being; "did Mr. Bruce Irvine intend to stand for re-election in two years time" His answer was to say he did not have any intention of not standing but any ultimate decision would be in the hands of the shareholders.

However it was apparent that his retention was more than just to be a director as his skill on the ground in NZ was considered important because WK Tsang was based in Hong Kong and not easily accessible to the CFO and his staff.

The issue of the board being increased to 10 and the justification for it in view of the apparent lack of experience in primary products and the associated investment in this area was the subject of another question from the NZSA representative. Sir John Anderson answered the question by acknowledging that the advantage of a major shareholder such as Agria was able to assist greatly in this area and gave Dr. Zhi Kang Li as an example. However he also made it clear the company needed another farmer on the board and that he should come from the Hawkes Bay. He indicated that a suitable candidate had been identified but was not yet available to offer himself for nomination and election.

In a final analysis of the meeting it was apparent the company is past its worst and is now under much better governance and on the road to better times.

Max Smith

Tenon AGM 15th December

There were lots of good things about Tenon's performance in the 2010/11 year and both Chief Operating Officer, Tony Johnston, and Chairman Luke Moriarty emphasised them in their presentations to the Company's Annual Shareholder's Meeting. The down sides, share price and dividend, were not discussed until shareholder question time.

Tenon is well capitalised with debt reduced to $30million and is seen as an industry leader in both manufacturing and marketing in the wood moulding sector. Most sales are in the United States with product sourced from the company's plants in Taupo and the United States, as well as third party product from Chile, Brazil and China. Increased growth in China and an expansion into Australian, Japanese and European markets is planned.

Continual product innovation, strong inventory control and increased retail outlet presence were also lauded. All this has allowed the company to maintain steady, if flat, revenues in a hostile US housing environment, claimed to be worse than during the depression of the 1930's. The volatile forex rate presents the company with a further challenge. Every 1 cent change in the $NZ/US has a $500,000 impact on the Taupo plant. Some hedging is used with mixed results.

When asked if Rubicon would like to sell its holding Mr Moriarty suggested shareholders should hang in there. The company was strong, the sector was at its bottom and improvement should be expected. – He did point out that he has offered the same advice at the past two AGMs. The company has focused on reducing debt instead of providing dividends.

With 3 entities holding 80% of the company's stock there is little share trading activity. Therefore, a share buy back scheme was put in place to give shareholders an opportunity to quit their stock. A $70million tax dispute with the IRD is before the Courts. The sum involved means both the company and the IRD will see the dispute through to the end of appeal processes. No early resolution is likely.

Directors Stephen Kasnet and Michael Walls were re-elected and George Karapalis elected to the Board.

Bruce Parkes

Sanford AGM 25th January

This meeting was significant for the NZSA as we had negotiated a change to the proposed director fee increase following a meeting with the company the previous week. We had received excellent feedback and support from the email pulse to members on this subject.

The group of about 100 shareholders heard first from chairman Jeff Todd, and then had a detailed update from MD Eric Barrett. He was completely up front that performance had been unsatisfactory for several years and that return on funds employed and net profit had both declined substantially. He even had a slide comparing the last 6 years to illustrate this point.

When we had talked to the company, we had criticised it for failing to communicate openly with its shareholders, so the MD's presentation was a good indication that the company was intent on addressing the issue.

We had also discussed with them the need to try and add value to the product line. Mr Barrett outlined some initiatives already underway in this regard. Both addresses are on Sanfords website.

One shareholder commented that at present the company was in the position NZ farmers had been before they diversified away from simply being commodity producers. The question was asked if the company had considered buying some or all of overseas companies that would facilitate value added production. Barrett said that an early attempt to do so had not been successful. Chairman Todd elaborated on this theme when introducing new board member Mark Cowsill who brings very strong marketing and brand development skills to the board mix from 14 years as CEO of Fruccor.

Board refreshment has been further advanced with the appointment of Elizabeth Coutts , a well regarded and successful public company director who also has fishing industry knowledge. Todd said in response to a shareholder question that the board size would not increase further, and hinted that at least one existing member may drop off over the next year.

