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

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In this Issue

Boy, have I got a deal for you

A number of pieces of legislation including the Financial Markets Conduct Bill are working their way through the Parliamentary process. By and large we are happy with what is proposed as it will introduce a number of new protections and clarify responsibilities. This is particularly important for managed funds and KiwiSaver investors. The FMA will also get some additional teeth and the ability to oversee some previously unregulated areas.

A 19th century huckster on his rounds

However, recent events with Ross Asset Management (RAM) have highlighted our concerns about the way financial knowledge is measured in the new Bill. As currently written, Trevor, the Lotto winner is considered to be far more literate than an impoverished student who has just completed a PhD in financial analysis. Various provisions (carried through from the existing law) allow that if for example, you invest $500k or meet some regular investment criteria, you can be automatically exempt from the investment disclosure provisions in the Bill. If you are closely associated with or related to an issuer, the same exemptions may apply.

Because he seems to have targeted high net worth individuals, Mr. Ross had no requirement to provide full information about the investments he was going to make – or in this case, apparently not make! Neither, it seems, did he have to account for how he would deal with the money investors gave him. It appears that few, if any, had the knowledge to check if funds went through a custodian, whether a trustee or trust fund was used, or even whether RAM's accounts were audited. These high net worth investors had money, but were lacking in skills. However, in the eyes of the law, they were considered to be financially literate to the point where they did not need the same protection as everyone else! How many of you could fall into the same category – quite a few actually.

There are many small companies and individual investments that target "exempt" investors so that they do not face the cost and complexity of preparing a prospectus or other documentation. The NZSA has no problem with this in principle. We want small firms to be able to raise funds to grow. We want people to be able to take advantage of "blue sky" opportunities – who knows which one will be the next Microsoft? We understand that large costs and complex governance provisions can be counterproductive to start-up enterprises. But, (and it is a big but), there are many people for whom these investments are simply not suitable. Just because they have been frugal or sold their house/farm/business/won lotto and have a large lump of money, they are not automatically equipped to assess the merits of a particular transaction. Many of these are by their very nature, higher risk and not suitable for conservative investors.

The other problem with having specific dollar values in legislation is that over time inflation renders them meaningless. In 1980, $500k would probably buy three average houses in Auckland. Now it would leave you a couple of rooms short on even one. In another 20 years, who knows? The point is that over time more and more people will become "exempt" investors purely as a result of inflation and without any corresponding increase in financial skills. The "wide boys" will be rubbing their hands in anticipation. Boy have they got a deal for you!

So how do we address this situation? The NZSA has proposed an <u>active opt out process</u>. In essence we think that "exempt" investors considering these schemes should be given a one page document which outlines the disclosure protections they are giving up, and advises them to seek expert assistance if they do not understand the implications of their actions. The document would be prescribed by FMA and the signing would be witnessed by a JP. This simple process would be both timely and virtually cost free, factors which address criticisms of "gold plated" solutions which call for assessments by accountants. Regular large investors who choose to do so could have an annual certificate which would minimize any inconvenience.

We accept that some people will sign anything – that's fine, it's their money if they want to risk it through stupidity or ignorance. However, for the majority of people who have worked hard to build up a nest egg, it would mean there was a "pause and consider" step before they committed. This could be the difference between making an inappropriate investment or not. This is the group we want to have some additional protection/warning for, and we will continue to pressure government to properly address these concerns. No doubt the "Mr. Ross's" of the world would prefer we didn't.

Last year in this edition, I wished all of you a healthy and hopefully wealthy 2012. Clearly my crystal ball was running hot because the year has indeed been kind to most sharemarket investors. Total returns of 10-20% p.a. have been readily achievable, even for relatively passive investors.

At the risk of diminishing my reputation for exceptional foresight, I want to once again thank the hardworking members of the National Board, the Committee members who keep your branches running so successfully, and to all our members, a very Merry Christmas and my best wishes for a healthy and wealthy 2013.

John Hawkins

Chairman

Commerce Commission's price control will have unforeseen outcomes

The Scrip has been made aware of two actions by the Commerce Commission, which ironically will act against the interests of both shareholders and consumers.

The separate decision to depress the returns of Vector in both its lines and gas pipes to levels significantly below those of Australia will result in investment going there, rather than developing the infrastructure in our fastest growing region.

Vector claims that Comcom's asset valuation was based on 10 year old figures. Don't they know about IFRS? It is significant that the decision can make very little difference to the price consumers pay, while making a larger difference to the income of the company. We all know what happens when investment in Auckland's infrastructure is interrupted by government apathy.

The unrelated decision to reduce Chorus's cost of copper connections, will handicap the adoption of high speed, fibre optic broadband. The government let the fibre optic contract to Chorus for almost $1billion, and Chorus is putting a similar amount of shareholder money into the project. Does it really want to slow down the uptake of the new communication stream it is financing?

In both cases the outcomes of the Commerce Commission's decisions are likely to be exactly the opposite of the governments stated objectives. The Government says that the Commerce Commission is an independent statutory body which must operate within its own rules. However, it would be useful if shareholders could make their local and government representatives aware of the potential damage this type of price action causes.

Alan Best

FDR Tax

The subject of the FDR Tax has been raised by various members both in the Scrip and in the NZSA Conference. The board therefore wrote to the policy division of Inland Revenue and received an informative reply, which can be viewed on our website: **www.nzshareholders.co.nz/shareholders-correspondence.cfm**

Briefly, we pushed for a larger exemption, simplified rules over the Australian index, a return to taxing of dividends, simplified and timely instructions on the IRD website, and some measurement of outcomes for this relatively new tax. We also questioned recent statements about a Capital Gains Tax, and apparent low tax payments by the wealthy, and the relative attractiveness of property investments over productive companies.

We are grateful to the IRD for their careful reply which we summarise as follows:

- The IRD is not working on a Capital Gains Tax proposal
- The Australian All Ordinaries Index was adopted to exclude Australian companies formed to avoid the FDR tax beyond Australia.
- The current level of exemption was set to avoid high compliance costs on small investors but to include the "kiwisavers" who build up larger balances.
- IRD held out no hope for statistics to test the outcomes of the FDR tax, because the information is not included in the tax return.
- IRD acknowledged the lateness of the publication of the index companies list, and generally aims to have it available mid-late May.
- IRD has specific information for general users and technical experts on its website. Start with **www.ird.govt.nz/toii/fif.**

IRD Policy also invited members to make specific comments and suggestions through its website: **www.ird.govt.nz/online-services/activity/feedback/online-website-feedback.html**

NZSA is also invited to make submissions over specific problems to shareholders, and to outline the severity and extent of problems.

It is clear now that IRD is more concerned with managed funds than retail investors, but that it is prepared to consider fine-tuning the regulations within the existing framework of the FDR Tax, subject to the Government's programme. If members wish to remain anonymous to the IRD and still have their particular problems considered, we will undertake to send their instances to the policy division without disclosing names.

Alan Best

Financial Literacy – A step forward

During our Branch Conference it was suggested that we run a series of articles in The Scrip to inform members about Financial Literacy programmes in New Zealand, and some of the options available to them. We are starting with The Commission for Financial Literacy and Retirement. Members should visit the website of the commission **www.cflri.org.nz**

When NZSA was formed there was no national strategy. We now have one, albeit under-funded. Progress is being made. The National board includes the Commissioner, the Governor of the reserve Bank and the Director of the FMA.

The mission is to achieve a state where New Zealanders are financially well-educated, and can make informed financial decisions throughout their lives. This requires an everyday knowledge of: Saving, Net worth, Tax, Debt, Insurance, Interest, budgeting, e-banking, Inflation, Credit cards, spending, and Consumer rights. Every School should be equipping families and students to handle these things.

Above that, we all require occasional in-depth knowledge of wills and retirement funds, investing, trusts, mortgages, and superannuation. This is the second tier of financial literacy.

Finally we need to know how to access specialised advice on portfolio management, derivatives, currencies and exchange rates. The Commission expresses this heirachy of information in the form of a pyramid with the everyday needs at the base.

Its annual report for 2012 tells of the coordinated efforts to help teachers, develop best practice, identify gaps and overlaps, and measure effectiveness.

The good news is that schools are taking the mission seriously and there are support materials in Social Sciences and mathematics carricula. The bad news is that there is still a major gap amongst those who have left school without this education and have no idea where to gain competent and unbiased advice. So they do not diversify. They simply hand their savings to a single fund or financial adviser. And as we know from the finance companies and Ross Asset Managers, that is most unwise.

Alan Best

Board report for November and December

Most of the board's time in the two "major meeting months" of the year was taken up the issues before company AGMs. The meeting reports show a more thorough coverage than ever, with extra research required for a wide variety of issues.

Special contacts included the Haier takeover of Fisher and Paykel Appliances, Tourism Holdings, Vector, Auckland Airport, Chorus, Marlin, Nuplex, Tower, Vital Healthcare, and Sanford. The Beacon award to Port of Tauranga chair, John Parker was a highlight, and identifying common ground with Institute of Directors as we make submissions to Parliament.

A profitable all day meeting was held with 2 representatives from each branch, to assist with communications and coordinate our efforts. Our thanks go to Auckland Airport for providing accommodation for this and to Air NZ for assistance with travel.

Alan Best

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 curser over the report heading for a link to the company website***

Nuplex AGM 1st November

The company had reported a flat year with EBITDA just 1% ahead of 2011 at $131m, and net profit down 6% to $62.5m. The dividend was steady at 21c per share. However, these figures are not all they seem because the result includes 6 months contribution from Viverso which was acquired during the year for a little over $100m. In fact, profit as a percentage of average equity has actually fallen from 13.7% in 2010 to 11.8% in 2012 while total assets have increased 18.5% over the same period. Most financial metrics are lower than they were in 2010, the first "normal" year after an emergency recapitalisation of the company in 2008/09. The company retains a strong balance sheet with debt at only 28%.

Chairman Rob Aitken gave a wide ranging address concentrating on the strategies being employed to counter softer Asia/Europe and tough Australia/NZ market conditions. While Viverso is doing well, the investment in Acquos, (now called Nuplex Masterbatch) had been slower than expected to achieve profit and a smaller defensive acquisition Fibrelogic has had to be written down due to a dramatic decline in Australian mining and infrastructure demand for resin pipes. The NuLeap cost reduction programme resulted in savings of $14m and interest was reduced nearly $3m

Following pressure from NZSA and some large investors, the Chair announced that adjustments to financial arrangements had been made which should allow partial imputation of NZ dividends from 2013. As usual the company noted that the strong $NZ affected the results. However, the NZSA notes that this year, the effect was only $5m on the net profit line, which was easily offset by the savings made.

CEO Emery Severin discussed the closure of some Australasian plants and the expansion in Vietnam as the company rebalances manufacturing and demand. He indicated that EBITDA for 2013 should be between $136-$150m (an increase of about 9% at the midpoint).

Both Barbara Gibson and David Jackson were up for re-election. The NZSA opposed Mr Jackson on the basis that under board collective responsibility, he was recommending the increase in director's fees (see below). We also pointed out that while he had been on the board, Nuplex had required an emergency recapitalisation, had to settle a continuous disclosure issue with the Securities Commission and had introduced a staff incentive scheme that rewarded below average performance. His current total director fees are almost $NZ200,000. Mrs Gibson was in the same position, but because she is the only director with extensive chemical industry experience, we felt she needed to be on the board. Both directors were re-elected on a show of hands.

