"The Scrip"
MANY INVESTORS; ONE VOICE
NZSA

In this Issue

December 2013

The Pennies and the Pounds

Despite changing to decimal currency in 1967, here is an old saying that still rings true. "If you watch the pennies, the pounds will take care of themselves". In other words, do the small things well and the big outcomes will eventually follow.

When it comes to their shareholders, it seems that some companies are forgetting this maxim. Over the past year we have seen increasing evidence of inadequate or potentially misleading information being provided in resolutions and notices of annual or special meetings. In most cases this is unlikely to be a deliberate attempt to confuse shareholders. But it does raise questions about, if the company can't get the small things right, what are they doing with the big stuff. Equally important is how companies react to feedback on such issues.

Some matters may seem trivial. For example, a few companies are still using a two-box voting format which many shareholders who want to appoint a discretionary proxy find difficult to interpret. The outcome is that many shareholders don't bother to vote and others don't succeed in making their intentions clear. This accidental disenfranchisement is unsatisfactory. A recent example is the KIP SGM form. The Association

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has been actively pushing a simplified and standardised format that makes the whole process much easier. All the companies we have contacted on this including KIP have been very willing to review their documentation to make it more straightforward. We encourage you to either vote or appoint the NZSA as your proxy so that you can have a voice.

Of more concern are annual meeting resolutions that do not reflect the reality of what is intended. Both NZX rules and the Companies Act have provisions that in essence, say that shareholders must be given sufficient information to make a properly informed choice. This is not happening in all cases.

The Warehouse recently asked for a significant increase in the director's fee pool. There was no detail about what the extra amount was for. So at first glance, you could be forgiven for thinking this was just another example of snouts in the shareholders trough. In fact, that was not the case at all. Members who receive email pulses will know that on enquiry NZSA was provided detailed information showing individual base fee increases (the first since 2011) were only about 4%. The balance was mostly to provide for an additional director. Our members may have been able to vote from a position of knowledge, but everyone else who provided a proxy could not, as the detail was only presented to those few at the meeting. The Chairman acknowledged that the Warehouse should have done better/ will do better in future.

Another more problematic example is that of A2 Corporation. This company has done very well in recent times. Shareholders are happy, and have approved significant director fee increases on several occasions. This year we opposed the increase being sought and suggested based on our own fee survey that a lower figure would be more appropriate. We were criticised by two large fund managers for taking this stance "because A2 is in an international growth phase and it needs to bring on (expensive) overseas directors with the appropriate skills which is why they need the extra fees and pool".

Now, we would have no argument with that. But it was **not** what shareholders were asked to vote on. Resolution 6 asked for permission to increase the board to 8 to allow a further appointment. Resolution 7 asked for a 140% increase in the director's fee pool. The notes showed this would fund a 41% increase for the chair, a 76% increase for director's base fees plus extra committee fees. It also included provision for the extra director.

When formulating our view, we attempted to contact the company by phone (cut off signal), registered office (no-one could help) and email (no reply). So as any shareholder would do, we relied on the information provided. At the meeting the reality was very different. Julia Hoare, a capable NZ based accountant was up for election which made the board total 8. Therefore resolution 6 which we supported was appropriate.

But then it was announced that Greg Hinton had stood down to make way for an overseas director and the higher fee pool would be needed to fund this. Had this information been available to us, (as it apparently was to at least some institutions), we may well have come to a different conclusion when formulating our voting intentions. But how shareholders are supposed to know what they are not told is beyond us. Once again, only those actually at the meeting got the full story, and everyone else was to some extent disenfranchised.

It is also interesting to note that the AGM results were not posted until 25 November and as at the time of writing, Mr Hinton's resignation has still not been notified – so much for continuous disclosure. Jason's Travel Media (which just went into receivership) was recently censured by NZX for failing to notify a director resignation as required under rule 10.7.1.d. Is it any different for A2?

So why are we concerned about these minor details, some would say. After all KIP and WHS are tracking OK and A2 is going gangbusters. What does it matter?

It actually matters a lot if we consider where a lack of attention to detail can end up. Diligent is a case in point. This company has identified and exploited a niche worldwide market opportunity and has gone through a huge growth phase. To some extent, it appears that this has led to a lack of time being devoted to ensuring details and obligations are properly considered and actioned. What started as a problem with accidentally overpaying CEO bonuses has morphed into a whole series of disclosures of administrative and accounting shortcomings. The company is now working through restating its annual accounts for the past several years. Individually, each matter is not that dramatic, but taken together they create a pattern that is hard to ignore. The distraction these problems are now causing, the direct cost and the impact on management time and effort are difficult to gauge, but they are likely to be substantial. In the meantime, the shareholder is suffering the consequences. While accepting that there are other external factors also in play, the company's share price is now below where it was when these issues first surfaced, at a time when the market as a whole has moved up strongly. Looking at a graph of the DIL share price, it is hard to avoid concluding that there is a correlation between the various revelations and a gradual erosion of shareholder confidence as a result.

So my message is this. We should be concerned if the small things are not done well. If you don't watch the pennies, there may be no pounds. The NZSA will pursue issues that we see as material to ensuring a properly informed market. And we will make sure those complaints are taken seriously by the NZX and regulators. We are not trying to win a popularity contest. We are here to ensure shareholders are all treated equally, and that in the words of the FMA, markets are fair efficient and transparent.

I think most of you will have had a good run with your investments, despite some headwinds toward the end of the year. In a cowardly act of the first order, I have decided not to risk my hard won crystal-ball-gazing reputation from the last two years by second guessing what 2014 will bring. However, I can assure you that the hardworking members of the National Board and the Committee members who keep your branches running so successfully will continue to do our best for you.

To all our members, a very Merry Christmas and my best wishes for 2014.

John Hawkins

The best and the worst of the NZX50 since 2009

In his recent talk to Auckland Branch, Brian Gaynor showed the following slide which is based on Total Shareholder Returns of the NZX top 50.

Firstly, the success of the top 3 is the result of recent runs in the share market rather than dividends or real earnings growth. They do not pay dividends. This Brian observed, suggested that investors were becoming more confident.

Secondly, in this climate of growing confidence, share selection is always important. It was less important in 2009 after the GFC, than it is today, after a recovery. Makes good sense, but of course technically, it's not financial advice.

Best and Worst Since March 2009

Xero	+4,974%	NZOG	(6.5%)
Diligent	+2,767%	Contact Energy	+26%
A2 Corp	+1233%	Trustpower	+31%
Ryman	+608%	F&P Healthcare	+34%
Restaurant Brands	+481%	Precinct Property	+45%
Skellerup	+352%	GPG	+48%
Mainfreight	+301%	Steel & Tube	+49%
Michael Hill	+280%	Kiwi Income	+57%
Hallenstein Glasson	+211%	Vector	+62%
NZX	+206%	PFI	+63%

The 2013 Beacon Award

The NZSA Beacon Award for outstanding leadership and guidance on corporate practice has been awarded to Mr Sean Hughes, outgoing CEO of Financial Markets Authority. This was a very easy decision for the board, and was supported by nominations received from you, our members.

As the first CEO of the FMA, Sean has done an outstanding job building an organisation that is respected by investors and market participants alike. Equally, both he and FMA are feared by those at the fringe who have in the past been able to manipulate commercial matters to their own advantage.

One reason for this broad support has been Sean's insistence that both he and FMA be excellent communicators and attentive listeners when setting the regulatory scene or addressing the inevitable conflicts of interest that arise over particular issues. Within that process, he has always held the NZSA to be one of the key participants and actively encouraged our input across many different areas.

Another great strength has been to select a team that shares his clear vision about what needs to be done to establish a respected regulator and rebuild confidence in the capital markets.

The NZSA is sure that while shareholders will be disappointed that Mr Hughes has decided to move on, the organisation he has built will continue on the solid foundation he has established. This will be a lasting legacy to the outstanding effort he has put in over the past three years. He is indeed a very worthy winner of the 2013 Beacon.

John Hawkins

New Regulations for providers of custodial services

One clause does not apply to 'large persons'

In what, in legislation terms is impressive haste, the government has issued a draft of a Financial Advisers (Custodians of FMCA Financial Products) Regulations 2013. Consultation on the draft closes on January 21st 2014 with an intention that the regulations be in force by 1 April 2014.

An April fool's joke they are not. They will make it compulsory for the providers of custodial services to make available to their clients a record of all transactions effected by the custodian for their client. The information must be provided either through an electronic facility (but only if clients have confirmed they want the information provided this way), or by giving it to the client by delivering or sending it to the client's address.

These regulations will not be an onerous chore for most custodians. You probably already receive this detail from your custodian. It will make it more difficult for the likes of Ross Asset Management and other ponzi schemes to wreak their havoc. With this in mind, the custodian must obtain within four months of the end of the custodian's accounting period an audit and assurance engagement and both forward a copy of the audit and assurance report to the FMA; and post a copy on the custodian's website.

At 7 pages the regulations are mercifully brief. Unlike the iterative supporting material (explains why parliamentary television always shows members reading rather than listening). They do offer one glimmer of unintended humour. A subclause does not apply where wholesale clients are "large persons within the meaning of clause 39 of Schedule of the Financial Market Conduct Act 2013."

Custodians may see the regulations as an opportunity to increase their fees. Resist vigorously. They already are, or should be providing this service. For holiday reading on this matter go to **www.med.govt.nz/business/business-law/current-business-law-work/dims-and-custody**

Bruce Parkes

Takeovers Panel provides easy to read guides

We are pleased to see that the Takeovers panel has just released a guidebook which outlines in a very clear and understandable way just how the Takeovers Code rules work. This short but highly educational 16 page booklet should be compulsory reading for every shareholder.