The chairman then covered the issue of director remuneration. Firstly he announced that no shares controlled by the Goodfellow family or associates (over 35% of the total) would be voted on this motion to avoid any question of conflict of interest – two Goodfellows serve as directors of the company. This unequivocal approach is something some other companies could well emulate where they have dominant shareholders.

Mr Todd left no doubt that the NZSA representations had been carefully listened to and confirmed the arrangement we had reached, namely that the Board would not utilise more than $500k from the directors pool this year in the event that the increase to $550k was approved.

The matter would be revisited next year in the light of performance. I spoke on behalf of the NZSA commenting that the Chair had given a very fair summary of our discussions and that we felt the new directors would bring a greater depth to the board. We hoped the board refreshment process would continue and confirmed that we accepted the company's current directors fees were unrealistically low. We suggested that two yearly reviews would be more appropriate going forward, particularly if top quality directors were to be attracted and retained.

All motions were duly passed (the directors fees by poll) and shareholders retired to enjoy refreshments and sample some of the company's fine products.

John Hawkins

Rubicon AGM 16th December

NZSA proxies - 532,978

Rubicon shareholders, many of whom attended the Tenon meeting the day before, seem unhappy but resigned to their lack of return from the company. Prior to the meeting, 14% shareholder Sandell Asset Management Group had published a scathing criticism of the company and its management. This disgruntlement seems to have melted away. Sandell, if present, did not speak at the meeting.

Chairman, Stephen Kasnet, in his address alluded to the reason why. He said that there had been meetings with all major shareholders and accord reached on the way ahead.

Rubicon is the major shareholder in Tenon and a three-way partner (with International Paper and Meadwestvaco) in ArboGen. The Tenon wood moulding business seems to be in good shape but experiencing flat sales in a depressed US market. ArboGen, a biotech seedling business is still in the development/expansion stage and will not provide cash flow for at least two years.

A Rubicon dividend is therefore reliant on Tenon turning a profit and that is reliant on the US market getting off its knees.

CEO, Luke Moriarty, spent much of his presentation discussing the abandonment of a planned ArboGen IPO in the USA. A successful float would have provided the funds for the development of ArboGen. However, the economic turmoil in the US meant the strike price would have been far lower than the value of the company. When the economy improves, an IPO will go back on the agenda.

In his address Kasnet said there were 2 significant shareholders who went into Rubicon on a punt before the Arbogen float and have had difficulty in exiting a stock with low liquidity. This selling has done nothing for the share price.

Where to from here? Further funding in ArboGen development is subject to contract conditions between the 3 partners and will be agreed before April next year. We were told that there are no liquidity problems and ArboGen's intellectual property was protected by either patent or "trade secret".

In summary, both Rubicon arms Tenon and Arbogen seem sound and have long-term growth prospects but there is little prospect of short tern returns to shareholders. It may be some comfort that the Directors have "skin in the game" and will be as interested as other shareholders in getting a return

Directors: Hugh Fletcher was re-elected and George Karapalis and David Knott elected to the Board.

Bruce Parkes

Lyttleton Port Company AGM 3rd November

NZSA Proxies, 22,994

A modest number of independent shareholders attended. Christchurch City Holdings, with their 80% ownership, appeared to be represented in good number.

Both Brian Wood and Karl Smith (CEO of Gough Gough and Hamer) were elected to the board.

It is commendable that Christchurch Institute of Directors has an award for aspiring directors which involves a director internship with LPC. This went to Liz Hurst a director of Ngai Tahu Holdings. More companies should follow this lead.

The resolution to increase directors' fees by $9,000 was passed.

Chairman,Rodger Fisher, congratulated the company on an outstanding performance. The recovery of 'normal' services 96 hours after a major earthquake was achieved with excellent support from staff, and customers, and was a tribute to CEO Peter Davie and his team.. While a third of the cargo handling facilities are under repair, the development of the Te Awaparahi Bay reclamation ahead of schedule, utilising clean rubble from demolished buildings in Christchurch was a real positive.

Profit, after tax was $12.1m, a 34.4% increase. Earthquake adjusted revenues totalled $93.7m, up 7.3% The board approved $44m in urgent repairs. Dividends have been deferred until insurance claims have been completed.