The main point of contention related to the proposal to lift the director fee pool from $NZ1m to $A1m (a 28% increase). Aitken said there had been no increase in the pool since 2007.The company wanted headroom to appoint a new director (although there is no one currently in mind), and give headroom for increases over the next two or three years, The NZSA pointed out that individual directors had received total increases of up to 40% since 2010, including 6-9% this year plus committee rises of up to 33%. We said the fees were at the very leading edge of the market and restraint should be shown given the flat performance of the company. We noted that we were quite willing to accept funding for an extra director so long as that amount was cordoned off. Prior to the meeting we had sought an undertaking that only small individual increases of 2-3% (around inflation) would be taken until performance lifted. Unfortunately Nuplex did not accept our representations, leaving us with no option to voting against the whole proposal. Although quite long, my speech was met with spontaneous applause from the floor.

The Chairman attempted to deflect the argument by using time frames that stretched back prior to the recapitalisation, but was forced to acknowledge that the NZSA figures were accurate for the period from 2010 (which followed the recapitalisation and is the only comparable period).

Former chairman Fred Holland stoutly defended the board saying if we paid peanuts, we would get monkeys. This was not well received by the meeting. One speaker observed that "he had never known a director to resign because they were not being paid enough". Another said that "since buying in 2001, his total return was a 9% loss", so he was far from happy with the board's efforts.

A representative from AMP Capital Investors then spoke. He said that director's fee increases must have some alignment with performance. He praised the efforts of CEO Severin. He also said publicy that AMPCA had been in discussion with the company, as they felt board rejuvenation was required. They had voted against the fee increase resolution. These public revelations of behind the scenes manoeuvring clearly caught the chairman off guard.

A vote was taken on a show of hands and was LOST. The company then resorted to a poll which ultimately approved the increase by 66m to 35m votes. We hope there is a message here that the directors will heed.

John Hawkins

Contact Energy AGM 17th October

Unlike some previous AGM's, the CEN meeting at Ellerslie was a quiet affair. Since the problems around director independence and director remuneration a few years ago, Contact has made real efforts to engage with shareholders and the NZSA, and the meeting probably reflected the success of those efforts.

About 150-200 shareholders listened as Chairman Grant King and CEO Dennis Barnes outlined the progress that has been made with increasing flexibility of supply as the Stratford gas peaker generation, Ahuroa gas storage facility and Whirinaki diesel generation came on line. These along with other thermal and geothermal assets enabled Contact to handle a very dry South Island spring which greatly reduced hydro generation. Operating revenues were up 21% to $2.679 billion. Aided by a one off gain of $28m from exiting the Oakley generation plant in Australia, the result was a profit of $190m, up 26% on the previous year. Dividend was maintained at 23c per share which equates to 93% of underlying earnings.

The company reported that it had (finally) arrested a drop in customer numbers and actually added 5000 in the year. However this comes with reduced margins in a very competitive market.

Contact had capex of $550m in the period and expects a large but somewhat reduced amount for 2012-2013. Most of this is going into the 166MW Te Mihi geothermal plant near Taupo. Once this is completed towards the end of the financial year, the company said there was no new generation planned "in the foreseeable future". In fact it has written off investigative expenditure incurred in the Clutha catchment and will not be proceeding further with that hydro option. The introduction of the new SAP management/accounting system has taken longer than expected, but the CEO was confident it would result in improved efficiencies as the various modules are brought on line. Safety and environmental issues were steadily being improved with a combination of cultural change and investment in plant.

Of particular note was a statement by the Chairman that said "With the current capex progressively coming to an end, the Contact board will be considering how best to utilise the significant cash flow of the business and how this could be best applied to the benefit of shareholders". Despite questioning, he would not be drawn on confirming whether this meant larger dividends in the future.

Bruce Beeren and Phil Pryke were up for re-election. Contact ran polls on all resolutions and both were confirmed with support of 99% and 93% respectively.

John Hawkins

PGG Wrightson AGM 24th October

With Sir John Anderson in hospital after knee surgery, the chair was taken by Bruce Irvine, a job he discharged well at short notice.

Bruce did report on the legacy of the sale of the finance business to Heartlands, though as chair of Heartlands he could not participate in any of the negotiations. He said that, of the $29m of doubtful debt still outstanding, $25m was locked into the Crayfar Farms deal, expected to be realised when the sale of the farms to Pengxin by the receivers, Kordamentha, goes through. He commented later, that there was no chance that PGG Wrightson would reenter the farm finance business, although finance was an important part of sales to farmers, because the new and detailed regulations on deposit takers and lenders meant that this field was better in the hands of dedicated and expert financial institutions. He also said the introductory commission arrangements with Heartlands were working well, and that farmers had plenty of choice over their off season finance.

MD George Gould and CFO Rob Woodward detailed the annual results more fully, and these can be viewed on the company's website www.pggwrightson.co.nz

Alan Lai MD and founder of Agria was given a special slot to answer erroneous criticism of Agria's financial situation made in the Sunday Star Times. He referred to the 20F report made to the USA Securities Commission in which the reporter had mistakenly taken the consolidated debt of all subsidiaries as being an unsecured burden to Agria, when in fact the holding company debt was comparatively minor, and backed to 105% by cash deposits in China as required by Chinese regulators. He claimed that Agria, as the cornerstone shareholder in PGW was not in a risky position, and was pleased with its long term investment in PGW, which had just started on the road to recovery. Management changes recorded in Agria were managed, and in line with the developing requirements of this global agricultural business.

A wide variety of questions relating to the annual report were handled by the board. The reduction of net asset backing per share from 35c to 31c was attributed to the sale of the finance business. The massive reduction in seed margin was said to be weather related and was being redressed in this year's trading, while the increase in low-margin wool stocks was being controlled.

There is no intention to consolidate shares, and the company's dividend policy would be published after the settlement of the Crayfar Farms loans and before the end of the year.

The election of Alan Lai and the auditors, proceeded via poll. Alan Lai was relected by 99.7% of votes, and the audit resolution by a similar margin. Your proxy holder held constructive discussions both before and after the meeting with Bruce Irvine, George Gould and Rob Woodward, and the presence of NZSA was welcomed.

Alan Best

Max Smith and Robin Harrison of Canterbury contacted the company on behalf of NZSA to establish improved communications and a pipeline for shareholder concerns. PGW has a widely spread Shareholder base, and those with special concerns or questions are welcome to contact these members for further information.

Hellaby Holdings AGM 25th October

With an increase in net profit after tax of 26%, a reduction in net debt of 59% and a total shareholder return of 29%, shareholders were in an agreeable mood. Chairman, John Maasland has presided over a thorough board rejuvenation, and confirmed that while he would step down within 2 years, the energetic CEO John Williamson had signed up till 2015 on fair terms. The presentations followed the annual report which can be found on the website www.hellabyholdings.co.nz. Although forecasting anaemic growth for their New Zealand markets, John was positive that further improvements would come through Gross Profit improvement, and acquisition. Hellaby would diversify across products and markets, with significant earnings from Australia and beyond by 2015.

Questioners were quick to follow this lead. They had expected acquisitions before the meeting, and felt there should be a payout from cash reserves if the company assets had not grown substantially within one year. However John Wiliamson assured shareholders that they did not have "cabin fever," that they had developed improved due diligence skills, and that they had a substantial pipeline of prospects. Another questioner asked about the diversity of the recently developed leadership programme with particular reference to racial and gender diversity. We were assured that the programme had identified a broad range of candidates, many of whom were female and many of whom were young.

Messrs Byrnes, Sclater, Cowsill, and Maasland were all elected convincingly, and we noted that the votes against, almost all came with NZSA proxies. It would be interesting to know the basis for the opposition when the relatively young and active board is enjoying success.
Alan Best

Port of Tauranga 20th AGM 25th October

Port of Tauranga is celebrating its 20th anniversary. While Quayside Securities - Environment BOP - is the largest shareholder with 54.94% of issued equity, the top five account for 70.82%. There are 9,354 shareholders in the company. It is also pleasing to see their five year financial and operational summary; a practise that many other listed entities could emulate.

Chairman John Parker stated that strong growth across the company has seen net profit grow by 26% for the year to 30th June 2012. Last year's figure of $57.9 million moved to $73.5 million. The outlook for the 2013 year should see profit increase to around $79 million. Port of Tauranga's dividend of 39 cents per share increased by 26% compared to 2011. Total trade increased by 20% during the year. The balance sheet remains very strong with debt to debt plus equity at 29%. Port of Tauranga has been the best performing shares on the New Zealand exchange over the past 15 years. Those who invested with the company in 1992 have seen their investment compound at 24%. At present Port of Tauranga is the highest priced company on the NZ Index. A share split was considered during the year but was not thought to be appropriate at the present time.

Chairman Parker made reference to the challenge by Maori interests to the dredging of the channel to enable larger vessels to ply the port. This has been a four year programme costing POT in excess of $2.5 million and the end is still not in sight. Further action has been lodged with the Court of Appeal. Port of Tauranga has followed the process meticulously, agreeing that this was a very expensive exercise in both time and money. However the RMA act really is long overdue for an overhaul.

These new container ships could be up to 272 m in length, have a draught of 13.2 meters with a width of 16 containers and carrying 5 - 6,000 containers; considerably larger than the 4,000 ships at present plying the port.

Mark Cairns - Chief Executive said that Sulphur Point is now the largest container terminal in New Zealand. Containers increased by 35% to just under 800,000. Less than a third of the extra containers related to the Ports of Auckland industrial dispute. Containers from Australia are being transhipped in Tauranga to other onward shipping services. Seven new shipping services were introduced during the year. To cater for continued growth the port is adding two new gantry cranes one to be commissioned, in 2013 and the other in 2014; bringing the total to seven. In addition the wharf area - due to be completed in March 2013 - will be extended by a further 170 meters. As a result, berthage capacity will increase by 28%. Furthermore Kiwi Rail has increased train movements to and from MetroPort from four to six trains per day. Future upgrades will see these rail movements increase to 15 trains per day in either direction.

Steve Gray - Chief Financial Officer reported that "If you'd invested $1,000 in Port of Tauranga 20 years ago, your investment would have increased to $21,000 and you would have received $7,000 in dividends." Earnings per share have moved from 9.3 cents in 1992 to 54.8 cents per share in 2012. Net profit after tax in 1992 was $7.1 million and now exceeds $73.5 million.

Tony Reynish - Property Manger continued with an update of the Ports property portfolio. Their total landholding has over the years, grown to 184 hectares - 16% increase since 1992. From 1993 - 1995 $14.6 million was spent on capital works. Contrast this with an expenditure of $180 million planned over the next three years. This will be financed from existing cash flows.

Both Mr. Bill Bayliss and John Cronin were re elected unopposed to the board.

Directors remuneration was increased to $ 463,500 for the ensuing year.

Questions Asked of the Board:

- One shareholder, who supported the present board asked if new blood could be brought on. The chairman said this was being addressed.
- If this is the case, could the board address gender and diversity at the same time?
- The chairman insisted that POT would not lower its standards and would always strive to have the best available director appointed.
- Who owns the port coal facility. Answer: POT owns it, but has leased it to Genesis Energy for a 15year term, and it is being used for the storage of dairy food supplements at present.

The large number of shareholders present at the 20th Annual General Meeting were appreciative of Port of Tauranga's efforts and were also heartened to be provided with an optimistic forecast for the future. Well done Port of Tauranga, your shareholders certainly appreciate the effort of the staff and board in providing results that show real growth.