For those members who do not access the internet, NZSA has obtained hard copies of the guide and these are included with this month's posted Scrip magazine.

For the majority of members who have internet capability, we recommend you go to **www.takeovers.govt.nz** where you will find a link to both the basic guide, and also a range of useful information pamphlets.

John Hawkins

Company Meetings

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

Telecom AGM 8th November

A modest crowd experienced an innovative relaxed format, with directors sitting in easy chairs rather than hiding behind tables. As well as those up for re-election, all directors addressed the meeting, outlining the skills they brought and their own aspirations for the company. It was a clever way to highlight the balance of skills around the table and was much appreciated and commented on by shareholders present.

Chairman Mark Verbiest made every effort to encourage shareholder participation with a Q and A session following his and the CEO's addresses. Further question time was allowed when each resolution was put and all resolutions were decided by poll. All very impressive, and it certainly encouraged input from the floor.

The Chairman covered the key strategic issues facing the company as it repositions into a leading edge retailer and seller of mobile and broadband data solutions. He said the company is making rapid progress in transforming itself, removing legacy systems and costs, and becoming customer and services centric. Against increasing competition Telecom is competing aggressively on price and targeting market share and a stronger customer base. Some noncore businesses have been sold and more relevant ones such as Revera purchased. There is determination to significantly reduce operating costs and staff levels.

For the last year revenues of $4.178b were down 8.5%, EBITDA down 14.6%% and net profit down23.5%. After stripping out $130m of restructuring and asset impairments incurred as the transition is worked through, the adjusted figures show EBITDA virtually flat and underlying profit increasing. FY14 is expected to be equally difficult with continued change and intense competition. However, the current dividend is maintained at 16c with similar guidance for FY14. Short term bonuses have been slashed as objectives have not been reached and the MD has a new, tough long term incentive plan with 3 year total shareholder returns needing to compound at 20%pa before he gets the lot.

CEO Simon Mouter then gave an animated and wide ranging address where he detailed some specific initiatives and expanded on the Chairman's comments. He stressed the revolution in data, wireless, mobile, anywhere/ anytime and cloud computing was accelerating and to capture value Telecom needed to become a true retailer of data and digital services. In such a large organisation, inertia is a problem and it requires bold decisions and numerous initiatives being pushed forward in parallel to effect change quickly. He identified the key tasks as revolutionise the customer experience, simplify the business, win key markets and win the future.

The CEO said market share was improving in some areas and the slow bleed of customers had been arrested. Daily or weekly reporting instead of monthly was improving the speed of decisions. Most importantly, the company was developing "an owner's mindset" where all cost decisions were weighed against the bottom line returns.

Question time was wide ranging. Some key items were:

- Was the board confident the share price would rise? The chair responded that the board was confident in the strategy and that the share price would follow when the company "had runs on the board".
- What was the situation in regard to the value ascribed to the Southern Cross cable given its variable earnings and upcoming end of life? The MD stated flatly that there were still many years of life in the cable. Yes earnings were lumpy with intermittent very large sales, but that was the nature of the operation. Traffic continued to increase. Offsetting prices which have reduced 99%over the years and the cable costs account for less than $1 in a typical $75 monthly broadband charge.
- Can they get all the IT staff they need? Short answer is yes.
- How did regulation affect them and what about the Chorus situation? Other than in one small area where they are disadvantaged until December 2014 and the usual consumer protection legislation, Telecom faces no regulation. If the price from Chorus drops this will have to play through to see how much competition ensures this is passed through. It may or may not bring some advantage.

Resolutions to re-elect Maury Leyland, Charles Stitch and Justine Smyth were all passed by more than 99%.

John Hawkins

Fletcher Building AGM 16th October

There was some symbolism in Fletcher Building using the Eden Park South Stand for its annual shareholder meeting. Fletchers built the stand; only the All Blacks and Fletchers can fill the space allocated (perhaps the Blues on their day?); and like the All Blacks, the Fletcher team is subject to ongoing renewal of personnel.

Chairman Ralph Waters, while elected by the meeting for another term, announced that he would be standing down as chairman in 2014. This allows time for identifying a replacement from within or outside the current board. As chairman of the ICC 2015 world cup, his interest in Eden Park will continue. Mr Waters also announced the impending retirement of Company Secretary Martin Farrell.

The addresses by Mr Waters and new CEO Mark Adamson repeated the material recorded in a review sent earlier to all shareholders. New Zealand business is up, Australia and the rest of the world is down. Overall, net earnings were up 7.6%; gearing is down to 32% and dividends are expected to rise in the future as earnings grow. Through simplifying the divisional structure, streamlining back office and IT functions under an FBUnite project, pre tax benefits of 75 – 100 million is expected over time.

Resolutions to re-elect directors Tony Carter, John Judge and Ralph Waters passed without comment. It was questions from the floor during general business that generated media "headlines".

The development of the Formica plant in India was long planned and the company will look for opportunities for further growth. This plant – while small compared to a development in China – has been very successful.

There are opportunities for organic growth in the residential housing market. Experience gained in building apartments – as in the Stonefields development – can be used elsewhere. In Auckland, finding available land is the biggest hurdle.

The dividend payout ratio will be maintained. For a question on Loan Valuation Ratios, John Judge was asked to put on his ANZ Bank NZ chairman's hat and provide an answer. It is good to have that expertise on the board.

As with some sports events, the catering firm had a little trouble coping with the initial refreshment rush. To those attendees whom I heard grumbling, be assured, one Director while searching for a sandwich vowed that they would do better next year.

Bruce Parkes

Hellaby Holdings AGM 24th October

HBY, the "buy, build and harvest" investment company had confirmed its acquisition strategy in the 2012 meeting and shareholders were pleased to see some positive steps this year. NZSA had criticised its capital raising which was institutions first, followed by a share purchase plan. Chairman John Maasland explained that time was short, (with the upcoming energy floats) increasing liquidity was the aim by involving the institutions, and holding on to existing shareholders with a share purchase plan was expedient. Larger capital raisings would demand a rights issue and the board was conscious of NZSA preference for this approach. The presentations can be viewed on the website: www.hellabyholdings.co.nz

It was good to see Bruce Sheppard quizzing the board about the aged grey accountants who make up the board

John Williamson, CEO, justified the investment strategy with reference to the two recent acquisitions, Contract Resources, and Federal Batteries. Hellaby is seeking geographic diversity, scale in each division, organic growth opportunities, bolt-on additions to already successful operations, and entry to new sectors, all involving a considered process with shareholder returns in mind.

John felt that the reshaping of Hellaby away from the import businesses of the past should justify a p/e greater than current broker forecasts of 9.5*, given that the market average was 15*.

Andy Wells delivered an eye opening view of Contract Resources, where Hellaby's investment in 85% of the company alongside the founding shareholders should lead to global expansion. Employee numbers in Australia (476), NZ (78), USA (189), and Middle East (250) are a guide to the existing scope of work - decontaminating, disposing of sludge, pipe cleaning amongst the refinery towers of leading producers - and the significant growth opportunities in North and South America, India and Africa will keep this division busy in the foreseeable future.

It was good to see Bruce Sheppard quizzing the board about the use of their auditors for non audit consultancy and then again, over the aged grey male accountants who comprise the board. Further renewal is to be expected. Another question over the validity of keeping retail footwear in the portfolio, was defended cautiously, in the light of flat retail conditions prevailing in NZ. The re-election of Messrs Mollard, Smith, and Maasland was confirmed, but one vocal shareholder opposed the appointment of auditors by the board, and long term members will guess who that was….. initials BS.

Alan Best

Mighty River Power AGM 7th November

I detected an air of nervous excitement at Mighty River's first AGM. A step into a new world for the seemingly many new investors attending their first AGM and a little wary concern from MRP's senior managers as to what might be directed their way. Even normally so cool chairwoman Joan Withers seemed to have a little trouble reading her autocue as she began her address.

Both Joan and CEO Doug Heffernan, in their addresses to the meeting, strongly made the point that the company's results are a good news story. The company expects to meet its prospectus forecast EBITDA and fair value adjustments of $498 million in the year ending June 30, 2014 and anticipates paying a first-half dividend of 5.2 cents per share.

The company lifted net profit guidance $35 million to $195 million due to changes in the value of its financial instruments and cheaper than expected interest costs, while cutting forecast operating cash flow to between $300 million and $320 million due to a bigger tax bill from its new Ngatamariki thermal station. It had previously expected cash flow of $328 million in its prospectus.

Forecast capital expenditure was cut to between $125 million and $175 million from $199 million in the offer document, to reflect lower spending on the company's international geothermal investments in Chile and California, and potentially a small lift in investment in its smart metering business, Metrix.

In October MRP embarked on a $50 million share buyback to help prop up its share price which has been trending down since its listing in May. Joan Withers told shareholders there had been "a lot of external and political focus on what is often referred to in short hand as 'poor MRP performance' when the commentary is actually relating to our company's share price post IPO."

That decline reflects the market view, but "at times there appears to be no clear connection between how a company is performing and how its shares are trading," Withers said. "What this board and management team is fundamentally focused on is driving long-term value for our shareholders."

Doug Heffernan will retire in 2014 and the board has engaged an executive search firm to find a replacement.