Vero the lead insurer, has accepted that the earthquake damaged assets were insured, but is disputing the progress claim of $20m, challenging the extent of the reinstatement A legal view given to LPC supports the company's view that they are covered for re-instatement. Currently, LPC has limited insurance cover which does not include business interruption or natural disasters, such as earthquakes, or assets that were damaged beyond 50%.

Despite these significant setbacks the company is performing extremely well with underlying profit up 4.1 m for the first quarter compared with the previous year. The downside is that cruise ship visits will drop from 64 to 3 simply because they cannot be accommodated. Cruise ships contribute about 3% to the company's turnover. Peter Davie said the staff had a 'can do' attitude coping outstandingly well with two major earthquakes, two tsunamis and two major snow storms, but they have ahead a five year programme of rebuilding.

Question: concerning insurance, finance for the rebuild and when will dividends resume?

Answer: Current activity has been repair work to enable to company to carry out its function as a port. Monies required for rebuild probably 50m, will draw on their funding lines and there are no issues here. The insurance situation is critical and the length of time involved in sorting this is unknown. It is frustrating but it simply has to be worked through. The company is looking forward to paying dividends but again, this is dependent upon the insurance payouts.

Question: Has Lyttelton lost revenue to other ports as a consequence of the disastrous earthquakes?.

Answer: No, it hadn't "you cannot drop the ball, you have to continue" said Peter Davie. Mention was made that the large shipper NYK had named one of its ships, NYK Lyttelton and this is unprecedented. LPC has an excellent relationship with Solid Energy and worked tirelessly to maintain services despite the coal terminal being severely damaged. Loss of cruise ship trade is claimable under their insurance agreement.

Question: What effect will the higher depreciation have on the profit figure of LPC as a consequence of the rebuild?

Answer: Profit will be reduced. However, this will be offset by lower maintenance costs and higher cash flow. Dividends could be based on cash flow.

Question: Could shareholders contribute to the exciting future development of LPC? How will it be financed?

Answer: We are looking at all possibilities. Again, it depends upon the insurance situation.

Robin Harrison

Editor: We have contacted Roger Fisher, and collected the information on the director internship, and already used it to convince some of our more sceptical directors in Auckland. Des Hunt would be happy to talk to any of our contacts about this.

Hallenstein Glasson AGM 7th December

Chairman, Keith Smith said they will exceed forecast in NZSA proxies – 202,267

Chairman Warren Bell welcomed about 60 shareholders to AGM at The Chateau on the Park, Christchurch and introduced the board and management team. He and CEO, Graeme Popplewell, spoke about the company.

Profit for year to 1/8/2011 was around 18 million, a drop of 6.6% on 2010. Group sales also down 0.8% to 205 million. 2011 proved to be a challenging year with the world economic difficulties and the Christchurch earthquake both affecting business. Seven stores (out of 14) in Christchurch were closed; some have since re-opened. They might not re-open the store in South City, and the city store re-opening is still up for discussion. Additionally, the GST increase affected the results as it was not in all cases passed on. Warmer weather over winter also meant some stock became surplus.

The Newmarket shop has had a makeover as has the Queen Street shop in Auckland and during the next year another ten NZ stores will also be refitted to reflect a sharper and more modern edge. Growth of Glassons in Australia remains a key strategy. There are currently 13 stores in Victoria and 14 stores in NSW, and stores are being opened in Queensland. The company is pleased with the performance in Australia as they gain market share in times where the retail market is under strain and profits generally are down. However, after a ten year presence there they are mindful that a lift in profits is required.

The company is particularly pleased with their new Storm chain which now has seven stores plus the container store in Cashel Mall in Christchurch. Further sites are under consideration. Profit from this chain was $900,000, a 62.5% increase.

Since late June of 2011, all the brands are being marketed on their web site. It is hoped that eventually sales made from the web will rise to 10%. Trading from the stores is up 9% at present and it is hoped good trading this month will mean less mark-down for the January sales.

A fully imputed 17c dividend was paid on 9/12/2011 representing 100% of the net earnings, this was the same as was paid in 2010.

Graeme Popplewell spoke about key strategies to do with marketing, internet sales and the Australian market. He said that the retail market is changing rapidly and it is important that the company keeps up with the times.