Allen Smith

Editor: John Parker, has been awarded the NZSA Beacon for 2012, for an outstanding team effort in a challenging year. Members can view the citation on our website under awards.

Metlife Care AGM 30th October

Proxies: Four undirected, 140,512 shares.

The meeting was chaired by Peter Brown who held 38m directed proxies & 105m discretionary proxies.

All directors standing for election addressed the meeting & were elected.

Motions were passed on a show of hands apart from Directors fees which was a poll vote. The proposed directors fees although an increase were in total less than the combined fees for the merged companies. The fees of Metlife care have not been increased since 2004. I suggested that fees should be considered yearly and noted in the Annual Report. This hopefully would reduce 'big surprises' & could, if a board reduced in size, result in a reduction of the fee pool.

A shareholder questioned there being no dividend & suggested the fee rise should be foregone until a dividend is paid.

Loans to value has been reduced below 25% through planned portfolio rationalisation, the sale of Richmond Village, Nelson & a site in Christchurch.

4.4ha has been purchase at Unsworth Heights. The North Shore site will be developed in 2013.

Company looking for 'care options', through more properties & is well position for opportunities in the retirement sector.

Residents express very high satisfaction, near 100%, with staff politeness & friendliness.

Since the merger there is better cashflow. Integration continues to create synergies with the sell down of stock. Development opportunities improve share value.

Members of the EPMU were at the meeting they congratulated the company for the way it conducted recent collective bargaining & the result. They raised several points:

The 'aged care sector' is underfunded by the govt & asked what MET are doing. The response was approaching central government, along with the industry, for more funding.

The directors receive more in fees than many staff salaries. They also receive assistance to purchase shares in the company. It was suggested that an employee share scheme should be created. The response to this from Peter Brown was negative stating that interest free loans for share purchases are used to retain key staff.

The appointment of a female to the board. (The board is male & white. The company's staff are generally not) The response was that there is a vacancy on the board but 'best person' applies.

Michael Cornell

Baramundi AGM 16th October

We were faced with a new board with Alistair Ryan(ex Sky City Entertainment) as the new chairperson. Alistair ran the meeting very professionally and at the end gave the NZSA a very nice compliment by saying the market needs a strong shareholder association and recommended people consider joining the NZSA.

Although the board was disappointed in the result, they did out perform the ASX / S&P Small Ordinaries Industrial Gross Index in NZ dollar terms.

As a percentage	Year 30/9/12	Year 30/6/12	Since 2006
Nett asset value adj	+7.1	-1.3	-2.7
S&P small ords	+9.1	-4.3	-16.1
Outperformance	+2	+3	+13.5

The average P/E ratio of all the stocks in the portfolio was 11.9 .
Forecast 3 years earning growth =11.7%
Portfolio ROE average =18.1%
Historic earnings growth was 12.8% pa in the last 3 years with low gearing.
Nett loss for the last 12 months of $884K
Adjusted Nett Asset Value decreased 1.3% after dividend payout.

The Chairperson announced they are seeking another independent director.

There were a number of questions about the performance of the fund and the board acknowledged they were not happy, but could only say they outperformed the S&P ASX Small Ords Industrial Gross Index. Carmel and Frank explained the Australian market has not been easy over the past two years but they feel confident in the future as most of their stocks are well placed for any upturn

Des Hunt

Michael Hill International AGM 2nd November

This company, although dominated by the Hill family holdings, has always been sensitive to minority shareholder opinion, and so Michael Hill advised us that all voting would be formalised by poll. The introduction of board members at this 25th anniversary meeting, detailed a spread of experience from 30 to 1year, with Murray Doyle stepping down as independent after 12 years, and Australian formula Retailer, Gary Smith succeeding him. We thanked the company for improving its investor web pages, and members can now be confident when visiting them at www.investor.michaelhill.com. CEO Mike Parsell gave an excellent summary of the year's progress, and it was evident that while there is some growth available in NZ and Australia, the pattern and opportunity is now established in Canada, but has yet to be proved in USA which is a credit-conscious and highly competitive market. Retailing world wide is now characterised by a help-yourself, lack of service, and so MHI puts huge emphasis on the point of sale experience, and sales training. Questions covered a range of topics:

Entry into South America? No

Financing credit sales in North America? Being trialled.

Internet sales? Websites are the primary research tool for the consumer, but they like to touch before they buy.

Store closures? A last resort – 1 in NZ and 2 in Australia.

Tax issues with ATO and IRD are disclosed in the Annual Report. The company gained the consent of both Tax offices when transferring intellectual property in 2008, but on-going questions from both departments are delaying approval of returns.

When the poll was conducted the massive Hill shareholding enabled the chairman to confirm the election of Christine Hill, Mike Parsell and Gary Smith, on the spot

.***Alan Best***

Skellerup Industries AGM 31st October

NZSA proxies 41 shareholders with 1.1m votes.

As if to refute this good return of proxies by NZSA, increasing now because of internet voting, the Chairman recorded a total of 317 proxy returns worth over 90m votes. Sir Selwyn Cushing quickly set the tone by pointing to total shareholder growth over the past 5 years showing 40% return per annum. In spite of international volatility and a high NZ dollar, Skellerup's results vindicate the restructuring, and refute charges of a lazy balance sheet. These returns have been accompanied by a reduction in bank debt from $106m to only $4.3m.

CEO David Maire with his process engineering background, emphasised the customer focus now evident through out the organisation, leading to simplified solutions for Skellerup staff, and reduced lead times for both raw materials and customer deliveries.

The case study for product development was presented by Mike Christmas, Development Manager for Flexiflow mining screens. The customer problem was defined, the values involved estimated, and the minimum cost product created to solve the problem.

The forward guidance was for a profit slightly below the 2012 year.

Questions over the forecast revealed a need for caution over the relocation of the Christchurch factory, and some manufacturing to Vietnam and Nebraska, as well as slower activity in China, Australia, and Europe. Further questions over the debt resulting from the Christchurch move revealed that decisions over "lease or buy" of plant and property were yet to be made, but that plant capacity through the group was about double current output. A question over the gas conversion market in Europe, led to the conclusion that in all markets except the NZ dairy market Skellerups share is tiny and therefore the opportunity is great.

Foreign exchange risk is also small because of the buying and selling in a variety of factories and markets.

The election of Liz Coutts and the auditor, was unopposed.

Under general business your proxy holder congratulated the company, but questioned the need for a succession plan, and management development at all levels. We will need to follow this up, because the answers revealed a real gap the board's reporting on its human resources.

Alan Best

Vector AGM 18th October

The chairman started by outlining the major investments in projects such as the major upgrades and development of substations at Hobson Street in Auckland and Wairau Road on the North Shore.

He then reported the business is performing well and still offering growth prospects. Dividends are still growing with a final 7.5c being paid out which followed a 7c interim dividend earlier in the year.

Capital invested in 2012 came to @261million. $17 million was spent on regulatory energy regulations. Although the company agrees with the Security Commission the need for regulations there is a major difference on how this should be achieved. Any regulations need to be sensible and in the National interest.

In Australia companies are allowed to achieve between 9.4 and 9.95 on their cost of capital where in NZ it is only around 8.7%. Yet in NZ there is more risk. So it should be slightly higher.

The company now has some 535,228 electricity customers, 154,649 Gas distribution companies and 741,387 electricity meters.

EBITDA was $627.4m, NPAT $198.8m, Cash Flow $390m and Net Debt+equity of 52.5%.

Issues affecting next years profit forecast could be the Commerce Commission pricing structure.

The company is seeing growth in their other activities like Gas Wholesaling, Technology Revenue and Metering.

In the coming year Kapuni Gas prices could also have an affect on EBITDA next year.

In the coming year the chairman is seeking regulatory certainty. He believes there is a need to clarify this environment, or the country will continue to be viewed negatively. The Commerce Commission must be careful not to discourage innovation and energy savings but rather support this initiative, and ensure that its approach is reconciled with government policy. Much of the chairman's and CEO's comment was around this critical issue for the company.

Des Hunt

Dorchester Pacific SGM 7th November

Dorchester held this meeting to consider the previously announced purchase of the EC Credit Control business. The meeting was required under NZX rules because the transaction was for an amount greater than 50% of Dorchester's market cap.

The purchase includes a $7m cash payment, the issue of 28m Dorchester shares to the vendors at 12.5c per share, the issue of a further 10m options at 12.5c which are exercisable over the next year and additional cash and shares subject to an earn out agreement . In total, the vendors of EC Credit will be paid $18.5m (plus options if exercised) if the performance of EC Credit meets earn out targets.

In return, Dorchester will 100% own EC Credit, the largest privately held credit control organisation in NZ with about 100 staff. Vendor Mathew Harrison will stay on as EC's CEO. EC Credit turned over $18.5m to 31 July 2012 and earned normalised EBITDA of $3.7m. It has recently picked up some large new contracts. The purchase will account for between 60-70% of Dorchester's profit post acquisition. As a result Dorchester is now expecting an after tax profit of $1m for the second half of the 2012 year rising to $4 - $5m in the next full financial year. This is a dramatic turnaround from the moratorium days not so long ago.

The market clearly likes the deal because the Dorchester share price rose sharply to about 18c after it was announced. This was obviously good news for the EC Credit vendor. Before the meeting, I asked Dorchester Executive Director and CEO Paul Byrnes if the share and option issue price was not too low. His response was that the vendor took quite a risk in signing up well in advance. Had the price fallen, he would have been left paying over the odds. While that is true, it was probably always likely that adding a cash and profit accretive purchase would lift the share price. However, it has to be said that this does benefit all shareholders.

Dorchester is taking on some additional debt to fund the purchase, but Chairman Grant Baker indicated the board was confident this would remain at manageable levels. In response to a question, the Chairman said it was the intention that Mr Harrison would join the Dorchester Board at some point. He also said the acquisition was a good fit toward the goal of turning Dorchester into a full financial services company. The resolution was passed on a show of hands with only two people dissenting. The Association supported this important step in the rejuvenation of the company, following a period of great difficulties.

John Hawkins

A² Corporation AGM 20th November

The Chairman held 100 proxies, representing 76% of votes able to be cast of which 99% were in favour of the motions.

The meeting was chaired by Cliff Cook, all directors were present.

In brief; A2 milk is believed to have various health benefits, some people with intestinal disorders aggravated by 'normal' milk are able to drink A2. Dairy farmers with accredited A2 herds sell milk to A2 which pays a premium. A2 processes the milk, supplies partners, involved in milk supply, who place A2 supermarkets. This model is successfully used in Australia. This model commenced a few weeks ago in the UK with partner Robert Wiseman who is the largest supplier of milk. It will commence, in the not distant future in China.

Infant formula is beginning to be exported to China. This is the result of work commenced in April 2011. The distributor in China is, China State Farm. They were chosen as they had no competing products, are committed to supplying the best baby formula, have funding for advertising & have links with central government.

The drinking milk market, worldwide exceeds US$120b/yr.

A2 has a strong suite of global intellectual property, which is expanding.

Several questions asked related to security of the supply chain, product/substitution tampering, fraud etc, in China. A2 is well aware of the risks & are satisfied with the safe guards in place.

A2 UHT milk produced in Australia was found in a Chinese supermarket. This was tracked back to an Australian supermarket & was a 'private import' to China.

A2 business model is to slowly build sticky customers. Customers that will keep coming back, paying a premium price for a premium product.