Joan Withers, Keith Smith and Tania Simpson, who all addressed the meeting, were re-elected as Directors. The Board plans to appoint two new Directors. One, to replace Trevor Janes who will retire in December 2013, and a new appointment to bring the Board up to 8 members. In conjunction with this, a resolution was passed to increase the Director's fee pool by $85,000 – no individual Director will receive more.

Questions from the floor were positive in nature. Brian Gaynor asked at what stage was the Crown consulted/informed of prospective new appoints to the Board – Answer, as a courtesy late in the process; and whether the Crown received information from the Company not available to all shareholders. The answer is that monthly accounts are given to the Treasury to be included in the Crown's monthly financial statements. This is consistent with the prospectus statement and Public Finance Act, which means that Air New Zealand and Meridian also provide internal monthly accounts to the Crown. He later criticized this point in his newspaper column on the grounds that corporate information should be available to all shareholders. While of course he is right, his article perhaps overlooked regular company briefings to institutional, but not, retail investors.

Mark Trigg, General Manager Development told me that unlike at least one lines distribution company, MRP has no plans to move into grid-tied solar photovoltaic systems, as they are not seen as cost effective. General Manager Human Resources, Marlene Strawson told me that the company is working through an industrial dispute over random drug testing. The company is determined to operate in a drug free environment.

Bruce Parkes

Michael Hill International AGM 30th October

MHI AGMs are a distinctive mixture of family, community, vision, promotion, and utter professionalism amongst directors and management. In this 26th AGM we were reminded that it was the anniversary of the day that Emma (Michael's anointed) set out to convert Canada.

Now 11 years later, with 50 Canadian stores, the company believes it has broken through the promotion barrier and will experience strong profit growth over the next few years.

CEO, Mike Parsell gave his usual thorough review of performance which is available on the company's website. The 2014 year will be marked by: specialised bridal promotions and in-house consumer finance in USA, further development of ecommerce, 20 new shops, and 20% return on shareholder funds. Refits and openings will continue to be funded internally. A note of caution was sounded as Michael told us of Tim Horton's Coffee shops' 15 year wait for profit from his USA group. That group now has revenues of over $3b and over 4000 shops. USA is a very challenging market, but success there will redound over the whole group.

NZSA had previously telegraphed its concern over MHI's differences with both the Australian Tax Office, and NZ's IRD. True to form Michael wheeled out not only the CFO to explain the history, but also the Consultant PWC, and Auditor Ernst and Young. Briefly, from 2004 to 2009, the ATO approved a scheme of franchise payments from the Australian shops to the NZ parent. It was known that when that agreement expired the Intellectual property would need to be transferred to Australia the larger earner in the group. Accordingly, MHI gained a registered valuation and was surprised to find that it was $272m – concerned too at the funding requirement. Meanwhile Australia had increased its tax concessions to attract and retain world patents, copyright etc into its own jurisdiction. The ATO predictably disagreed with the valuation of IP in a mere retailer. MHI engaged a bigger valuer and found the IP value to be even higher. The ATO should now accept at least the original valuation, but will no doubt, try to negotiate. In NZ the IRD has disagreed with the franchise deductions now paid by the NZ shops to the Australian owners – MHI's Australian Limited Partnership. This is a widely used ownership system. PWC assured shareholders that no penalties were due on either claim in the event of settlement. E & Y then explained that because there was no present obligation the disputed claims could not be provisioned in the accounts, but noted only as a contingent liability. It was clear that both consultants and auditors were fully briefed, and that communications with both tax offices had been open and cordial. We were grateful to MHI for this full explanation, and assurance. With the growth in the company the amounts, while material, are able to be absorbed.

Shareholders approved a small increase in directors' fees, and the election of Gary Gwynne and Emma Hill proceeded without dissent. Emma, BCom MBA, who started with the business at the age of 7, now blooded in tough international markets is clearly contributing to the governance, while Gary, founder of Colenso one of the world's largest advertising agencies, believes that MHI will soon be the first truly global brand based in New Zealand.

Alan Best

Ebos AGM 22nd October

NZSA proxies 404,385

The Ebos AGM was very well attended, and pretty upbeat, only 5 months after the Symbion EGM. Rick Christie, Chair, reminded us of the "20 significant investments" that Ebos had made over the past 12 years, the strategy being, always to be the leader or at least be number two in the market, rather than have growth for growth's sake. He added that shareholders have had a compound return of 19% over the past ten years something that Ebos are aiming to continue although it might be a challenge.

Symbion has opened up considerable opportunities for Ebos, particularly in Australia creating a major step up for the company including an eventual dual listing on the Australian stock exchange.

Another significant milestone for Ebos was being the "preferred respondent" selected by the Crown owned company Health Benefits Limited. This process, yet to be finalised, means that they will be the sole distributor of medical supplies to the nationwide District Health Boards as well as pharmaceuticals to some hospitals. This is an exciting and important development for Ebos, opening up further opportunities in the future.

Christie wound up his presentation by mentioning CEO Mark's Waller's contribution to the success of the company and the special commendation at the recent Canterbury Business Awards.

Mark Waller explained that getting the Symbion deal done in June meant they have now started their financial year in an orderly way with clear comparisons over prior annual accounts.

He said that in the recent road shows in NZ and Australia, Australian analysts have been somewhat sceptical of how this small NZ Company can come in and operate successfully in Australia. He also added that analysts want an immediate win, which is not the way Ebos, plays the game.

Mark stressed again the modus operandi of Ebos which is to provide the best service possible and to be so effective that your customers can't do without you. Their market share is around 58% in pharmacy wholesale in New Zealand. Symbion have about a 30% market share in the community pharmacy market in Australia, however, he said chasing market share is far less important than being profitable so this is an area where mindfulness is paramount. They are number one or two across the spectrum of providing health logistics including 3PL (third party logistics or pre wholesale). Once pharmaceuticals become commoditised, manufacturers use companies like Ebos and Symbion to promote and sell their products, as the cost of wholesaling within a country is just too expensive over a small range of drugs.

He said Pharmac intend to manage all medical devices and consumables within NZ over the next five years, a world first. He added that the experience working within the lean and open NZ structure have given Ebos the knowledge and skills required to succeed in the Australian medical and pet markets.

A video of their NSW $30 million complex Greystones, where 50,000 medicines can be picked per hour and distributed on time to pharmacies throughout Australia, looks impressive. Mark said they need a lot of volume to make that economic and such systems will be useful when the time comes to run their New Zealand supply chain network.

Ebos forecasts to 31 December, just over $3 billion in total turnover, EBITDA just over $100 million and earnings before tax just under $70 million and $48 million in net profit after tax. They are on track for the first quarter. Symbion is going extremely well with no adverse surprises and the staff are knitting together well.

Mark Waller emphasised the breadth of scale of the company, from pharmaceuticals, to marketing and distribution, animal health, and manufacturing, illustrating just how diverse the company has now become.

(Ebos cont.)

However, he said they are still on the lookout for acquisitions, and had recently turned down two possibilities because the companies did not meet their strict criteria.

Mark Waller clearly is looking forward to the challenge of driving Ebos, with the help of his team, to a bigger and brighter future and clearly has a good grip on the company as it now stands a significant player in the top NZX50.

All company resolutions passed – Rick Christie as Chairman and Sarah Ottrey and Peter Kraus were re-elected as directors. ***Barbara Duff and Robin Harrison***

Sky City Entertainment AGM 27th September

This year, Sky City gave way to an income generating conference and moved its meeting venue to the Sky Theatre. Perhaps this added to a sense of entertainment for shareholders who attended. Certainly with the usual generous "goody envelope in their hands and ample refreshments, I did not hear any grumbles despite a crushed refreshment area.

Directors Bruce Martin (with a family bereavement) and Rod McGeogh (supporting Bruce) were absent from the meeting.

Chairman Chris Moller opened by advising that he held 347million proxies (60% of total vote). He noted that the share price was at a 5 year high and disregarding world cup effects and the adverse exchange rate, profit would have been up 2.6%. The development of the Darwin casino had gone well and the South Australian government had signed off on the Adelaide refurbishment (part of a $5billion Torrens river bank redevelopment.

CEO Nigel Morrison advised that the company was well funded for future growth. Currently, business in New Zealand is slightly up while Australia is flat. The $Aus/NZ exchange rate has not been favourable. With the Auckland conference centre development stilled mired in the parliamentary process at the time of the meeting, Mr Morrison aggressively challenged those opposing the conference centre proposal. He noted that no one else was offering to build a conference centre; and the prevalence rate of problem gambling amongst the adult population was only 0.3%, whereas the rates for hazardous drinking and smoking were 18 and 20%. The company will do all it can to keep problem gamblers out, including the use of facial recognition software.

Questions from the floor included:

- Dress codes – the higher the standard the lower the profit.
- Premier card member privileges – only available to those who spend a minimum amount.
- On line gambling – prohibited by legislation
- Fraud by international itinerants – strong processes to minimise
- Are staff paid living wage? – most earn far more

There was only one question on the Long Term Incentive plan proposed for Nigel Morrison. Inveterate meeting questioner Coralie van Camp wanted to know if the shares could be voted before they were vested. The answer is no. As set out in a "pulse" sent to NZSA members before the meeting, we will monitor how this LTI is executed.

The retention of Mr Morrison seems to be critical to Sky City's growth. Mr Moller told me that the company does have insurance cover against that eventuality and does have succession planning in train to groom a replacement. He also told me that, while not ruling out the possibility, the company is unlikely to seek to take up one of the new casino licences the Queensland government is planning to offer. With Adelaide underway and Auckland in the wings, that might stretch the company too far.