Globalisation is a reality, e.g. in Australia there are now many UK and USA brands which will come here and cannot be ignored.

- The Global Financial crisis has changed people's ideas and even younger folk are saving.
- The internet business is going to be a large part of our business. Some other brands now make 20% of their income from internet traffic. This cannot be ignored.
- The power of shopping malls has changed. Now they must have food and entertainment, and create an exciting atmosphere, in order to attract people.

Videos were shown to illustrate the new versus old store formats for the Hallensteins and the Glassons stores; new TV advertisements were shown. The company is on Facebook and YouTube.

The board strategy is to be creative and relevant in the face of opposition from the Australian stores. They are very pleased with the Storm brand of modern more up-market young lady's fashion, and do not intend to place these stores in malls. Overall the strategy is to continue to invest heavily in key people, in product design and in the resources for the supply of product.

Peter Heffernan of the NZSA raised the question of voting via voice, and suggested using voting forms or allowing voting on the internet. Some board members seemed receptive to this suggestion.

Pam Hurst

Delegats AGM 6th December

The Delegat accounts as published showed a profit for the year to June 30 2011 of $32.7 million compared to a loss of $177,000 in the previous year. However this was distorted by an upwards fair value adjustment on grape vines of $2.5 million in 2011, as against a downwards valuation of $7.5 million in 2010. In addition, an impairment charge on the value of land of $9.9 million in 2010, was reversed in the 2011 year.

In his address the Chairman said that much of these large swings were the result of following new International Accounting Standards, and their complexity was such that these distortions were likely to continue. The matter was being discussed with accounting authorities, who were aware of the problems caused.

When adjusted for these exceptional items, 'underlying' profit after tax was $25.6 million compared to $21.0 million in 2010. This was a creditable result, given market pressures from a national overproduction of grapes, a situation which was likely to continue for the next two years.

Case sales for the June 2012 year were forecast as 1.84 million, down from 1.97 million in 2011. After a dip for the next two years, a steady rise was expected up to 2.2 million cases in 2015. Case prices were expected to be maintained as the Oyster Bay brand continued to enhance its international reputation. The operating profit for the 2011/12 year is forecast to be in the upper end of a band of $20 million to $24 million.

A question from the floor concerned marketing policy in the Asian markets. In addition, the Chairman's inclusion of the impairment charge in his statement of a 'record year' was queried. He agreed that it should be excluded when comparisons are made.

Only official business was the re-election of Robert Wilton and Jane Freeman as directors, and a motion approving the consolidation of the shareholdings of Jim and Rose Delegat into the one family trust.

Bill Jamieson

Postie Plus AGM 13th December

NZSA proxies - 171800

Postie Plus has three chains Postie, Babycity and SchoolTex. The company slightly increased its profit in 2011, and restored a dividend.

At his first meeting as chairman, Richard Punter told shareholders that it had been a difficult year. He attributed this to the economic horror stories with which customers have been bombarded, the increase in GST, the Rugby World Cup, the earthquakes in Christchurch, and a warm winter.

A programme to refurbish existing stores is in progress and the company is working to build its online business. Mr Punter believes that the company should be twice the size it is. He said that the company is pursing growth both organically and via acquisitions.

The company has lost two directors during the year and Mr. Punter spent some time discussing corporate governance, and describing the process of finding replacement directors. The two new directors, who were re-elected at the meeting, have skills which are to be useful to the company.

Mr. Punter said that he had had only one meeting with Jan Cameron, who owns nearly 20% of the shares, and she has expressed no interest in intervening in the company or in having a seat on the board.

The CEO, Ron Boskell, told shareholders that the first three quarters had gone well but that the warm winter had spoiled the fourth quarter. He said that the Christchurch earthquakes had closed several stores and damaged the distribution centre but that staff had risen to the occasion.

Peter Heffernan, representing the Shareholders Association, asked why they distributed voting forms but (instead of using them) had voice votes.

The addresses of the chairman and the CEO, together with the slides from the meeting, are available at the company website, http://www.ppgl.co.nz/

Peter Heffernan

Social impact investing

Most of us intuitively know that giving money away brings happiness to the giver. At the same time, those with a lifetime of saving are a little reluctant to let go of their accumulated funds. Now there is growing awareness of a new way that allows us to give to a worthwhile cause while still keeping control of our asset.