Michael Cornell

Abano Healthcare AGM 30th October

76691 proxies held

Following the sale of its New Zealand audiology business in 2010 Abano has been rebuilding its business with an emphasis on dental practice consolidation and a shift to private (patient payment) revenue streams.

Abano, which operates Lumino the Dentists in New Zealand and Dental Partners in Australia, now gets 63% of its revenue from its dental operations. Managing Director Alan Clarke said, “In 2012 we acquired 26 dental practices, and since May we have acquired another 17 practices, bringing our total to 134. Abano is the second-largest “corporate dental consolidator” in Australasia and there is significant room for growth in corporate dentistry. The trans-Tasman dental market is worth about $7 billion a year, and there are about 7500 dental businesses.”

As in all areas of healthcare, the greatest impediment to growth is the attraction and retention of professionals. A focused recruitment program is in place to attract dentists leaving Europe because of the weakening economy there.

Reported NPAT of $1.6 million profit is a reflection of strategic investments and one of charges booked under IRFS accounting rules. Clarke says underlying NPAT of $3 million more accurately reflects year 11/12 operations.

As well as growth in its dental operations, Abano expects a boost from its new radiology centre opening at the Millennium Institute on Auckland’s North Shore. Radiology comprises 17% of the group’s revenue. Abano is also merging its two radiology business, Ascot and Insight, into one entity

The most significant item of AGM business was the resignation of former chairwoman Alison Paterson from the Board. Alan Best, on behalf of NZSA, acknowledged Alison’s outstanding leadership of Abano and the high standards she had set in all her directorships.

Four resolutions: an increase in Director remuneration; the election of Philippa Dunphy; the re-election of Peter Hutson; and the fixing of auditor remuneration, all passed without dissent.

Asked by a shareholder whether a share split would help improve liquidity, Mr Clark said the company was too young for that sort of move. “I would rather we are known for delivering revenue and profit, and not trying to do tricky things with the register to stimulate growth.”

Finally, a time for refreshments and a chance to chat with the Directors and senior management. While all companies do this, during this communication exercise the Abano team interacts with shareholders very well. Perhaps the location and number present made this easier. However, my impression is that communication with all stakeholders is a “special point of difference”, underlying the success of the company

Bruce Parkes

Tourism Holdings SGM 19th October

A Special General Meeting was held at the Stamford Plaza, Auckland. This was to seek approval to purchase the assets of United Campervans Ltd and Kea Campers. The merged entity will have more than 2500 vans giving it an approximate 45% market share in New Zealand.

The basic rationale for the merger was that there were too many campervans chasing too few customers. Across the market, utilisation is around 50% with huge volatility (20-80%). The independent report stated “In our view, the strategic rationale to reduce sector over-capacity and to achieve potential cost synergies is compelling”.

In the year to June 2012, THL made a disappointing NPAT of $4.5m on sales of $200m. The share price was 52c prior to the proposal - a discount of 41% to NEV. Since the deal was announced, the share price had risen to 77c indicating investor approval of the move.

THL had agreed to pay $69.5m to the Kea and United vendors. In return they gained around 1000 vans across several brands plus various other assets. The vans were discounted 9.3% ($7m) to market value. In total, the vendors would be receiving a value premium which the independent report estimated to be in the order of $23m. However, the driver for this appears to be the price at which the vendors would sell and approximated the liquidation value of the assets.

The report suggested shareholders focus on the expected value uplift and whether this is sufficiently material given the risks of the transaction. They estimated a lift in enterprise value from 97c per share pre-transaction to $1.27c per share post transaction, but warned that the share price could remain discounted below this. The main risks revolved around substantially increased debt and whether secondary players would move into fill space created by planned fleet rationalisation. THL intends to rapidly pay down the debt by reducing purchases of new vehicles (resulting in a one off gain of $30.2m in capex). The independent report said that the THL's figures seemed achievable in this regard, and estimated other ongoing synergies of $4.9m p.a.

The independent report concluded that in every scenario considered, the deal would result in more value for THL shareholders compared with the status quo which would leave few economic options to grow or reduce costs in New Zealand. In particular, current tourism growth from Asia does not result in additional demand for camper vans as these people prefer package tours.

Clearly the 50 or so shareholders at the meeting agreed. Following short presentations from Chairman Keith Smith and CEO Grant Webster, there was little discussion and the vote was overwhelmingly in favour. As previously signalled in an email pulse to members, the NZSA voted proxies in favour of the motion.

Kay Howe, the vendor of United Campervans was elected to the THL board. This brings much needed operational expertise. We hope this appointment and the decision by Rick Christie to stand down signals the start of some major changes at board level. Grant Brady from Kea will continue in a management role with the enlarged entity.

John Hawkins

Tourism Holdings AGM 27th November

The Chairman and CEO reported on the result for the year with Net Profit after Tax of $4.3m up 117% on last year's loss of $27.3m.

The merger with KEA and United effective 1st November 2012 was progressing ahead of plan. Whilst the market outlook was weak especially in UK and Europe the plan was to ensure that no revenue was lost as a result of the merger and that cost savings would be made with reduced fleets and staff numbers where possible. The USA Roadbear operation contributed its first full year profit and the Rugby World Cup also contributed to the NZ operations. New products such as the Mighty Jackpot van were being developed to ensure the company had a product for every profitable segment of the market. The outlook for 2013 was a positive operating cash flow however the merger costs and a change in the treatment of fleet rebates in the USA operation will result in a net loss in the first half to 31st December of between $500,000 and $1m.

The Chairman Keith Smith announced he will stand down at the time of the 2013 AGM. A subcommittee lead by director Graeme Wong are seeking 2 new directors with one possibly taking the role of Chairman although it is possible that an existing directors may take that role.

Long time director Rick Christie retired and did not seek re election.

A surprise Election

John Bongard retired by rotation and offered himself for re election. The Chairman called for a show of hands but a shareholder called for a poll on Mr Bongards re election. The Chairman said he held sufficient proxies to ensure Mr Bongards re election but the poll proceeded. The result of the poll was 11,536,516 votes for the resolution and 13,952,443 against the resolution. PricewaterhouseCoopers the company's Auditors were appointed to scrutineer the vote count. The resolution was not passed. The company noted that in addition shareholders totally 28% of THL's ordinary shares (31.1m shares) voted in favour of the resolution but these were deemed invalid and not counted due to a technicality regarding their proxy status.

Grant Diggle

Editor: They came in too late and missed the campervan!

Lyttleton Port Company AGM 2nd November

NZSA Proxies. 20,000 shares

Rodger Fisher, the Chairman opened the meeting with approximately 40 present. Both Trevor Burt and Rod Carr were standing for re-election and after giving their presentations, were re-elected on to the board.

The increase of directors' fees by $18,000 (to $322,000) was also passed.

Upon the successful completion of the resolutions, the chairman remarked on what an outstanding year the port had experienced in the last twelve months. He said it was a record annual result and a remarkable effort considering what the port had been through in the past two years. He paid homage to the staff who he said had worked so hard to help bring about this result. He also thanked their contractors and customers who played their part in achieving this success.

The earthquake adjusted profit after tax was $17 million for the year ending June 2012. Earthquake costs (to June 2012) are approximately $52 million. The dividend is still suspended as insurance resolution is still ongoing. They have received $35.7 million progress payments from the insurance since September 2010. He commented that LPC have staff whose primary function is to liaise with the insurance company and this is because of the complexities involved.

CEO Peter Davie commented further: Container growth is 10% per year and Lyttelton now accounts for 50% of SI container traffic. Overall trade has grown 40% in the last five years alone. There has been an increase of 93 staff. They have had two serious accidents. He stressed the strong emphasis on Health and Safety and they are striving for zero accidents.

The reclamation is proceeding well with three hectares currently and they are looking to double this to eventually achieve 10 hectares. Mention was made of the growth in the province including dairying, seeds and grains as well as the demands of the rebuild of Christchurch. These developments play a central role in their future planning.

Questions included 'Shareholder numbers have been static over the past 4/5 years – what level shareholding would trigger delisting?' Reply: Not sure what the numbers are. The focus has been getting the port up and running rather than other issues. Another questioned if LPC were' getting their claws out' when dealing with insurance companies? In reply, the chairman said that they had a 'good, ongoing relationship with a hope that funds flow through in the near future'. Concerns were expressed about a reduction in coal exports from Solid Energy. The chairman said that most of the coal exported is from the Stockton mine and he doesn't foresee any marked changes.

There was some fairly tense questioning from Ports of Otago regarding the overall repair figure which the chairman said he couldn't give as it is a 'pay as you go' type arrangement with signing off on an asset by asset basis. He said their spend will exceed what they receive and they are working through their draft plan. He further commented that the port has to plan for future growth. In a lively session, the two final assurances given were that

1. they will look at bringing back bus tours of the port for 2013's AGM, and
2. the board will keep in touch with shareholders on what is happening.

Finally, the Christchurch City Holdings delegate praised the board and management for their achievements in light of the enormously challenging conditions over the past two years. This was endorsed by all those present.

Barbara Duff

Precinct Properties AGM 6th November

Precinct (formerly AMP Office Trust) is a property investment company with high grade office portfolios in Auckland and Wellington. Its AGM was attended by approximately 70 shareholders and 7 directors. Resolutions for the re-appointment of Donald Huse and Graham Wong, and auditor's remuneration were passed unanimously by show of hands.

Highlights mentioned in the Chairman's report were refinement of client (tenant) engagement strategies, single management structure for day to day management and purchase of Bowen Campus in Wellington and Downtown Shopping Centre in Auckland. Both sites have significant development potential. Seismic concerns play a big part in shaping the market with a proposed expenditure of $15M - $25M over next 5 – 8 years, this being necessary to attract and retain discerning tenants. Shareholder questions generally related to Precinct's individual properties.

Peter Milne

Fletcher Building AGM 20th November

NZSA proxies – 100 members, 896,000 votes

As usual this was one of the largest meetings of the year, and run very methodically by chairman Ralph Waters. The respective addresses by the chairman and new CEO Mark Adamson can be found on the Investor centre of the FBU Website.

Ralph Waters pointed out that although there had been some recovery in NZ building consents they were still 30% below the long term average, while Australia's were down 12%. This was nevertheless, much better than the Spanish figure which was about 90% down on its previous high, and where Formica had closed its plant. The divisional summary makes sober reading and most shareholders were waiting to hear the forecast for 2013 – a 12 to 22% improvement in Net earnings including $20m of restructuring costs, to $560m - $610m dependent largely on a successful second half from Christchurch. During the successful election of Dr Alan Jackson, Gene Tillbrook, and Kathrine Spargo, the chairman commented on the increasing gender diversity, with 2 women directors, a senior woman business manger, and a female engineering cement plant manager.

New CEO Mark Adamson, ex Formica, presented his challenges:

To grow earnings regardless of the economic cycle ,by rationalising procurement, logistics, digital technology, and business services, and achieving manufacturing excellence, all within the current portfolio of businesses. He pointed to some initial fine tuning of divisional responsibilities, reducing capital expenditure, and maintaining gearing at 35%.

Shareholders' questions were few - a challenge to the excellent health and safety record, and more complete biographies of directors.

However your proxy holder did vote against the issue of options to the new CEO, because they were issued in a market lull at $6.22, when the price was rising beyond $7.38, and were not dependent on performance hurdles as were other parts of the Long Term Incentive Scheme. Nevertheless, all resolutions were carried convincingly.