TeamTalk AGM 17th October

Since the 2012 AGM on the 28th floor of the Majestic Centre a number of things have happened. First, there have been some earthquakes in this region over the last few months and as a result the Centre, the tallest office building in Wellington, is undergoing earthquake strengthening work. But let's not dwell on that.

Then there was the Teamtalk purchase of rural ISP Farmside in December 2012, and lastly the Ultra Fast Broadband (UFB) fibre rollout is now well underway and gaining media attention. Some people even have UFB connections!

It was Farmside and the UFB rollout that were mostly discussed during this AGM. Farmside is very important to Teamtalk. Prior to Farmside, Teamtalk had two main revenue streams, mobile radio (2012 17.9 million revenue/2.6 million EBIT) and broadband (Araneo + Citylink 2012 15.3 million revenue/5.9 million EBIT). Both segments seem to be in a slow decline with 2013 revenue and EBIT down. Mobile radio is a mature industry and being replaced in part by the cell networks, and Citylink which has been a cash cow with its fibre networks, may be coming under price pressure from the much cheaper UFB.

With just over six months trading to 30 June 2013 Farmside added another 14.7 million revenue and the annual report noted that if a full years trading had been included, Farmside would have added 28 million. That was the good news, the not so good is that the 14.7 million revenue translated into negative 0.7 million of EBIT.

CEO Dave Ware focussed most of his address not talking about numbers, but explaining that Farmside had not been in the good shape they thought it was pre purchase after completing due diligence and that quite a bit of remedial work had been needed. This involved replacing a lot of the management and beefing up the help desk and support side of Farmside. It is now back on track and starting to grow, winning around 50% of the rural broadband initiative.

Dave noted Teamtalk is not involved in the UFB, but it is creating uncertainty and change in the telecoms industry and Teamtalk, as a nimble niche player, can benefit from this. Dave Ware finished off saying that the outlook for 2014 for Teamtalk is for steady but not spectacular growth and the current dividend would be maintained.

I always enjoy the frank commentary from Dave; it is very similar to the "TeamTalks" newsletters he sends out to shareholders - quite informal and matey. One thing confuses me though – is Dave (and Teamtalk) putting on the blokey male dominant manner or is it just a front? There are no women on the board or in senior management, and no sign of that changing so maybe it is a place just for the blokes.

There were quite a few questions from shareholders covering: how long before Farmside is better? (recovery is underway); threat to Citylink from UFB? (Citylink will launch new products but will not compete directly on price); and why no women on the board? (we haven't found one we like).

From the Teamtalk 2013 annual report, Chair Joe Pope has Dave Wares head on a platter

Meeting closed around 5pm and we blokes headed off for a beer or two.

Martin Dowse

Heartland Bank AGM 1st November

NZSA proxies held from 24 members totalling 740,000 votes

The meeting, attended by about 100 shareholders was the first AGM since Heartland Bank received its banking licence from the Reserve Bank in December last year. Under the conditions of its licence the Heartland Bank must have a separate board with an independent chairman. So former chairman Bruce Irvine has stepped down from HNZ but now chairs the Heartland Bank and HNZ now has Mr Geoffrey Ricketts as its Chairman. This doubling up of boards does seem a cumbersome and expensive arrangement!

Mr Geoffrey Ricketts gave an encouraging speech outlining the bank's consolidation, profitable performance and improved dividend payments over the last year. He forecasts profit after tax to June 2014 to be in the range $34m to $37m. He noted that their rating from Standard & Poors had recently improved. Further acquisitions were possible. The RECL agreement with PGC over property loans, originally planned to extend for 5 years, had been terminated early and settlement reached. He referred to a number of questions from NZSA sent in advance of the meeting which he addressed within his presentation.

Managing Director, Mr Jeffrey Greenslade, reported that the Bank's asset quality was improving and that profits (adjusted for one-off exceptions) have been improving and their liquidity was good. The "legacy issues" had been cleaned up and he saw future expansion as coming from organic growth. Heartland's lending targets three areas: consumer lending, rural lending and business finance.

In responded to questions from the floor:-

- Heartland had said it wanted to be the most profitable bank but even if they achieved a profit of $34m this year it would still only amount to a return of 9% on its assets compared with over 10% by the big banks. The company was only a year into being a bank and it was continuing to make progress.
- Heartland's shares were below the net tangible asset backing of 90 cents, so is the bank's equity ratio too high? The share price of 85cents was much higher than last year and progress was continuing.
- Would they consider changing their auditors next year? No, not yet. KPMG have been doing an excellent job and there was value in maintaining some continuity for several years before considering putting the auditing out to tender.
- What is the joint venture shown in the account cash-flow? This joint venture is with AA Insurance. It is a small but growing relationship
- What was their difference between livestock and seasonal financing? Seasonal covered crop financing rather than livestock.
- When would they be changing the name on the CBS Arena in Christchurch to Heartland? They were not as they were no longer paying for the sponsorship!
- Would the new Reserve Bank requirements on high LVR mortgage affect the Bank? No, it was not binding on them as they had minimal exposure to house mortgages which were not part of their strategy. However, other trading banks were being severely impacted! Furthermore, they had entered into an arrangement with Kiwibank for Heartland to act as their agent offering their house mortgages.
- Were they still offering to purchase smaller share parcels at market price? Yes this arrangement was put in place to frustrate an anticipated "low ball" offer to smaller shareholders. Heartland had been obliged to supply the list of shareholders but did so using heavily watermarked paper to confound any attempt to generate an electronic copy through optical character reading. Heartland's offer should ensure that these shareholders with up to 10,000 shares gained a fair price.
- Would he comment on their relationship with PGG Wrightson? Under the PGGW brand Heartland continues to provide financial services.

(Heartland cont.)

With the election of directors the Chairman declined a request from a shareholder for Mr Tomlinson, a recently appointed director, to address the meeting before the voting, saying that it was not their normal practice and referred to his credentials listed in the annual report. This seems to be a less than satisfactory response; indeed Mr Tomlinson had risen to his feet before the chairman intervened! The election confirmed directors, Gary Leech, Christopher Mace and Gregory Tomlinson, and KPMG were reappointed as auditors.

Robin Harrison

Cavalier Corporation AGM 19th November

In spite of its often humdrum AGMs, Cavalier's board has been active during 3 years of poor results. It has completed rationalisations of scouring whose contribution has grown from just over $2m 3 years ago to $5m for 2013. CEO Colin McKenzie has overseen management change in Onterra Australia, closure of a spinning mill, consolidation of warehousing, and consolidation of Norman Ellison's tufting in Papatoetoe. Restructuring cost have been fully provided at over $13m for the past 2 years. From being a 100% wool manufacturer, Cavalier now has a range of offerings in 100% synthetic at various price points. After paying out more dividends than it earned in 2012, and declaring no dividend in 2013, it has reduced debt by $13m and declared a first half dividend for 2014.

Alan James Chairs a diverse board with in depth industry knowledge in Grant Biel, CEO McKenzie, and himself plus long serving Graham Hawkins and Keith Thorpe, and governance expert Sarah Haydon. Refreshment was implied in the re-election of Grant Biel and Graham Hawkins who both said they would not stand again.

Although Cavalier has done nothing to talk up its price, several commentators have recommended the share as a recovery stock. There are continuing challenges with the shortage of wool from the 2012-3 drought, continuing imports from Australia and USA with their exchange rate advantages, and a decline in the price of lanoline from the scours. The chairman forecast a profit of $8-10m after tax compared with a 2013 result of $6.6m. Without the need for restructuring this could see a lift of over $5m after tax, but it will still be a long way back to the $18m after tax reported in 2011.

Questions covered: the new showroom pitched at the rebuild in Christchurch; the flat building and renovation markets in Australia; the minor byproduct of lanoline from scouring; the possibility of asset sales from the restructuring (nothing there!) and goodwill, which is tested for impairment each year. NZSA asked a series of questions contained in the commentary above, and was not surprised to hear that dividends are to be phased back from 3/year to two.

This has been an income stock which prides itself in sticking to its knitting. We may think that it is time for Cavalier to spin a new yarn, but its development of high-end felted products from Onterra, and its new Habitat synthetic range mean it will continue to be a force in the Australasian soft flooring industry.

Alan Best

Freightways AGM 31st October

Even though the FRE annual report introduces Sue Sheldon as "chairman", I refuse to do so and rather hope linguists and governance bodies will soon find an appropriate solution. Chair, Sue Sheldon reflected mainly on the 10 years since IPO in 2003 at an issue price of $1.60. Since then (and including the period from 1999, when Dean Bracewell became MD) the company has been showing steady growth, enhanced by a number of acquisitions over the years. The fact that - not for the first time - FRE had most of their senior management (NZ & Australia) present at their AGM, suggests confidence in their delegation, supported by staff training & internal promotion.

Of interest in MD Dean Bracewell's report was the fact that Information Management Business has grown to claim approximately 30% of group revenue & earnings, in totals of $406m and profit after tax of $40m for the year. With revenue and earnings growth of approx. 4 % in the first quarter to 30/9/13, one hopes the momentum in retained, so that the present dividend policy remains unchanged.

Your undirected proxies were all voted in favour of the resolutions and the meeting was over in 30 minutes. The only question asked was in relation to Kim Ellis' re-election; that referred to news of that morning that the Australian entity, which had several years ago acquired Waste Management, run by Kim Ellis at the time, might consider flogging it off again in NZ. He answered that he did not plan to be involved so that his existing board commitments would not be affected.