Philanthropists are increasingly being encouraged to see social investment as a new asset class: neither a grant, where the money is never seen again, nor a financial investment of the type you would commit to a basic pension plan.

The attraction for donors is that investments can be recycled into a greater number of projects than a straight grant – or donors can have their money back if they are not quite ready to part with it outright.

Social enterprises mix social and/or environmental aims with a commercial orientation. In the context of a tightened economy and many social and environmental challenges, social enterprises have a valuable role to play through providing innovative approaches.

While there is some debate on the nature of social enterprises, they can be broadly described as organisations that:

- Are led by an economic, social, cultural, or environmental mission consistent with a public or community benefit;
- Trade to fulfill their mission;
- Derive a substantial portion of their income from trade; and
- Reinvest the majority of their profit/surplus in the fulfillment of their mission
- There is one point on which everyone agrees: that social investment should 'do some good'.

Social lending is in an early stage of development in New Zealand. Some large philanthropic trusts see it as a useful addition to their funding toolkits. For individuals, Wellington based Prometheus Finance, which offers deposit interest rates jut a little lower than trading banks, has specialized in lending to social enterprises.

Bruce Parkes

***Editor*:**

Many of our members are interested in ethical investing. Several of our public institutions have policies which preclude investing in industries which conflict with their basic objectives. For example it would be silly for the ACC to invest in the tobacco industry. NZSA has been circulated with ACC's policy statement as follows:

ACC has an objective of conducting its investment activities in an ethical manner which avoids prejudice to New Zealand's reputation as a responsible member of the world community. In particular ACC should aim to: (a) ensure that it transacts its purchases and sales of investments in an ethical manner; (b) ensure that its funds are not invested in activities which are repugnant to the laws of New Zealand or regarded as unethical by a vast majority of the New Zealand public; and (c) ensure that it does not cast proxy votes in favour of such activities.

By comparison, although there are stringent ethical requirements over the use of the Kiwisaver trademark by fund managers, there is a surprisingly liberal environment for the investment of savers' funds. We would appreciate input from members over this subject, and will continue to report on it in future issues.

Caught on the Net

Cooperation can catch crooks

The Serious Fraud Office (SFO) and The Financial Markets Authority (FMA) have published a memorandum of understanding (MOU) which is available on both websites. It defines their respective areas of responsibility, the objectives of strategic and tactical coordination, and the mutual assistance in pursuing transgressors. What a pity there was not such an arrangement in the days of Seccom!

Yes money can buy happiness

Scientific American research found the answer to this perennial problem is yes – as long as you give it away

www.scientificamerican.com/podcast/episode.cfm?id=D35CE872-DDF8-C4D8-FD7967170523903D

And it can also buy you self esteem

So says Ingrid Wickelgreen in her Scientific American blog. But be cautious. Trying to buy status can backfire

http://blogs.scientificamerican.com/streams-of-consciousness/2012/01/17/can-money-buy-self-esteem/?WT_mc_id=SA_CAT_MB_20120118

2011 Guff Awards

Gobblygook seems to be an endemic in business (non) communications. In a Financial Times article Lucy Kellaway sets out her top ten examples for 2011. In doing so she is hoist on her own petard when identifying the worst new word of the year.

www.ft.com/intl/cms/s/0/8519837c-37ce-11e1-a5e0-00144feabdc0.html#axzz1j0o8FXUS

How our tax rate compares with other OECD Countries

As a percentage of GDP, our tax take compares well with most OECD Countries. There are 5 charts from US government sources in this post. Two are relevant. The other three are US specific

http://jessescrossroadscafe.blogspot.com/2011/12/five-charts-useful-for-framing-economic.html

New Hip and Knee Prostheses no better than old

Hip and knee joint replacement is an unfortunate reality for many of us. How long will they last? A recent Australian study found that 30% of new prosthetic devices has worse outcomes than more established devices www.jbjs.org/article.aspx?articleid=181165

How Luther went viral

Social media has been hailed as the catalyst for the Arab Spring and the international spread of the Occupy Wall Street movement. The Economist notes social media is not new. Five centuries before Facebook social media helped bring about the reformation www.economist.com/node/21541719

When will this slump end?