Alan Best

Ebos AGM 25th October

NZSA Proxy votes: 350,228 shares

The chairman Rick Christie, outlined the major events that had occurred at Ebos over the past 12 months - the significant share holding changes, management restructuring and the purchase of Masterpet in Australia. Mention was made of continued shareholder value and the ongoing economic difficulties in both Australia and New Zealand. Despite this, he stated that "these changes have marked a new phase in Ebos' journey from being a small but profitable business at the beginning of the last decade to being a top 50 NZX company with over 1000 employees and a strong presence in both Australia and New Zealand".

The purchase of Masterpet has proven to be an ideal complement to the existing business as spending on pets does not seem to be affected by tough economic realities, and moves outside the public funding of the health sector. The last two acquisitions, (of the 18 made) have been the best (Propharma & Healthcare Logistics and Masterpet).

Financial results in the year ending 2012; revenue from continuing operations increased 1.429 million, EBITDA up to 46.9 million, net profit after tax up 19.4% to 27.9 million.

Ebos has had to deal with one-off legal and integration expenses however, operating cash flow through all of this was $28.112 million. Their strong financial position enabled them to pay a dividend of 0.34c for the full year (including the special dividend from the sale of the scientific business) and was a record for the company.

With the changes in shareholding after the exit of cornerstone investor Masthead, they now have a wider institutional base with better coverage and liquidity. He thanked both exiting directors, Mark Stewart and Peter Merton for their contribution to the company over the years.

Ebos wants to become a billion dollar company by market cap, and CEO Mark Waller stressed his commitment to the company in helping to achieve this milestone.

NZ Healthcare business is still in great shape. Health reforms are underway but Ebos is optimistic they will weather these changes successfully by being cost effective and efficient. 'One Link' has been introduced by amalgamating existing supply chains to bring about a more rational national distribution setup and using this method, Ebos is tendering for a national supply chain. They hope to take this system to other market segments. Virtually all of their purchasing and supply chain is now fully electronic, and the new Albany distribution centre will increase efficiencies.

The Australian market has been challenging. There has been a very significant drop in patient numbers, and some medical staff left to set up in opposition, utilizing the information gleaned from Ebos. This has now been settled after legal action.

Ebos do not have the pricing power in Australia and have negligible presence in the hospital market but are starting to expand in the aged sector. He said they have a really good base but they need to 'ramp it up'.

Ebos are pleased with their purchase of Masterpet. By contributing $6.8 million NPAT, it has made a useful contribution already. It is a market leader which is important with a business base of premium pet foods. It is also involved with pharmaceuticals plus accessories etc. Their customers are pet shops, veterinary clinics, bulk retailers (Animates in NZ owed 50% by Ebos) and grocery. This gives them opportunities for growth.

On the NZ healthcare side of things, mention was made of Pharmac expanding into the medical devices and consumables area over the next five or more years. Ebos are trying hard to partner with it and are doing all they can to bring this about. He concluded by stressing that Ebos is in a strong position and is optimistic about the future, despite all the challenges that exist.

Question: What were the legal costs associated with the court action in Australia?

Reply: Just under a million.

Comment: Ebos should be a supplier only to veterinary clinics which are somewhat volatile rather than being an owner.

Reply: In Australia and to a lesser extent here, veterinary clinics are becoming corporatised which creates price pressures therefore, it may be prudent for Ebos to be involved in a clinic rather than be price takers. They are not proposing this, it is simply an option.

Question: Has Ebos considered moving its head office.

Reply: This is considered every five years or so. No changes are foreshadowed at this point.

The NZSA proxy holder congratulated Ebos on their performance over the past twelve months.

All resolutions were passed including the re-election of directors, Elizabeth Coutts and Barry Wallace.

Barbara Duff

Auckland International Airport AGM 24th October

About 400 shareholders attended the AIA AGM. The mood was buoyant as the company had reported a very solid year. Strong passenger growth was recorded at all airports and this flowed thru to the financial results. EBITDA was up 23% to $266m, underlying profit up 15% and headline operating profit after tax up 42% to $142m. The dividend was up 21% to 10.5c per share. Looking ahead, the company is predicting net profit of $143-$150m for the current year subject to the usual caveats.

The only concern for some people was that the dividend payout had been increased from 90% to 100% of sustainable earnings. Chairman, Joan Withers said the board was comfortable with this decision which was taken after a full review of the capital structure and requirements. Withers also announced that she would be stepping down from the board at the next AGM.

New director Justine Smythe was asked whether she had the time available to do justice to the job, given her other commitments. She assured the meeting that she had carefully considered that matter before accepting the appointment and was confident she would. Directors John Brabazon and Richard Didsbury were also up for re-election.

The board sought a modest increase of 2.8% in the total director's fees. This was unopposed and attracted no questions given the strong performance of the company.

Questions were asked about transport links to the Airport. The Chair explained that these were the responsibility of the Auckland Transport Forum, and while the Airport made representations, it had no direct role. Once again the issue of a rail link surfaced with much the same answer.

Another question related to the input AIA had to its other part owned airport investments. In the case of 24.9% owned North Queensland airports, AIA plays an active role on the board. It is not represented on the 24.9%% owned Queenstown airport board, but has general input and its views are carefully considered. Both these investments are performing strongly. A further question related to the change from Computershare to Link registry. The answer was that this was a commercial decision following a competitive tender process.

All votes were decided by poll and were carried by margins in excess of 98%. The NZSA voted its undirected proxies in favour of each resolution.

John Hawkins

Pyne Gould Corporation AGM 29th November

A very small meeting was held at the Auckland offices of Perpetual on Thursday 29 November.

Chairman Bryan Mogridge apologised for the absence of CEO and controlling shareholder George Kerr. He said that PGC was in the process of selling the remnants of the Perpetual business and Kerr was overseas finalising that. The Chairman announced Michael Tinkler was standing down from the board immediately after the meeting.

Mogridge started by reading a statement from the CEO which had been released to NZX. It outlined the sales progress that had been made and also commented that "the Fund has made a pragmatic decision to exit NZ exposure to indirect litigation funding - which it has now executed at book value. This does not impact on any direct litigation funding that either the Funds, PGC or any subsidiary may pursue in the near term".

In a blunt address which left no doubt George Kerr would be running PGC exactly as he saw fit, Mogridge made several important comments. He said that once Perpetual was sold, PGC would have no NZ assets and no debt. That meant the company would become a holding entity for the Torchlight funds, EPIC and Van Eyk. These were all offshore entities and it was very unlikely PGC would remain domiciled in NZ. He went on to say that the dividend opportunity rested with the inspecie shares in Heartland (which all PGC shareholders received when this was spun off), while the slow capital value growth opportunity remained with PGC and that "PGC was unlikely to ever pay a dividend", and that "if as a shareholder you are looking for quarterly growth and returns then PGC is unlikely to satisfy your requirements." He also said that the FMA investigation was ongoing, but PGC's view has consistently been that the loan was very sound and well-secured. (Those who have followed this saga may very well have a different view) Mogridge pointed out that the loan has subsequently been repaid in full.

All this news took most of the heat out of the meeting because many questions were effectively rendered obsolete before being asked. The Shareholders Association representative was in fact the only person to ask anything!

Q. PGC has loaned about $NZ13m to Van Eyk (an independent research provider) and its associates. Van Eyk lost $0.5 million in the interim accounts and obviously has very modest revenue. How secure are these loans and what has Van Eyk used these loans for? **A.** The board is happy that they are secure and the Chair had no specific knowledge of what they had been applied other than working capital.

Q We note that interest free loans of $2.3m have been provided to Van Eyk and $9.1 million to Torchlight, however at the same time, PGC has a bank overdraft of $9.3m). Why would the company make interest free loans when it has to borrow money to fund interest free loans? Isn't this a straight value transfer to Van Eyk and Torchlight shareholders? **A.** This was just taking advantage of investment opportunities in line with the revised strategic direction as they arose. PGC now has no debt.

Q NZX Listing Rule 9.2.1 requires shareholder approval for material transactions with a related party if it is greater than 10% of the companies market cap. The company describes Van Eyk and Torchlight No 1 as related parties in the annual report. The PGC market cap for this period ranges from $70m to about $85m. There are related party loans including individual transactions ($9.4m loan to Van Eyk), $10.3m loan to Torchlight and $14.1 to Torchlight related party RCL There is also the loan from Perpetual to Torchlight which totalled about $28m. It appears that on an individual basis and in aggregate, the 10% approval threshold has been exceeded on a number of occasions. Why was shareholder approval not sought as required by NZX listing rules?

A. The company took advice and considers that the loans were to subsidiaries. We have approval for this view from NZX.

Q While we note that the company has exited its NZ exposure to indirect litigation funding can the Chair confirm to the meeting that there is no intention to use litigation funders to sue PGC itself or any of its subsidiaries or associates given that the remnants of Perpetual Trust are a likely target for such litigation.

A The Chair said it would not make sense to sue ourselves and he denied there was any intention to do so.

These questions and answers raise some interesting issues. Both Van Eyk and Torchlight are listed in the 2012 Annual Reports as related parties and "associates". They are specifically not listed as subsidiaries. So if they are related parties, but not subsidiaries, then on the face of it the NZX rule should apply. If they are subsidiaries, why did the Chair not know what the funds were being applied to? We have asked PGC to provide written comments around this and will consider whether to take a query to NZX and FMA once these are received and considered.

In regard to the litigation funding, the question was raised because of rumours and comment in the media. Because Perpetual had been trustee for a number of failed finance companies, it may well end up a target for litigation funders seeking to obtain insurance payouts for investors. Litigation funders take a significant margin from any settlement as payment. There was speculation about why PGC would be investing in litigation funders, given Perpetual's position. It remains to be seen whether any buyer of Perpetual takes on the distressed issuer's winding down. Perpetual's corporate trustee operation was sold to Foundation – following Perpetual's failure to obtain a trustee licence from FMA. At the moment the distressed issuers remain in Perpetual, and are being sorted out under a temporary 18 month trust licence from FMA.

With 77% of the vote controlled by Mr Kerr, the outcome of motions to re-elect directors was never in doubt. Most people abstained on a show of hands, but the NZSA voted against the re-election of Mr Mogridge as we do not consider him to be a truly independent Chairman.

John Hawkins

NZ Windfarms AGM 27th November

At the completion of the AGM Windflow's CEO Chris Sadler was off to deliver a yacht across the Tasman. He is taking part in this year's Sydney Hobart - a race noted for the strong winds usually experienced. Windflow's prospects will be boosted if he can bring some of those winds back across the Tasman.

At the 2011 AGM there had been some sense of optimism. The Te Rere Hau Windfarm was complete and generating electricity into the national grid. The company has no debt, positive cash flows were forecast, a dividend in 2012 appeared possible and Goldman Sachs had been asked to advise on strategies to maximise the value of (sell) the company.

The weather gods did not co-operate. A wet year has hydro lakes 109% of capacity and a corresponding low spot price for electricity. A low wind year (both in speed and direction) kept generation below capacity.

Environmental Court decisions have gone against the company, there have been ongoing maintenance teething problems and no buyer has been found for the company at a realistic price

The company now plans to carry on as a single wind farm operator. Initiatives to improve maintenance schedules, identify cost reductions and increasing yield are in place. A recipe for a hard slog. In reality, as chairman Wyatt Creech pointed out, the company's financial performance will always be dependant on wind flow at the site and the electricity market spot price. With a share price now down to 11.2cents (14 cents at time of 2011 AGM) shareholders must expect continued gloom for some time.