Uli Sperber

Sky Network Television AGM 24th October

Despite Sky TV holding its annual shareholder meeting at the Langham with ample room for shareholder refreshment and engagement, by holding it on "Super Thursday" (4 companies holding their AGMs in Auckland at the same time) they were always going to struggle for numbers. Those attendees I spoke to had chosen this AGM over others on their perceived ease of access.

Chairman Peter Macourt and CEO John Fellet, in their addresses, reported on a steady year. Profit was up 10%, but there are some clouds on the horizon. Sky faces increased competition from providers using other platforms. While customer churn is down, net new subscribers were only up by 9000. Growth has come from customers upgrading their subscriptions. So what's the future?

John Fellet answers this in his "letter to shareholders" in the company's annual report. He defines the company as an "entertainment delivery company", not a pay television company. Like other companies with sophisticated technology, Sky is exposed to competitors using "disruptive technology" (a new and cheaper way of doing things). Sky plans to introduce later this year a service aimed at IPad and smart phone users; and by doing so, tapping into a new market demographic. Geraldine McBride and Derek Handley – both with much needed digital technology backgrounds – have been appointed to the board.

There will be no special dividend this year. Just as well? Last year's special dividend, whatever the justification, was funded by increasing bank debt.

There were few questions from the floor. We had this season's obligatory one on the "living wage" (I have yet to meet a questioner who has read the King and Waldegrave report and understands how the term was defined) and one about a failure in a MySky box.

Later, while congratulating John Fellet on the content on his shareholder letter, he told me that he is a former employee of Warren Buffett and he tried to follow Warren's philosophy of keeping shareholders well informed on the company's prospects. Wouldn't it be great if other CEOs adopted this approach?

Bruce Parkes

Trade Me AGM 30th October

This Trademe AGM was interesting as it was the first one after the Fairfax exit. Both the Chairman and the CEO acknowledged that, for the first time, the growth in Trademe's general marketplace had slowed to around 5% - but still growing. However, their classifieds market (Real Estate Cars, Jobs) were still showing good growth and plans were afoot to undertake some significant capital investment to refresh technology and consider new ways to create growth. It was signalled that dividends might be affected in the upcoming years.

The current strategy was described as Defend, Find, Exploit.

The current advertising campaign was cited as a means to turn around the slowing growth in the general marketplace. New avenues for growth are expected to come from: the acquisition of Life Direct – an online insurance aggregation and comparison site; Holiday Homes booking site; beefing up the offering of "new" goods retail marketplace by making it easier for retailers to set up and manage shop on Trademe; expansion beyond New Zealand; and further acquisitions and possibly joint ventures to incubate complementary services with a view to acquiring them or continuing as a partnership. There is also a planned expansion of middle management staff to manage the growth.

Voting on the resolution was by show of hands. The resolution to increase the pool of director's fees by $150,000 to $800,000 per annum was passed. NZSA voted against this resolution as it did not find any justification provided for a proposed additional Director and disagreed with the premise that compensation had to be increased for existing Directors from Fairfax continuing as independents. All directors standing for re-election were confirmed by show of hands resulting in Sam Morgan being re-elected and Paul McCarney (an Australian technologist with start-up company background) elected.

Questions included request for clarification around the direction being taken with building new interfaces to allow easy access to Trademe for partners. The CEO gave an assurance that this was necessary and that contractual measures were in place to avoid cannibalisation. I noted that the proposal to undertake funded joint ventures was a new strategy compared to simple acquisitions of the past. The answer was yes—but not totally new as the Cars marketplace had a joint venture component for operations. There was no clear answer to a question about their planned dividend target.

Interesting post AGM discussions suggests that, with Fairfax out of the way, Trademe believe that they can get a larger chunk of the significantly higher budget for print media charged to the seller by real estate agents presently. One assumes, Trademe will be willing to kickback the 50% of advertising costs back to the real estate agents as done by print media to make this strategy successful!

Vinny Venkatesh

The Warehouse AGM 22nd November

About 250 shareholders were present at what was a fairly low key event.

Outgoing Chairman Graeme Evans started by saying what a huge year it had been. Nine purchases including Noel Leeming, 51% of Torpedo 7 (online retailing) and several smaller online retail, supply chain and specialist IT support companies.

The Warehouse strategy is to be the number one multichannel retail via “bricks and mortar”, online and direct TV. The intention is to grow other parts of the business to be at least as large as the core “red sheds”. The Chairman had much praise for the team led by CEO Mark Powell and indicated that they were an important catalyst in giving the board the confidence to invest so heavily in the future.

Sales were up 30% to $2.24b and NPAT 12% to $73.7. Operating cash flow was strong at $93.7m and the dividend was up 5% at 21cps. Looking forward, the Chair said retail was showing an overall lift, but remained very volatile. First half FY14 NPAT was likely to be below FY13 although full year should be higher. No detailed guidance will be provided until after the Christmas trading period.

CEO Mark Powell gave a dynamic presentation where he ran through the four key elements of his strategy. His enthusiasm for the challenge was very evident, and few shareholders could have failed to be impressed. He is a prime example of where an internal promotion has proven to be more effective (and less expensive!) than an imported “rock star” CEO – something the NZSA has frequently pointed out to companies. The main points were:

- Keep the red core strong. This involves store refits, a real emphasis on staff training, better quality merchandise, international branded goods and multi-channel promotion/purchasing.
- Grow non red to be as big as red. Development of Noel Leeming and Warehouse Stationery was ongoing and further acquisitions would be considered.
- Be the leading multichannel retailer. Online was coming on quickly, but off a fairly small base.
- Leverage group competencies and scale. This would reduce costs and increase effectiveness by achieving synergies (including brands) where possible, streamlining logistics and investing in people and rationalising property use where appropriate.

The Warehouse continues to be committed to helping local communities and some of the ways it does this were outlined.

Sir Stephen Tindall gave a glowing tribute to the outgoing Chairman. The new Chair is to be Ted van Arkel, someone with a very good retail track record. New directors John Journee and Vanessa Stoddart outlined their experience and why they were seeking shareholder support. Both bring a range of very useful experience and diversity to the board. Sir Stephen Tindall also spoke as he was up for re-election.

The only other important resolution was a proposal to increase director’s fees. NZSA members had been alerted by email with full details and our views on this. The Chair explained exactly what was proposed (basically a 4% increase plus provision for an additional director). I addressed the meeting and told the Chair that the notice of meeting was inadequate and shareholders needed full details if we were to make an informed judgement prior to sending our proxies. This was taken in good spirit and the Chairman acknowledged that he had had an earlier “robust” discussion with the NZSA Chair on this matter. There was a commitment to do much better in the future.

The only other question/comment of note was whether the company proposed to have its full online catalogue available through each group division website and whether pick up could be effected at any store in the group regardless of its branding. At present, each website only covers its own offering and pick up is specific to a particular store. The CEO said that was under discussion, but not on the immediate horizon.

John Hawkins

Abano AGM 26th November

Based on a NZSA statement 'pulsed' to members, the news media predicted a heated Abano AGM. Instead all was peace and goodwill because the Archer/Hutson/Reeves putative takeover group was either, not present or did not speak. Chairman Trevor Janes produced a trump card by presenting an independent valuation from Grant Samuels that indicated a mid point valuation of $9.17 a share. This is well above indicative Archer/Hutson/Reeves bids of $7.15 - $7.80 a share.

Abano's businesses are in various stages of maturity. Start-ups, Audio Australia and Asia are close to break even. Dental and some radiology are in an emerging and growth phase with rapidly expanding dental providing 69% of the company's gross revenue. Mature pathology and orthotic businesses, tied to DHB contracts, offer steady cash flows while facing continual uncertainty over the renewal of those contracts.

Looking ahead, the company's half-year guidance has EBITDA slightly down on the previous year – reflecting soft economic conditions in Australia and New Zealand. The company, materially helped by a television advertising campaign, has outperformed other dental consolidators. With 52% of income now generated in Australia, there could be a limitation on imputation credits attached to future dividends. It is worth noting the strong shareholder support displayed through 52% of dividends being reinvested through the company's dividend reinvestment plan.

The Archer/Hutson/Reeves opportunist backdoor proposal has been a distraction for the board and a material cost on all shareholders. I spoke in support of the board in its denial of the request for due diligence and affirmed that any bid should be down the Takeover code pathway where information was transparent and all shareholders were treated equally. Brian Gaynor also spoke eloquently in support of the board. The only other question at the meeting asked when the board had received the Grant Samuel report (formally on the day of the meeting).

All resolutions were voted on by poll. All passed.

Post this meeting, Archer/Hutson/Reeves, through a media release, "unwound" their proposal. Unfortunately this will not be the end of the matter. With Peter Hutson having a 50% share of the audiology business; and a stated intent to unseat Mr Janes and bring about change in Abano, there will be troubled times ahead. As always, the shareholders will pay.

Finally, Abano was the winner of the Institute of Financial Professionals New Zealand's 2013 award for "Emerging Leaders Best Corporate Communicator". Besides communicating with external stakeholders, CEO Alan Clarke sees good communications as the key that drives the culture the company has developed to glue its many parts together.

Bruce Parkes

As Peter Hutson has a stated intent to unseat Mr Janes and bring about change in Abano, there will be troubled times ahead. As always, the shareholders will pay.