Not until 2031 according to Mathew Lynn in a WSJ MarketWatch story. He finds our present situation has much in common with the Long Depression in the late 19th century. www.marketwatch.com/story/this-slump-wont-end-until-2031-2011-12-14?dist=countdown

Have we passed Peak Travel?

We have heard and read lots about Peak Oil. Growth in mobility and travel has for centuries signalled growing prosperity. Indeed, measures of transport miles are often used as indicators of economic activity. New data suggests that transport miles are now dropping. www.macrobusiness.com.au/2011/11/have-we-passed-peak-travel/

Vietnam officials face golf ban

Traditionally, the golf course has been a great place to do business. The Vietnam Transport Ministry sees it differently and has banned officials from golf courses – even on weekends – in a bid to lift productivity. http://blogs.ft.com/beyond-brics/2011/10/19/vietnam-comrades-face-golf-ban/?ftcamp=traffic/email/content/booster//memmkt#axzz1gxczHKTH

Forty best Protest signs of 2011

Mostly from the US or Egypt. You might not share the sentiments expressed so just focus on the ingenuity and humour. www.buzzfeed.com/mjs538/the-40-best-protest-signs-of-2011

Dog whistle economic code words

Here are a few code words that you will often see in economic writing followed by their true meaning. The code word is a dog whistle. It acts like an emotional marker only for those attuned to the underlying 'moral' issues implied by the code. While you may agree with the logical framework behind the code word, the purpose in using the code is to influence emotion instead of logic www.nakedcapitalism.com/2011/12/dog-whistle-economics-code-words.html?utm_source=feedburner&utm_medium=email&utm_campaign=Feed%3A+NakedCapitalism+%28naked+capitalism%29

Bruce Parkes

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AUCKLAND

Please mark these dates in your diaries for 2012 meetings:

Wednesday 15th February - Speakers:- Tim Brown, Infratil

Carmel Fisher chairing our popular question time.

Wednesday 18th April - Speakers Jon Macdonald, CEO, TradeMe

Norah Barlow, CEO, Summerset Group

Wednesday 20th June – to be advised

Wednesday 19th September – to be advised

Wednesday 21st November – to be advised

Andrew Reding

Company visits:

1. Tuesday, 6th March a. m.: Cavalier Corporation - presentation by CEO Designate Colin McKenzie - maximum participants: 30

Registration for this visit only: until Friday, 24th February by email to Uli Sperber uksper@gmail.com - Confirmation email with final details will be sent to registered participants approx. 7 days prior to visit.

2. Planned May visit yet to be finalised.

3. Planned July visit to be advised

4. Planned August visit, dependent on National Conference date.

5. October visit to be advised

6. December visit to be advised.

Uli Sperber

WAIKATO

Our Christmas Function was a great success greatly helped by Carmel Fisher's last minute step in for Brian Gaynor who was indisposed. Thanks again to Carmel.

The only other thing I would add is the fact that as the Waikato membership is spread over such a wide area there needs to be advance warning of our change of monthly meeting venue. With the demise of the old Hamilton Club the committee have arranged with the management of the Verandah Cafe to hold meetings there. For those who don't know where it is turn off Pembroke Street in the city into the Lake Domain (Lake Rotoroa) where you will find plenty of parking. We will remind everyone again with our meeting notices.

Roger Jennings

BAY OF PLENTY

The years programme was outlined with all committee members participating in advancing ideas that will interest our members. The focus tended to devote our time on developing ideas and plans to improve our branch - membership and education.

During December the branch sponsored a region wide bowling tournament at the Gate Pa Bowling Club. The day drew 158 participants where players competed vigorously for the numerous Christmas hams up for grabs. Our members were on hand to fly the flag on behalf of the association and provide a warm welcome along with a short dissertation on the benefits of joining our organisation.

The branch has a full programme organised for the year with a varied selection of topics that will interest everyone involved. Topics that are anticipated will cover a visit to the Port of Tauranga, a visit from the University of Waikato, Ryman Healthcare are due to open the Bob Owens Retirement Village later in the year. In an endeavour to have more members participate we will encourage a series of My Portfolio snapshots of what people hold in their investments and the philosophy they have toward investing and creating wealth. Our popular Pick Five competition will continue this year.