Directors Vicki Buck and Michael Allen were re-elected without comment. A range of shareholder questions focussed on maintenance issues with the turbines and the inability of Windflow Technologies to honour the warranties on the turbines.

Bruce Parkes

Sealegs Adjourned AGM 1st November

NZSA proxies: Four undirected, totalling, 34,400 shares.

Before the meeting I spoke with CEO David Glen. I ascertained how the, breach of NZX rules occurred at the AGM, 21 September.

The meeting was chaired by Eric Series. Also present were 3 directors who had been appointed to the board during the year, all 3 were seeking election to the board.

Compared to the meeting held on 21 September the atmosphere was very different & certainly less 'fraught'.

At the beginning of the meeting Mr Series advised that the Chair held proxies for over 50% of shares. A poll vote was held for all agenda items with the results to be advised to the NZX.

I asked several questions and whilst Mr Series began to answer them they were answered fully by CEO David Glen & Mark Broadley.

Some of the answers 'clarified', matters raised in the previous meeting.

I found it interesting that as part of their answers, to questions from the floor, the board said, "that was done by the previous board, not us! "

As I previously wrote, NZ is too small a market for Sealegs, despite that there are 50 Sealegs on Waiheke & on a recent weekend sales foray to Waiheke 3 Sealegs boats were sold in one day. In the USA 6m Sealegs are an accessory for large boats. Korea requires large models. There are 3 Sealegs in use by emergency departments in the hurricane Sandy area. Selling Sealegs to the USA Govt' will require at least partial manufacturing in the USA. The prospect of this may not be as daunting as it sounds as USA cities provide significant subsidies to attract manufacturing & for example, Detroit has many unemployed skilled metalworkers, autoworkers etc.

The company is making a profit producing about 120 boats a year which is also about the manufacturing capacity of the factory. In the factory was a partially completed 'hard top' which is a new higher priced model. Previously models were RHIB (rigid inflatables) Comparing a conventional boat of similar length to a Sealegs boat, there is significant profit.

Expansion will come from overseas. Some manufacture will occur in NZ but many export orders are for boats so large that they require their own shipping container, reducing profit. Whereas previously two smaller boats were shipped in one container. Technology licensing will allow larger hulls to be manufactured overseas with Sealegs technology. An example of this is the 'Smuggler' displayed at the Ak boatshow. The hull was manufactured in NZ, by an independent boat builder with Sealegs technology. The purpose of this was to display to overseas manufacturers the ability to incorporate Sealegs technology on their boats. 'Sir, would you like Sealegs with your boat'?

Cash reserves: The company has about $2m reserves with no debt. Apparently the cash reserves are about the same Sept 2011-Sept 2012. There is no 'cash burn'. This is a different answer from the September meeting.

I also questioned the justification for, and benefit of the share buy back. In June the company announced it would 'buy back' a max of 3,850,000 shares, on market. Approximately 3m shares have been purchased at between 10-12.5c.

This programme was instigated to increase the liquidity of the stock enabling shareholders to sell out. This included a couple of major sellers. The board regard this as a good use of cash, but it was hardly likely to increase stock liquidity in the longer term.

Michael Cornell

Cavalier Corporation AGM 16th November

NZSA Proxies 344297

Cavalier, known for its strong dividend performance, is unable to pay dividends at present. Its result was affected by the ongoing uncertainties of the sovereign debt crisis, the 80% wool price spike in the 2011 season, the depressed building activity on both sides of the Tasman, the strong NZ and A dollars, the weakness of the US dollar and thereby the keenness of American export prices, the delays in the Christchurch rebuilding programme. These variables were beyond the control of directors and management, but caused shareholders present to question their holdings in the company.

So they were keen to hear about actions taken and the outlook.

MD, Colin McKenzie explained the closure of one spinning mill reducing capacity by a third, stock reductions, more centralised warehousing, and the reduction of output to parallel demand. The Scouring business is performing well, but Cavalier's aim to assist with further rationalisation of NZ scouring is complicated by the shareholding changes at competing, Wool Services International, in which the new Australian shareholder Lempriere, says it is not interested in selling at present. With NZ wool prices now back to long term averages, Colin McKenzie altered the forecast profit back from $10-12m to $6-10m. One of the implications was pointed out by a farmer-shareholder. At the current wool prices, the long term downwards trend in the NZ wool clip will continue.

The Chairman Allan James, dealt with a variety of suggestions:

Shareholder loyalty cards could have little effect, because of the infrequency of carpet purchases in the home.

He forecast no further capacity reduction, and a rapid response when conditions improve. Cavalier is reluctant to invest in overseas outlets, but is extending its focus on upmarket hotels to stockists of high quality residential carpet. He pointed to the benefits of the new recycled felted backing material "Flashback". However the uncertainty of the market was highlighted when a questioner wanted elaboration on Cavalier's use of synthetic fibre. Nearly 80% of carpets in NZ have been wool rich. American and Australian synthetics have suddenly broken this and the old pattern will not return. Cavalier will make synthetic carpets in response, but it is difficult to make money on synthetics with our tiny manufacturing volumes.

After a tribute to retiring director, Wayne Chung, Keith Thorpe and Colin McKenzie were reelected, and, a welcome introduction to the all male board, Sarah Haydon. Her abilities and the others will be tested.

Alan Best

Sky City Entertainment AGM 19th October

NZSA proxy votes 500,571

With a share price near a year high, a full year dividend of 17 cents a share and reserves on hand to fund planned developments, the 700 (NZ Herald estimate) shareholders who attended the Annual General Meeting seemed a contented lot. A goody bag containing meal discounts, a gambling chip, free car parking and anticipation of a bountiful "morning tea" would have further lifted their mood.

Retiring chairman Rod McGeoch and CEO Nigel Morrison in their addresses acknowledged the boost the Rugby World Cup on past year performance. While the 2012/13 first quarter is line with expectations, Morrison was not prepared to offer guidance on a full year result

The company is waiting for governmental go aheads for development at Adelaide Casino and the $350 million Auckland International Conference Centre. A $40 million land bank across Hobson Street from the Auckland casino is being held to accommodate the Conference Centre. Morrison pointed out that the concessions the company are seeking from the government before committing to the Auckland project are no more than what is standard in Australia.

Adverse publicity (by association) followed donations made by the company to the Auckland Council mayoral election campaigns. The Board has taken note. Incoming Chairman Chris Moller told me that the Company does not donate to national organisations and in June the Board resolved to: not donate to future mayoral campaigns; and align their donation policy across Australia and New Zealand.

Directors Rob McGeoch, Peter Cullinane and Richard Didsbury were re-elected without comment and the Directors were left to fix the fees of auditors PWC.

Bruce Parkes

Pumpkin Patch AGM 20th November

NZSA represented 20 shareholders for 197,920 votes.

What a change from the dismal report at last year's AGM where closure of stores in USA & UK were in train as well as restructuring at the East Tamaki Head Office/Distribution center!

Sales for the year from continuing operations increased 3%. Net Profit was $10m a decrease of 20% and restructuring charges $37.9m resulted in an overall loss of $27.5m for the year

Jane Freeman – Chairperson and Neil Cowie, CEO, presented on the business changes.

- Closure of the above stores with all associated costs was brought to account in the year,
- Back to core strengths of developing Australian markets.
- Strong results from growth in online sales (11% of total retail sales).
- Wholesale direct and Franchise sales to overseas outlets outside Australasia was seen as the best avenue for continuing with the Brand internationally which was being serviced direct from China to reduce costs. Reduction in operating costs was continuing.
- Reinstating dividends was a primary objective for the Board.
- No comment on Trading Update as Xmas trade has a significant impact on performance.

Questions from floor concerned the following issues:

- 3 stores in Ireland being retained as part of the international division.
- Overall cost of failed USA & UK retail ventures was stated at $57m.
- Wholesale and franchise model was the way forward in international markets plus the online presence.

Jane Freeman, Rod Duke and Peter Schuyt were re-elected directors. David Jackson retired as an Independent Director.

Noel Thompson

NZ Oil and Gas AGM 30th October

Six directors and about 100 shareholders were in attendance.

The Chair Tony Radford noted in his report that there were strong cash flows and profits and can now pay dividends. He noted that there was $162M cash available for opportunities. There were off-shore activities in Indonesia and Tunisia which supplemented its New Zealand operations. He advised he was stepping down as Chair in favour of Peter Griffiths but would remain on the Board.

Andrew Knight presented his first CEO report. He acknowledged the work of Tony Radford, one of the NZOG founders who saw the potential for oil and gas exploration in NZ and its potential impact on the standard of living. He set out his vision for NZOG indicating that the company was stepping up activities in three areas – moving strongly ahead with other exploration work in waters off the Taranaki coast, diversifying overseas and reorganising itself to be a partner of choice for exploration in New Zealand. He noted that exploration activities are constrained by availability of an off-shore rig once each three years so it is necessary to diversify into New Zealand on shore exploration and overseas exploration.

Questions from the floor included:

- Political and social risks faced – these need to be continuously weighed – worst outcome is confiscation of assets. Risks for Tunisian ventures are assessed on a continuing basis. Indonesia is now encouraging more foreign investment and NZOG is being treated differently by Indonesian authorities compared with Australian companies operating in Indonesia.
- Fracking policy – would be used if it is safe and effective which it is if done appropriately.

Formal resolutions were put for auditors fees and election or re-election of four directors and were carried on show of hands (proxies were substantially in favour).

The meeting was well run and shareholders were obviously supportive of the company.

Peter Milne

Vital Healthcare Property Trust AGM 31st October

This was a quieter meeting than previously, where the controversy over the ANZ selling off the management rights last year to the Canadians – North West Value Partners who also has a 19.8% unit holding was a major issue.

Graeme Horsley (newly appointed chairman) made the following points:

- Net distributable income up 28% to $23.3m on increased capital from the rights issue.
- Board – 2 Directors from North West and 3 Independent Directors.
- The objectives of the Trust are unchanged with a low risk/medium return focus.
- 75% of assets now located in Australia and 83% hospital properties.
- Further purchase of Sportsmed campus complex in Adelaide to be settled in December providing a return of 8.6% after costs. Further sale of lower value non-core properties.
- Risks of business included political reform.
- Failed internalisation proposals cost $700,000 in the year.

Questions from the floor

Borrowing costs at 6.8% were considered to high compared with current low interest rates and the quality of the properties with a Waited Average Lease term of 12.

Internalisation comparison of Vital with DNZ's share price performance. Company claimed DNZ have higher cost ratios and Vital is the 4th lowest in costs for the sector. The Vital internalisation was scuttled only last year and North West would not surrender management rights in the short term.

Share price was $1.35 prior to the major Australian purchase 2 years ago – compared with last years $1.13 and currently $1.28. was of concern. Dividend is also behind from 8.5c to current 7.7c.

East coast location of properties in Australia and not Western Australia where major growth is – depends on the right opportunities becoming available.

Trust Deed amendments to update with the listing rules on a continuing basis, and new rules for election of independent Directors were all passed.

Noel Thompson

Chorus AGM 31st October

This was Chorus's first AGM as a standalone company since demerging from Telecom in December 2011. Chorus wholesales telecommunications capacity to retailers such as Telecom, Vodafone, TelstraClear from its traditional copper telecommunications network and a major portion of the new fibre network being constructed in conjunction with the Government.