Port of Tauranga AGM 24th October

A major objective of the company is to become the hub port for New Zealand.

The future for shipping is to be able to accommodate large ships, vastly more efficient in fuel usage and speed. They are therefore rapidly replacing smaller vessels. Currently 4,000 container vessels are common. In the near future 5,000 and 6,000 container vessels will visit New Zealand. These bigger vessels need deeper channels, longer quays, more cranes, bigger container yards, better port access etc. These bigger ships want large cargo exchanges, a fast turnaround and will not visit multiple NZ ports.

A necessary port development is the dredging project to accommodate the larger ships. To this end, in March this year the Minister of Conservation granted consents to proceed with the dredging. The efficiency gains of the larger ships are estimated at more than $300 million per year for our exporters and importers.

Other Developments

In the financial year the company invested $68 million in property, plant and equipment, including increasing the berth length of the container terminal by nearly a third and purchasing two new container cranes. One is already installed and the other, the seventh, will be commissioned in early 2014.

POT increased its Tauranga property holdings by 3.8 hectares, giving a total of 190 hectares. The rail sidings at Sulphur Point, the container terminal, have been increased and can now load and unload three trains at once.

PrimePort Timaru now has all the necessary statutory approvals and Port of Tauranga will in December acquire a 50% stake in PrimePort Timaru and a concession to operate 100% of the container terminal. It gives POT the opportunity to marshal South Island cargo to be transhipped through Tauranga on its way to overseas markets.

A significant purchase was the Gateside Industrial Park adjacent to MetroPort in Onehunga. This 6.8 hectare property includes three large industrial warehouses, an office building and more than two hectares of vacant land, which will provide future options to expand services around the existing South Auckland freight village.

Main points for 2013:

- Total trade increased 3% to more than 19 million tonnes.
- Total exports increased by 6% to just over 13 million tonnes.
- Log exports grew 14% to just over 5.6 million tonnes.
- Dairy products increased by 27% to 1.6 million tonnes due to the consolidation of Fonterra/Kotahi cargo through Tauranga.
- Frozen meat exports increased by 8%.
- PSA virus saw kiwifruit exports decline 8%.
- Total imports were down 3% primarily due to reduced demand locally for fertilizer and grain, due to the 2013 drought.
- Containers handled increased to 848384 TEUs. (Twenty-foot Equivalent Units)

The container terminal hosts 16 separate international services, more than any other port in the country. Shippers are recognising that Port of Tauranga offers a quicker and more flexible route to international markets, thanks to the frequency of ship visits and world-class productivity.

First quarter results

In contrast to the same period last year the trading performance for the first quarter of this financial year is: trade up 6%, log exports up 34%, and containers down 13%, largely due to the lag in dairy exports associated with the botulism scare and also the loss of an import container service.

Net Profit After Tax is the same as the prior corresponding period.

The Kotahi freight alliance has told the port it anticipates a significant increase in export volumes in the coming months.

(POT cont.)

Provided there are no significant market changes, POT expects to achieve full year earnings in the region of $77 to $81 million

Director Changes

John Parker has been a director for 17 years, 7 of which as Chairman. He has decided to retire from the Board. The new chair is David Pilkington. Kim Ellis has taken the place on the Board vacated by John Parker. ***Kerry Drumm***

Lyttleton Port Company AGM 8th November

With about 40 attendees, Chairman Trevor Burtt got underway with the resolutions and both Lindsay Crossan and Alan Grant were elected as Directors. In the case of Alan Grant temporarily, while a search continues to replace Rodger Fisher, who has retired permanently as chairman. Rodger received accolades from both Trevor Burtt and CEO Peter Davie for his considerable efforts whilst chairman which included a most tumultuous time for the port.

Trevor Burtt said it had been another strong year, and emphasised future ambitious plans. He said $53.1 million had been received from the insurance claims to date (from 2010). There are still areas of disagreement between the port company and the insurers, which are being worked through in mediation.

He said that the LPC is in a strong financial position but that costs have increased. He is hopeful of dividend resumption in 2014 but this is dependent on a number of factors.

Peter Davie gave emphasis to the continuing and steady growth of the port despite considerable challenges. The port will be getting a new service "next week" shipping to the USA and Europe. Coal has dropped but the approval of Bathurst Resources to start mining will fill that gap over time. The car volume continues to grow. Resources are being consumed by the insurance claim, one of the largest ever. He spoke enthusiastically of their twenty year plan to develop the port, in response to the growth of vessels demanding much larger capacity. The port has consents for reclamation in Te Awaparahi Bay up to 10 hectares, but they want to increase this to 30 hectares. A Power-Point presentation gave a good indication of where the port sees itself in the years ahead and outlined 25 major projects with 2018 as a key date for some. One important aspect is recreational use of the inner harbour, something the locals have been anxious to have happen. He said there will be many hurdles to cross before all of this will eventuate but he seems confident of future success in dealing with the bureaucratic and public consultations.

There were a number of questions including "where will the future rubble come from for Te Awaparahi Bay?" Answer: Rubble has reduced considerably – they do have a quarry and that, plus dredging should be sufficient to complete the reclamation.

Question: "What about the Port of Tauranga (who has now invested in the port of Timaru) stating that it will be the sole port for New Zealand with subsidiary ports around the country?" Answer: The board do not agree with this prognosis as it is not in the best interests of New Zealand. LPC is well positioned to become a major port and could be aligned with other ports, however their "plate is full for the foreseeable future".

In answer to a question about the insurance claim, it was emphasised again that mediation is continuing and they know exactly what the re-instatement and redevelopment will cost.

Barbara Duff

Metlifecare AGM 24th October

Metlifecare has gone through a significant reconstruction phase in the year to 30 June 2013. Shares on issue have increased from 144 million to 207 million, largely through two takeovers for shares, and a cash share placement. In addition the proportion of shares in Metlifecare held by Australian-based Retirement Village Investments Ltd has reduced from 84% to 37%, mainly through dilution, with an announced intention to sell its remaining shares on the open market.

The acquisition programme is reflected in the balance sheet, with total assets increasing by some 50% to $1.904 million, making the company the second largest in the retirement village sector. Non-development related debt has been eliminated, and the company sees itself as well-positioned to achieve its development plans for two more villages in the next year and completion of the Poynton project while holding a landbank for over 1,000 units and care beds.

Total earnings for the 2012/13 year were $114 million, but some $63 million of that was a one-off gain on acquisitions. The remaining $57 million was more than covered by "Change in fair value of investment properties". This accounting treatment is confusing but was said to be forced on all retirement village companies by the application of international accounting standards, over which they had no control. A better measure of performance was said to be operational cash flow which at $60.8 million was nearly double the previous year.

Reference was made in the Chief Executive's address to the buoyant (and possibly over-priced) housing market. Any downturn could have an effect on the company by making it more difficult for people to sell their homes in order to buy licenses to occupy, and on valuations of investment properties. However the increased financial strength of the company gave several options available to cope with any such adverse events.

A feature of the accounts was a write-down in the values of investment properties in the previous 2011/12 year of nearly $100 million compared to an increase of $59 million in 2012/13. In discussion with Chairman Peter Brown after the meeting, he explained that institutions had pressured Metlifecare to change its valuers to bring it into line with other companies in the industry. Different methodology in terms of present value discount rates, time scales and occupancy and growth rates had apparently given rise to the need to reverse previous years' over-valuations.

A dividend of 3 cents per share had been declared. In answer to a question from the floor, the Chairman said that no detailed consideration had been given to future dividend payout ratios. No forecast of future profitability was given.

A colourful feature of the meeting was the attendance of Alastair Duncan, Leader of the Service and Food Workers Union, supported by eight of the company employees in matching T-shirts. When Mr Duncan highlighted the low pay rates for workers in the industry, the Chairman said he had sympathy with their concerns, he regarded staff as the company's greatest asset, but it was all tied up with the Government and the financial support it gave to the industry at large.

Bill Jamieson

A colourful feature of the meeting was the attendance of Alastair Duncan, Leader of the Service and Food Workers Union, supported by eight of the company employees in matching T-shirts.

PGG Wrightson AGM 15th October

There were empty chairs at this AGM because the Ebos meeting was at exactly the same time. Sir John Anderson covered the results and the dividend of 3.2 cents, with the promise that dividend payments would be continued. He made it clear that the profit performance was affected by environmental issues, like the recent drought. Balancing that was the increased dairy pay-out forecast for the new season which was anticipated to impact positively for the 2014 financial year.

His coverage of the financial performance included the balance sheet write-off of $321.1million of goodwill that was a legacy of the merger that created PGG Wrightsons Ltd. He paid George Gould the compliment as a steady and focussed executive who guided the company through a difficult time.

Mark Dewdney, who has only just recently taken over as the CEO, came across as an accomplished knowledgeable leader. He covered the finer detail of the company's performance. The company's profit performance of $14.6million was down noticeably on last year ($24.4m) due mainly to the impact of the drought which was reflected in lower prices for livestock and export numbers. Livestock exports are not confirmed going forward. Debt was reduced by $21.0m and cash flow was steady at $39.0m.

Retail however, was a star performer and has benefited from the opening of new stores, bring the NZ total to 100 outlets.

Although small as far as contribution is concerned, irrigation has proved to be a growth area and has a positive outlook going forward with a recent acquisition confirming this and further investment planed.

Wool has been re-integrated into the company structure, thus realigning the company with its grass roots customer base.

Mr Peter Newbold has been appointed as the General Manager for Real Estate with the responsibility of growing this division of the company. This service to the farming sector is seen as being basic and important.