Since our inception over ten years ago, an active investment club has been formed from within the branch. This club has a waiting list to join. As a result an endeavour will be made to commence a second club but with slightly different objectives. It must be emphasised that these entities operate outside the sphere of the Bay of Plenty branch and are quire autonomous although most share club members are active NZ Shareholder Assn members.

Our AGM is set down for the 25th May with all committee members signifying that they wish to continue their role for 2012 / 2013.

Allen Smith

WELLINGTON

Welcome to 2012.

We hold our meetings on the second Tuesday of each month and will have nine meetings this year with a guest speaker presenting at each meeting.

The first meeting is on Tuesday 13th March and our guests are Sue Brown (head of Primary Regulatory Operations) and Elaine Campbell (head of Compliance Monitoring) from the Financial Markets Authority.

Check our branch pages on the NZSA website for more details.

We would also like to farewell committee member Ray Jack who is relocating to Auckland with his work. Ray – we will miss your regular insightful presentations. Thanks for your efforts and support over the many years of your involvement with the Wellington branch. Our loss; Auckland's gain.

Martin Dowse

CANTERBURY

February Meeting Film Night: "INSIDE JOB" A movie about the economic meltdown that hit America starting in 2008. Academy Award winner Matt Damon narrates this look at the deep-rooted corruption that has left millions of middle-class Americans jobless and homeless as the major corporations get bailed out while paying millions in bonuses." Tomatometer rated 95. Venue and date to be advised – but sometime in late February.

April Meeting advance notice: Ms Louisa Bangma, a Masters student at the University of Canterbury will present some results from her recent research on the performance of Financial Advisors. Data and venue will be arranged soon.

Robin Harrison

MEMBERS' ISSUES

IF AT FIRST YOU DON'T SUCCEED….

"I missed more than 9,000 shots in my career. I've lost almost 300 games. 26 times I've been trusted to take the game-winning shot... and missed. I've failed over and over and over again in my life. And that is why... I succeed."
- Michael Jordan, NBA Basketballer

Great perseverance, but please don't ask him to be a company director!

Alan Best

RYMAN'S PROFITS

Walter Freitag writes of our last issue:

Just two small points:- Ryman Healthcare make their huge profits from society's most vulnerable - the aged & infirm.

Secondly, is time not overdue for Directors' and Executives' salaries to become better aligned with those given to workers who actually produce the income ? Workers and Shareholders could usefully be represented on company salaries committees ?

Editor: Ryman is a specialised and diversified property developer making profit from the sale of occupancy rights for newly developed units and recently vacated units. Of its care fees approximately $100m, about $40m was supplied by government subsidy to individual residents. The fees were not in the upper quartile of retirement home service charges. It also makes money from management fees, $25m, and property revaluations $30m. It would be misleading to attribute its growth simply to supplying support services to the infirm.

We agree with your second point but shareholders are already represented on company remuneration committees with little effect. The first step would be to publish higher salaries against the company average or median. However, the most important single step is that directors provide for internal succession and promotion, rather than trying to employ CEOs from overseas.

RABOBANK BONDS – PERPETUAL CAPITAL NOTES REDEEMABLE IN 2035

Rabobank notes were issued at 9.46%, but have been reset at 3.7%. They also show a capital loss (23%) selling at only 77c. Can NZSA help by bringing pressure on to Rabobank?

Editor:

We can try but we don't think Rabobank will take much notice. We think Perpetuals are a poor deal particularly in a bear market.

However, Rabobank shareholders have no incentive to redeem the notes while they are supplying capital as such a good rate, particularly in a market where capital is tight.

All investors in bonds and hybrid securities should read our report p14 The Scrip October 2011, on Bill Jamieson's address to Auckland Branch, and think carefully about the questions posed. We are hoping that the FMA will expose some of the pitfalls in debenture issues, but their scrutiny of prospectii will have to be better publicised than the Securities Commission's were.

Frankly I would like to see Perpetuals abolished and old fashioned fixed term securities become the mainstream for retail investors.

Many Investors, One Voice

Editor Alan Best

Typesetting Bruce Parkes

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