There were seven directors and approximately 100 shareholders at the meeting. Board Chair Sue Sheldon ran the meeting with a firm but fair hand and was strict on procedure. Her report concentrated on the activities related to the establishment of Chorus as a standalone company. Mark Ratcliffe CEO reported on the rollout of the new fibre network.

A major unknown is what return the Commerce Commission will allow Chorus to make on the existing but obsolescent copper network and on the new fibre network. Until this is settled Chorus is unable to set a long term dividend policy. If a low return is set this would tend to stifle customer uptake of the new fibre service.

Questions asked included:

- Would the Board consider producing future Annual Reports in booklet format rather than tabloid newspaper format – Board will 'listen' to significant feedback.
- Why only two people with technical backgrounds on Board – Chorus searched widely for those with appropriate capabilities especially those with infrastructure experience. 156 possible people were considered.

Formal business included re-election of three directors, appointment and remuneration of auditors and fixing of Directors' remuneration. A question was asked about possible conflicts between KPMG the nominated auditors and the Board. KPGM's audit partner confirmed that there were no conflicts. The Chair ordered ballots rather than a show of hands and all resolutions were carried 99.9% in favour.

Peter Milne

Team Talk AGM 24th October

This meeting in Wellington was attended by all seven directors and approximately 70 shareholders. David Ware the Managing Director presented his report which was well received. He outlined the current telecommunications scene especially noting the Government was moving to purchase telecommunications needs through a single agency – 'big is in, and small is out'. Industry reaction is to 'get big, get niche or get out' for example Telstra is getting out in New Zealand and so are various smaller operators. TeamTalk considers it has good niche businesses, a strong balance sheet and a great reputation so it considers it well placed. Its CityLink subsidiary is taking a bit of a hit on Government business but this is expected to grow again. Its Araneo subsidiary focuses on rural business (including broadband in 24 of the most remote schools) and back-up services (including microwave links from the Beehive for Civil Defence). The mobile radio business continues to do well offering specialised applications for security, forestry and transport companies. TeamTalk is looking at acquisitions from companies exiting the industry.

The report was well received and there were no questions asked. There were a few questions on the financial statements. These concerned intangible assets – which were goodwill paid on the acquisition of CityLink and Araneo and a $19M in the 'retained values' account – these were historic losses from early days, there are currently no tax losses. The Chair declined to comment on legal action being taken by the minority Araneo shareholder (TeamTalk recently made a statement to NZX on this).

Paul Collins stood down as a director after 13 years service, and received a vote of thanks.

Roger Sowry and Tone Borren retired by rotation and were re-elected. The Board sought a new director with financial skills who could take over the chair of the Audit Committee (previously Paul Collins) resulting in George Patterson offering himself for election. Penny Eames who has been heavily involved with arts administration offered herself for election but did not have Board support. While she obviously had good governance skills and experience, she did not seem to have any particular skills applicable to TeamTalk's area of business. A resolution appointing George was carried almost unanimously on show of hands. A resolution was then put to appoint Penny but had eight hands in support and about 20 against. The Chair asked Penny whether it should go to ballot but she chose not to press this. Unusually, the chair did not reveal the number of directed and undirected proxies held.

The Company proposed to increase Directors' remuneration (excluding the Executive Directors) from $150,000 to $250,000 per year. This has not been increased for some years and would still be modest compared with similar size companies. This includes provision for an extra director if need be, otherwise this 'headroom' would remain unspent. Carried on approximately 75% show of hands.

Shareholders present seemed pleased with the progress of the company, and there were informal comments afterwards on how well the meeting had been run.

Peter Milne

Ecoya AGM 25th September

Chairman Geoff Ross reported on the 2011 result, a $218,000 loss compared to a $4m loss the previous year. He said the company was looking for a new CEO and that he would step back into an executive chairman role. It was subsequently announced that Stephen Sinclair former Chief Operating Officer would take the role of CEO.

The forecast of first half 2012 to 30 September was revenues of $12.1m. This was subsequently confirmed with a loss for the period of $797,000. New stores were opened at Auckland International Airport and Westfield Bondi, Sydney. Sales and marketing costs grew from $3.8m in the first half of 2011 to $5.3m first half 2012.

It is not expected that a dividend will be paid in the short term as the company continues to invest to grow revenues. The company expects to generate capital growth over time. The share price has been at around $1.30 mid 2012 but has declined to nearer $1 at present.

Grant Diggle

Marlin Limited Fund AGM 1st November

The chairman Alistair Ryan took 40 or so minutes to cover the events that had taken place up to the AGM. Then Carmel Fisher and her executive management team covered in detail how they had managed the fund over the past few months. Special attention was given to how the new executive team were going to evaluate and research new investments. They have been doing a full review of the current portfolio and found there was a need to minimize the risk of the portfolio going forward as In the past 12 months 17% on their companies which did not perform affected the results by 30%.

There were two major problem companies one being Fook Woo(3.9% of the portfolio) which lost $2.5 million. The company is still under investigation so an impairment has been taken to write down the 2.5 million.

The other is Port Design which represented 2.2% on the portfolio.

In the 2012 financial year total shareholder return decreased by 18.4%.

We were told the first quarter results will be negative but the company still planed to pay a dividend in December this year.

Much of the rest of the meeting was spent on the Elevation Capital resolution to liquidate the company. Their presentation was not well received either by the board or Marlin shareholders. It sounded more like a sell job rather than concentrating on the subject matter at hand.. The longer it went on it became obvious shareholders were not going to support the resolution.

Around 85% of Marlin Shareholders only hold between 5,000 and 10,000 shares and it was soon clear shareholders were happy with the way the company was being managed.

To give credit to the chairman and the management team, they did give a very good presentation.

Des Hunt

Editor: The Marlin board currently consists of two independents Alastair Ryan and Carol Campbell, plus non-independent Carmel Fisher. Both Ryan and Campbell sit on two other investment companies with Fisher Funds as the manager. This close relationship has concerned a number of shareholders and commentators. Once we have researched the situation in Australia and the UK, we may take this matter up with the stock Exchange and regulator with a view to having the rules tightened.

NZSA is also concerned about the timing of events surrounding the decision to renew the management contract. It is possible that the decision to renew was not communicated at the earliest possible opportunity and incomplete information may have been provided to NZX and others. It is crucial that where shareholders are being asked to make decisions about the future of their company, they can rely on the accuracy of the information provided. A letter has been written to NZX regulation seeking clarification

Caught on the Net

FMA 2012 Stakeholder Survey

The Executive Summary of the stakeholder survey conducted by Colmar Brunton on behalf of FMA. The survey included 14 in depth face to face interviews, and 203 online responses.

The purpose of the survey was to better understand perceptions of the FMA and its interactions with the market. It is also an important reporting tool, enabling the FMA to supply independent analysis and is referenced in its Statement of Intent. ***More***

Discussion paper on the AGM and shareholder engagement

The Australian CAMAC report (Corporation and markets advisory committee) has issued a discussion paper on the 3 ares of engagement with shareholders 1. general engagement, 2. The annual report, 3. The AGM. Public submissions are invited. They close on December 21. ***More***

Why is housing such a popular investment? A new psychological explanation

While written for a European audience, this academic article has a universal premise. Our investment decisions are driven by loss aversion perceptions rather than opportunities for real gains ***More***

Californian town learns to live on less after falling off its own fiscal cliff

With some of our local authorities in dire financial straits they could look to the response by the town of Mammoth Lakes fighting back after being declared bankrupt ***More***

Self managed super attracting crime

The increase in self managed superannuation funds is attracting crime organisations to Australia says Australian Securities and Investments Commission chairman Greg Medcraft ***More***

South Park Bailout episode - "And it's gone"

South Park humour with a reality twist ***More***

Where dividends top pay, CEOs tend to outperform

An opinion piece from the age strongly suggests that companies where the CEO has substantial "skin in the game" are better aligned with external shareholders ***More***

Australian crackdown on dark pools, high frequency trading

Australia's major investment banks may be forced to hold stock market licences under a tough new regime proposed by the government to crack down on secretive trading venues known as dark pools. ***More***

Safe or junk, bonds in bubble trouble

Fund managers participating in the Reuters Global Investment 2013 Outlook Summit reckon the bond rush may be nearing the home stretch - at least in the highest and lowest risk sectors ***More***

Who loses when Central Banks (the Fed) keep interest rates low?

We hear a lot about the winners in low interest rate times. In this Bloomberg article Gary Shilling says low interest rates are causing considerable distortions and, for many, outright harm ***More***

How do we know New Zealand is a tax haven?

Richard Murphy of Tax Research UK claims it is and sets out his case (from a UK perspective) ***More***

Loss of Income caused by banks as bad as a 'world war' says Andrew Haldane

Haldane, the Bank of England's executive director for financial stability, declared that, in terms of loss of incomes and outputs, it was as bad as a world war. He said it would be astonishing if people were no asking big questions about wher finance had gone wrong. ***More***

Stock Markets That Flummox Masses Do No One Any Good

While Amy Butte's opinion piece in Bloomberg, is referring about the USA markets where, she says, you need a super computer or doctorate to understand the rules of the market. ***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 the presenter. Members are encouraged to refer to the individual company websites for the latest news and disclosures. The work of these professionals who give their time is appreciated by all who attend.

Auckland

Auckland Branch Meeting 21st November Telecom

Simon Moutter, Chief Executive Officer, Telecom Corporation addressed a well attended meeting of about 110 Auckland Branch members. Simon is an interesting and competent speaker who kept the audience listening carefully throughout his presentation. It is worth noting that his major academic credentials lie in the electrical engineering field, and include a master's degree in Engineering from the University of Canterbury, and a Bachelor's degree in Science from Massey University.

Very early on he made the point that Telecom today is NOT just old Telecom minus Chorus, it is a very agile Telecommunications and IT services company and has the biggest network in New Zealand. Their aspirations include "improving market share" and "committing Kiwis to a better future".

Simon then commented that, in general, telecommunications is the fastest growing industry group on the planet and that the future was to be all about data with the contemporary regard for voice and data as separate services or markets to disappear. He believes Telecom has the key resources to remain New Zealand's largest service provider in the future.

Recognising that broadband is the new physical access medium for both data and voice with voice being regarded as just more data Telecom want to hold or improve their broadband activity and will meet the market on price but endeavour to offer a better product. In terms of Telecom's market share in the mobile market, currently 37%, it is recognised that this needs to be increased and the launch of the "Skinny" brand aimed at the teenage market is one initiative that should help to achieve this.

In financial terms Simon referred to the last published accounts and annual report and commented that they were about 66% through a share buy back plan that was being conducted with a low profile. The combined annual dividend has remained at 20 cents per share, the same as before the demerger, albeit with a company significantly smaller than the "old" Telecom. The free cash flow continues to underpin the dividend payout ratio of 90% of adjusted net earnings and the dividend reinvestment plan has been retained.

When queried regarding the perceived high number of highly paid staff within Telecom Simon commented, "that is what it costs to gain or retain the staff needed" and "it is a global market for people with these skill sets".

Telecom was not slow to make the most of the evening and had a very friendly representative on hand to display their latest offerings in the mobile market. Overall, the presentation was well received by those present.

Robert Johnston

Company visit – Methven 18th October.