Grain and Seed suffered, particularly in Australia as the residual effects of one of the most devastating droughts in Australian history continue to impact. Overall the grain and seed division experienced an increase in volumes but with lower margins.

Mark Dewdney also commented favourably about the future potential for South America with particular focus on Uruguay, Southern Brazil and Argentina geographically. Commercially, irrigation and seeds were identified as having an important future.

A profit forecast of $52-54m for 2014 would be supported by a programme of staff development, to establish a positive company culture. PGW recognises the need to develop better customers in dairying, and to build on the grain and irrigation operations. This will involve computer links between customers and staff to improve knowledge of products and services, and a full range of farmer needs.

The new financial year has started well with strong prices for lamb and dairying.

Formal Business

Sir John Anderson having announced his intention to stand down was replace by Alan Lai, the senior Agria representative on the board, as Chairman. This was announced without any prior notice and was not subject to any discussion. Alan Lai is not an independent director.

Sir John confirmed that proxies entrusted with the Chair and board members amounted to 58%, which was rather interesting as Agria Corp have a 50.2% holding. The association had 1.783 million undirected votes entrusted to it. All were voted in favour of the resolutions.

Mr John Nichol was appointed to the board. He will stand for e-election in 2014.

Mr Trevor Burt, Lim Seang Seah, Wai Yip Sang, Kean Seng U were all nominated for directorships and were duly elected.

The newly appointed Chairman, Alan Lai pointed to the considerable opportunities in China for PGW, as China's need to import food was growing annually. One got the impression he would be very capable at an international level, but be very dependent on Mark Dewdney at the local level.

Questions

In answer to an NZSA question, Sir John Anderson confirmed emphatically that the board had rejected outright the option of splitting the company into two.

The relationship with the Heartland Bank was confirmed as satisfactory, and an important part of customer service.

The development and growth of the company's business in South America was seen as an area of opportunity, as time and funds permitted, especially in Uruguay, but also in southern Brazil and northern Argentina.

In response to a question on the pension fund, it was the company's opinion that with a confident view of the future and an increase in profitability no longer hindered by bad debts or droughts but bolstered with better commodity prices (dairy and lamb in particular), the companies obligations were well covered.

One shareholder used a show of hands (only 7) to indicate the slide in farmer loyalty towards PGW, and Mark Dewdney acknowledged the point, raised through internal surveys and evaluations. PGW aims to increase the education of field representatives to include technical and product solutions, supplemented by IT support.

NZSA's question on R&D was also taken up by Mark Dewdney. The company operates an R&D facility at Kimihia near Lincoln College, which is vital to the seed and grain business. It does so in conjunction with other research institutions in New Zealand (Crop Research also at Lincoln) and offshore organisations. The co-operative results are beneficial to all parties.

it was easy to conclude that the Agria appointed directors appear to have little empathy with the core business of the company.

At the conclusion of the meeting and with the advantage of some time to think it over, it was easy to conclude that the Agria appointed directors appear to have little empathy with the core business of the company. They are there mainly to ensure Agria maintain control at board level, rather than to contribute to the commercial and technical direction of the company.

Max Smith

Vector AGM 22nd October

To stay ahead of ones competitors the chairman said Vector will have to focus more on technology and innovation. Alternatives to centrally generated electricity, like solar power, are becoming more attractive.

If Vector to grow in the future, it will be around the core business units and expertise. There is also a need to make better use of their assets.

To consider any major acquisitions will be difficult, because overseas interests are prepared to pay a much higher price than what Vector considers to be fair value.

The CEO stated the company is putting tremendous effort to develop and keep their key employees and claimed all staff are being paid the living wage. Another major initiative is focussing on safety issues within the company as the new laws being proposed will penalise heavily those who do not have a program in place.

Des Hunt

NZ Windfarms AGM 26th November

Annual meetings of NWF shareholders are a rather doleful experience. The only constants are an ever-dropping share price and a chairman's address that suggests the only solution is to keep digging a deeper hole. That said, even those at the meeting critical of NWF's performance do not blame poor management; just that the company has been dealt a bad hand with: a lower than expected capacity factor (15% lower than neighbouring farms), below average wind flows and from the wrong direction, a locked in high transmission contract with Powerco and ongoing noise litigation with the Palmerston North Council. With a flat demand for electricity, the risk of political intervention in the market and no prospect of a dividend, it is little wonder that the share price is at 6 cents and still dropping.

Chairman Wyatt Creech and CEO Chris Sadler, in their addresses to the meeting, repeated their reports in the company's annual report. Both made the point that they believe the current share price grossly under represents the company's value. However, Mr Creech said that the board has decided against a share buy back. There are not the funds available and further, the company is unable to raise more debt from the banks.

Mr Creech retired at the end of the meeting. His replacement as chair is Derek Walker, who told the meeting he had had his arm twisted to take on the role. Vector CEO Simon Mackenzie will be the deputy. Director Michael Allen will also retire later this year. No replacements were announced. When asked if the Board had identified the skill sets they were lacking (and would look for in new directors) Mr Walker said they had not considered it.

Mark Peter Evans offered himself for election as a director. I asked Mr Creech if the board supported the nomination. He was non-committal. Mr Evans has no public profile and no experience of governance in a listed company. I voted discretionary proxies against his appointment.

Voting on the resolutions added another hint that all is not well at Windfarms. Setting of the auditors' fee was passed by a show of hands. In a poll for election of Directors, Michael Stiassny was re-elected with 94.7% of the vote; Mark Evans received only 15.6% of the vote and was not elected. Simon Mackenzie was re-elected but with only 54.6% of the vote. As Mr Creech and Mr Stiassny held 60% of the proxies between them, this suggests that Mr Creech voted his chairman's proxies against the re-election. Or did he just make an honest mistake and tick the wrong box?

Bruce Parkes

Skellerup Holdings AGM 30th October

In the 12th AGM of SKL, shareholders learned of the sudden resurgence of rubber sales after the summer drought, while pumping, and plumbing products in USA remained subdued.

Cashflows remained strong enough to sustain the 8c full year dividend. Potential exists in North America far above SKL's current tiny market share; and in Asia with facilities near Shanghai, and Thong Nhat in Vietnam. Christchurch remains the "brains trust " of SKL, and the new centre at the Wigram Industrial Park, is designed to consolidate production and product development.

SKL also plans to take advantage of the high dairy payouts.

Shareholders were also interested to learn of the spread of SKL's Deks plumbing and roofing products, with a Head Office in Melbourne, 7 branches throughout Australasia, 9 in Europe, 10 in North America, and 5 in South America. To most present, this business had previously flown beneath the radar.

Questions ranged over the old factory in Woolston - to be replaced by "project Viking" at Wigram, staff development, and the couplings business based in Italy. The re-election of Sir Selwyn Cushing, who had overseen the recovery of the share from 54c to $1.64, and the reduction in debt from $115m to $2m passed predictably. This is a small and diverse board with a balance of financial and engineering skills. It will need to provide refreshment in future, but at present shareholders are satisfied with its close-knit structure.

Alan Best

Kathmandu AGM 20th November

Kathmandu's meeting at the Stamford Plaza, Auckland was very low key. The dozen shareholders who turned up were outnumbered by analysts and other interested parties. One shareholder flew up from Christchurch but others were perhaps put off by the CBD location and the non-controversial nature of the agenda. This allowed ample opportunity for in depth discussion with all Directors.

Unlike some retailers, Kathmandu has enjoyed an impressive 94% increase in share price reflecting record returns for the 2012/13 year. Chief executive Peter Halkett told the meeting sales rose 0.9 percent in the first 16 weeks of the 13/14-year. Not the news the market wanted to hear and the share price dropped in response. However, the first quarter represents only 20% of the first half results. It all rests on the Christmas and January trading period.

The company remains on track to open 15 new stores in the 2014 year, mostly in Australia where there is considerable opportunity for growth. Further expansion of the company's on-line sales channel is planned.

All resolutions were passed without dissent. Chairman John Harvey held proxies for 70% of the issued shares. In regard to the performance rights issued to Peter Halkett and Mark Todd, I ascertained that E&Y are responsible for managing the 'comparator group' process on which the rights are assessed.

Of most interest at the meeting was the naming of Trade Me chairman David Kirk as a non-executive director, with the intention that he become chairman in early 2014.

Although Peter Halkett is working from Melbourne, there is no intention to move the company's head office from Christchurch. Further, in 2015 the AGM will be held in Christchurch for the first time.

Bruce Parkes

Pumpkin Patch AGM 20th November

Jan Freeman, chairperson indicated that the company was facing tough competition in its key markets of Australia and New Zealand. Sales for the quarter to date have not improved on the corresponding period last year. They expect this year to only match last year's profit of $5.1m

She also highlighted the transformational change the company was still going through since the closure of the USA and UK stores, yet maintaining a strong wholesale and online presence in these overseas markets. The largest market is still Australia – 67% of sales.

During the year Di Humphries (ex Glassons) was appointed Design Director, and later appointed CEO in August of this year. She has been instrumental in changes for improved product range and new designs, which are now starting to appear in the stores. Associated with this has been changes and broadening of the supply chain from the garment manufacturers. There has been some disruption to the supply chain, as well as the floods in Asia which has lost sales

Reorganisation cost at head office and staff reductions have also affected last years result.

Reduction of bank debt is a priority where stock levels are too high, which affects the level of debt. Meanwhile, no dividend is proposed until the level of debt is reduced.