Rick Fala gave a very professional talk about the company's current and future strategies. What impressed the group was the focus on cash management, the need to reduce cost through productivity and the reasons they manufacture offshore now in China. The general drive to do things in right in the first instance by setting clear goals and objectives was obvious during the factory tour. They have adopted an open office policy which has definitely improved communication and team spirit. This has assisted the company to retain skilled and talented employees, and low staff

turnover.
The company has a strong Research and Development team which has resulted in 60 new products being launched in the 2012 year. To ensure they develop the right products the company works closely with plumbers, who then put pressure on the distributors to buy Methven branded products. Each product is designed in-house, as are the exclusive tools and dies which support it.,
Considering the economic conditions the company came through the 2011 / 2012 very well. They had positive earnings, reduced their debt levels and put the UK operations back to a small profit. EBITDA was up on 2011 even though revenue was down slightly. NPAT was up from $4719m to $6,462m.
The company's main markets are the UK, NZ, Australia and now, just starting in China. There they recently targeted 70 architects who work in the top end of the shower and tap market.
The UK has been a difficult market but plans have been put in place to change the culture of the UK operations which is starting to see some results. In the past they sold taps to the lower end of the market. Now they are focussing on selling more shower fittings along with tap ware.
NZ is still a key market where they hold some 50% market share in taps and shower fittings.
In Australia the market share is around 30% for shower fittings and 5% for tap ware.
The big opportunity is to sell more Satinjet shower fittings along with the tap-ware range. The patent on Satinjet still has another 12 years to run.
In Australia there is a need to use less water and Satinjet is now gaining ground. The three largest plumbing supply companies (Reese Group, Bunnings and the Crane Group,) are all stocking the product.
Rick has certainly created a positive culture within the company which seems to be pulling the team in the one direction.

Des Hunt

Next Auckland company visit:

Company visits will take place in the month between scheduled branch meetings

Auckland Branch Meetings for 2013:

Wednesday 20th February
Wednesday 17th April
Wednesday 19th June
Wednesday 18th September
Wednesday 20th November

Waikato

Simon Botherway Christmas Dinner 27 November 2012

When Simon spoke at the National AGM in Tauranga in 2011, The Scrip summary read: "Simon's view of the current investment climate was the most depressing of all the speakers "

As Simon repeated that dose of reality, as he sees it 18 months on, it was no surprise that a few of the 53 strong audience had their heads in their hands. To them it was not Christmas cheer. To those who want to read more of Simon's sources for his analysis, browse sites like: www.aeaweb.org/articles.php?doi=10.1257/jep.26.3.69

"We identify the major public debt overhang episodes in the advanced economies since the early 1800s, characterized by public debt to GDP levels exceeding 90 percent for at least five years. Consistent with Reinhart and Rogoff (2010) and most of the more recent research, we find that public debt overhang episodes are associated with lower growth than during other periods. The duration of the average debt overhang episode is perhaps its most striking feature. Among the 26 episodes we identify, 20 lasted more than a decade. The long duration belies the view that the correlation is caused mainly by debt buildups during business cycle recessions. The long duration also implies that the cumulative shortfall in output from debt overhang is potentially massive.

These growth-reducing effects of high public debt are apparently not transmitted exclusively through high real interest rates, as in eleven of the episodes, interest rates are not materially higher."

All meaty stuff for those of us wanting to know what to do to protect our capital and income in the "decade ahead of deleveraging". In answer to our questions Simon suggested that we invest in "hard backed assets". He gave examples "the miners, property, utilities, companies with pricing power". It was not surprising then, that he suggested Australia as a place to invest. He has deep concerns for Germany's ability to give and the social cohesion of Greece and Spain, i.e. from "the haves to the have-nots". In answer to another question he has concerns, though less for New Zealand; he sees "little happening" to deal with our high debt as the remedies would be electorally unpopular.

Joe Carson

Waikato Event 30th Oct

Philip King, General Manager Investor Relations, Fletcher Building, was our Guest speaker. We had a record attendance of 77 members and guests

Philip covered Fletcher Building activities in a very through manner and answered the many questions. Members were keen to hear of developments in Christchurch especially as it related to FBU contract with EQC.

Philip pointed out that NZ Government spending on infrastructure was keeping FBU, and NZ, moving ahead. He also covered FBU new home building in Auckland, including some medium density housing, a new area for them that may provide a future growth area.

John Davies
Chair, Waikato Branch

Bay of Plenty

During October with approximately 52 attendees, members continued with their presentations of My Portfolio.

Richard Somerfield provided an interesting summation of his activities since commencing investments in 1997. Early encounters with a series of financial managers provided several issues relating to fees and portfolio under performance.

Since overcoming these early pitfalls and the assistance of an experienced friend the expanding portfolio is on a much sounder footing. The major investments centre around a core of five companies; Port of Tauranga - 23.6%, TrustPower - 12.4%, Fletcher Building - 11.1%, DNZ Property - 8.3% and lastly Auckland International Airport - 7.5%. Overseas investments have been confined to essentially fund managers and Australian Foundation Investment Company making up a further 16.6%

Richard continued his presentation with the way in which he records his portfolio and the philosophy he is adopting for the future.

Kerry Drumm then continued with an intcaeresting portfolio of 31 companies, 21 listed in New Zealand, 7 in Australia and 3 in Britain. He provided several key criteria that he uses when measuring success. He then sought the advice of those attending to assess whether these New Zealand stocks were rated as Buy / Hold / Sell.

As with everyone presenting "My Portfolio" - even in the past - when asked to critique in a constructive manner there were a wide range of divergent ideas. However most appear to have a core portfolio of NZ stock with perhaps a "nursery" of several that may grow significantly in the future.

An interesting aspect with these member presentations is that this encourages people in the wider branch to participate and create an interesting discussion. Also they are wishing to gain comments as to the direction they may travel in the future with their respective investments.

On the 30th November in the company of seventy six members the branch conducted its annual Christmas function at "Daniels In The Park." Our guest speaker was Simon Challies CEO from Ryman Healthcare who departed from the normal financial presentation, devoting his time to speaking about the early beginnings of Ryman and their philosophy. He joined the company in early 1999 as Chief Financial Officer. At this time shares were hovering around 26 cents. Those who backed the company in those early days are now reaping a 33% dividend yield. Half the profits are paid out as a dividend. The company is presently fifth on the NZX 50 by market capitalisation. Simon spoke optimistically about growth for the future and this was supported by a number of excellent graphs relating to the future demographics of the New Zealand population. However the company has an attitude toward each of their residents in relation to their care and welfare. His PA personally rings every new resident throughout the country after they have taken up residents to ascertain that they are satisfied and their needs are being met. He then spent some time speaking about the new Bob Owens village at present under construction in Tauranga at a cost exceeding $10 million. When completed this village will care for over 450 residents. It is the largest construction site in Tauranga at present. In response to a question, Simon stated that the cranes seen on the skyline are owned by Ryman and this is much more cost efficient than hiring. At the conclusion numerous questions were fielded and those attending were impressed with his candour.

Helen McDonald who has conducted the branch make believe "Pick Five" competition announced the winners for the 2012 year. This competition commences in February and concludes the week prior to our Christmas function. Each entrant picks five companies listed on the NZ exchange. Progress results are provided during the year. In addition one forecasts the NZX Index. The ladies continue to dominate the winning stakes with Vivian de Latour managing a massive 60% increase on her mythical investment. Second was committee member Ian Greaves who was the only person to select Fisher & Paykel Appliances among his five with a 45% increment. Doug de Latour correctly selected the NZX index of 4012. Of course there was the usual booby prize with an experienced unnamed entrant providing a 22% loss over the time our competition ran. Three sponsors provided a range of prizes and our branch is grateful to them for their continued support.

Our programme commences again in February and the committee has an interesting year ahead with each month providing something quite different for attendees to debate.

Season's Greetings From The Sunny Bay Of Plenty.

Allen Smith

Wellington

First up, thank you to all branch members and the committee for your support during 2012. It has been a busy year and we have had a great variety of meetings and speakers.

For our last branch meeting of 2012 we went to Times Cinema in Lyall Bay for our traditional end of year film evening, it is getting hard to fit everyone in but we managed it somehow. The main feature was the 2010 documentary Chasing Madoff. The film is somewhat hyped. I guess the producers decided that the storyline by itself wouldn't sustain 90 minutes so they fluffed it up a bit. You definitely get the impression the man that no one would listen to, Harry Markopolos, was more than a touch paranoid. That came across in the book too, and so he probably was – I'll give the book 6/10 and movie 5/10. However it is very relevant given the Ross Asset Management drama that was unfolding at the time and definitely worth a look.

There are numerous lessons to take from Bernie Madoff and David Ross sagas – among them are: do your homework and make sure you know what you are investing in, the risks involved, and of course that the investment actually exists.

For 2013 we will run our usual programme of ten branch meetings. Meeting will be held on the second Tuesday of each month (February to October) from 7:30pm to 9:30pm and the final meeting for the year will be the November meeting at Times Cinema where we hope to watch an uplifting film for a change. That was also our hope this year but it turned out not to be so.

All the best for Christmas and I look forward to seeing some of you at our next branch meeting in February 2012

Martin Dowse

Canterbury

Our talk from Mr Ron Boskell CEO of Postie Plus planned for Thursday 1st November had to be postponed at relatively short notice and will now take place in February. By that time Mr Boskell will have stepped down from his CEO position. He will be talking about the NZ retail sector and the place of Postie Plus within it.

The Branch Committee members have been busy attending a number of company AGMs in the South Island including EBOS, Lyttelton Port, Air NZ, Heartland, Scott Technology and Postie Plus which will be reported elsewhere in this or the next issue of the Scrip.

Our End-of-Year function is being held on Thursday, 6th December at our usual venue, the Fendalton Croquet Club. This year's theme is giving a "Dividend to Members"; with Branch Secretary running a light hearted quiz with "dividends" as rewards for the knowledgeable or lucky. There will also be a few video clips to add to the amusement and edification of all. Seasonal food and refreshments will be provided.

Our Branch Newsletter continues as a regular feature thanks to Tim Kerr its editor. We distribute this newsletter to our members by email. Members' contributions are most welcome.

Robin Harrison

Members' Issues

Online Voting

After our e-mail briefing on on-line voting one member said "I think it is excellent that we can now vote online for some companies through Computershare. Sometimes I don't bother with postal votes, because my shareholding is so small and insignificant that I don't feel it's worth my time to vote for things that I know nothing about. Now together with online voting and NZSA as a proxy, I can simply give NZSA my vote in a matter of seconds, literally, and so I am much more likely to actually vote. Surely there must be a large number of people out there like myself will now suddenly be voting in their masses. I think this is of great benefit to everyone involved!"

Ethnic shareholders in Energy Companies

When notifying us of proxies one member commented, "We hope & trust that The NZSA has conveyed to the Government in the strongest possible language that to create a special class of Shareholder with special benefits & rights whether they are Ethnic or any other group is totally unacceptable. We have told our broker that we will not in any circumstances buy shares in the Governments partial sale of the Energy Companies should they create a special class of share to appease Maori……"

Not just the CEO's pay

Des Hunt commented,"If you go to page 161 in Telecom's annual report you will see that over 2870 employees are being paid over $100,000. Knowing the electronics industry pays high wages, we might set the breakpoint at $200,000. There are over 500 employees being paid above that. We wonder if the new Telecom will be able to afford these pay levels for long.

Upcoming Events

For more information go to Branch section of NZSA website

2013

February 12	Wellington Branch Meeting
February 20	Auckland Branch Meeting
February 26	Waikato Branch Meeting
March 12	Wellington Branch Meeting
March 19	Waikato Branch Meeting
April 17	Auckland Branch Meeting
April 23	Waikato Branch Meeting

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Editor Alan Best

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