The benefits from the structural changes being made would not be seen till late 2014 and full benefits in 2015.

There were some bright spots – online sales at 16% of total sales were ahead of most other retailers and the revamped website positions the company well in this growth segment. Wholesale and International businesses are growing with 300 locations in 20 overseas markets.

Several shareholders expressed concern that it was taking so long for the company to recover and recommence dividends.

Noel Thompson.

Barramundi Fund AGM 17th October

NZSA Proxies from 18 shareholders.

Alistair Ryan Chairman since September 2012, explained that BRM has a specialised investment direction whose only comparator is the Total Shareholder Return of the small caps industrial index in Australia. The out performance against that index at 19.9% against 8.4%, allowed a 14.25c/share dividend. Some shareholders were unimpressed. The market cap of the company is only $83.8m against a Net Asset Value of $96m. Its p/e of 4.9, and dividend yield of 9% make it chronically undervalued. The Chairman suggested that because brokers and other market participants often ran their own funds they were less inclined to lead clients towards this listed fund, and that the market tended to view these smaller cap stocks as higher risk and more volatile than the market at large.

Alistair also commented on the performance fee paid to Fisher Funds for achieving a return above the bank bill index plus 7%. Half of this is taken in shares, priced at year end, but he reminded shareholders that performance fees are not earned when the results are below the benchmark, and the fee itself is also scaled back.

Both Carmel Fisher, and Frank Jasper commented on key stocks in the portfolio, which are well covered on the BRM website and annual report. In question time Carmel emphasised the high dividend yield did represent a capital return as well as a dividend return from the portfolio. Shares bought back go into treasury stock, and some are then distributed to shareholders as part of the dividend reinvestment plan. The capital return portion of the dividend does compensate shareholders for the apparent lack of capital appreciation.

Directors Andy Coupe and Alistair Ryan were both elected and joined Carol Campbell and Carmel Fisher in a relatively new board, which has approved a slightly larger portfolio to hedge the risk inherent in any one of the small cap stocks.

Alan Best

Marlin Global Fund AGM 31st October

The following summarises the meeting highlights:

Board consolidation – Alistair Ryan in 2nd year as Chairman and Andy Coupe, appointed March, to complement Carol Campbell as independent directors along with Carmel Fisher.

Fisher Management – New portfolio manager and enlarged experience investment team contributed to an improved performance and profit of $9.5m ($12.0 loss previous year) giving a total shareholder return of 12.2% for the year.

This follows on from last year’s motion by Elevation Capital to wind up the company to gain value from the 19% discount of share price to net asset value. Following a complaint, the NZX inquiry into matters arising from last year, have been satisfied and the investigation is now concluded. The Chairman said that the new board was working in better harmony; and the investment committee has constantly under review the direction and investment objectives to achieve a better balance of risk and reward. Currently reducing cash levels and positioning to larger cap stocks.

Dividend policy of quarterly dividends based on 2% of NAV to be maintained.

Fisher Funds management objectives is for global investments to be managed from NZ. This was different from most competitors who out source management to overseas fund managers with higher funding costs.

Roger Garrett - Senior Portfolio Manager and Manual Greenland (USA portfolio) spoke of the total review of every stock held, thorough due diligence, and monitoring to ensure they met the objectives set. Several changes have been made including a more concentrated weighting to Europe and USA.

(Marlin cont.)

In reply to a question on expanding the capital base the Chairman said that the Board regularly reviewed Capital Management to improve shareholder value. The discount to NAV is still 17% and that investment performance is the 1st priority to get a better balance to share price. Share buyback is still an effective management tool for shares to be issued to Treasury stock and reissued under the Dividend Reinvestment Scheme.

It appeared that members present were satisfied with the changes made to Board & Management. Several questions were raised on policy and performance. The Fund is run on similar lines to Barramundi with the same Directors.

Noel Thompson

Precinct Property AGM 7th November

Chairman Craig Stobo addressed a generally quiet meeting with most shareholders happy to be reminded of the positive progress that had been made during the year.

Precinct's total portfolio grew to $1.64b. An increase in NTA of some 12%. NPAT was $157.5m including a revaluation gain of $46.3m, and the more important (for property company investors) net operating income was up 14% to $58.3m. Dividend lifted marginally to 5.12cps. The company is predicting a strong FY14 with dividends expected to rise 5.5%.

The Chair highlighted a reduction in insurance cost of 12% and ongoing emphasis on ensuring properties had good seismic performance – a theme that has been repeated in all property investment companies in recent times. He commented on the successful equity raising of $62.5m and while acknowledging that the SPP method used was not everyone's choice (the NZSA for instance), he claimed in this case it was more cost effective than a rights issue and that the board had considered all options carefully. (NZSA would dispute that for an equity raising of this size).

CEO Scott Pritchard discussed the year's activities. He said Wellington leasing had been strong. The acquisition of the Downtown shopping centre in Auckland gave the company an unparalleled development footprint and architects had been engaged to devise a master plan for the property. He also highlighted the acquisition of HSBC House and the completion of the ANZ centre upgrade on time and on budget.

The company's properties are 97% leased (the best for 5 years) and the weighted average lease expiry is steady at 5.5 years. Investment bias remains towards Auckland and the focus is on client relationships and sustainability. The current market is the strongest it has been for some time and Precinct expects demand for quality space to be strong over the next twelve months.

There were few questions. One shareholder asked whether the company was over exposed in Wellington with so many companies relocating north. The company said that government requirements underpinned the Wellington market and quality buildings such as those Precinct own had steady tenant demand as clients relocated from inferior and less seismically sound buildings.

Resolutions to re-elect Craig Stobo and Graeme Horsley were easily carried.

John Hawkins

Contact Energy AGM 15th October

Held at the Silks Lounge at Addington Raceway Events Centre, this meeting was attended by approximately 150 shareholders, who enjoyed a traditional Maori welcome extended by director Whaimutu Dewes and a waiata sung by the senior management team. This introduction of Maori culture was clearly appreciated.

The chairman, Grant King presented an address that was absent of glamour, controversy and the unexpected. He confirmed what most already knew, which was that the major re-investment program was now largely completed and that the expenditure for the next twelve months would be moderate, mainly completing the last of their upgrading program. He made specific mention that the forward demand for electricity was not expected to increase and would be static. He was not supportive of the Labour Greens policy of creating a central buying mechanism, which would clearly change the dynamics of electrical supply and not necessarily in favour of the taxpayer. The reduction in capital investment, the sale of non-core assets, the completion of upgrades and the stabilising of their business has rewarded shareholders with an increase in dividends to $0.25cps for the current year. He did not make any commitment to future increases.

With regard to Tiwai Point aluminium smelter he noted that, if in the event it was to close down completely after 2017, it would release a substantial generation capacity into the market. He did believe that a total closure was a likely prospect.

CEO, Dennis Barnes, developed some of the matters raised by Grant King. He made the point that the increase in electricity prices was due largely to the increases in transmission and distribution costs and not to increases in the cost of generation.

The churn factor, which detailed the loss and addition of customers, was about equal and the overall customer numbers was stable. He made the point that there were about 34 distribution areas in New Zealand and Contact had logistical advantages in some 26 of them. The opposition parties announced policy of creating a NZ Power control and administration entity was very questionable and it was difficult to see how the stated savings of $500 - $700 million dollars could be achieved. This amount has since been recognised as incorrect and withdrawn.

Three resolutions: the re-election of Whaimutu Dewes and Karen Rose as directors and the setting of fees and expenses to the auditors, were passed without issue.

Most shareholders' questions had been covered in the presentations, but Peter Heffernan's enquiry over the company's vision for geothermal and wind power was interesting. In Contact's assessment there is considerable potential to increase geo-thermal utilisation from undeveloped fields although environmental issues do restrict the potential considerably. For the present, about 10 to 15% of New Zealand's electricity generation is from geo-thermal plants, which could easily be doubled if the need arose. Wind generation is more expensive than geo-thermal generation and doesn't produce if the wind isn't blowing.

As NZSA proxy, we suggested that the company may wish to consider polling rather than show-of-hands in the future. In addition, we reminded the board of our policy to renew the auditors after 7 to 8 year tenure. The answer to this question was to be expected; that it was a requirement of auditors that the partner delegated had to be changed on a regular basis and that there was no involvement from the previous incumbent. Sue Sheldon, a director, endorsed Contact's view after the meeting, but observed that it was difficult to make a change, because there are only four major accountancy firms in New Zealand capable of doing the job.

Following the meeting, Canterbury Chairman Robin Harrison, and I had an extended discussions the Grant King, Sue Sheldon and Paul Ridley Smith all of whom appreciated our presence and our cause.

Max Smith

Chorus AGM 30th October

The Chorus AGM held in Wellington employed more technology than most other Wellington AGMs. Both the Chairman and the CEO read their scripted presentations off a teleprompter. And there was a professional broadcast crew streaming the proceedings live on the web. Members who did not make it to the investor briefings in Auckland and Christchurch might have managed to view a webcast, or could do so in future. The web presentation unfortunately does not allow for two-way interaction.

Both the presentations re-iterated that that UFB rollout was progressing to plan. The main focus was on the concern about the upcoming Commerce Commission (CC) ruling on copper UFB pricing.

The main argument from Chorus was that the CC decision went against the key policy intents of the government when they legislated the demerger. The consequence of lowered EBITDA and increase in risk margins applying to both share price and ongoing debt raising was highlighted repeatedly. Chorus management does not believe that CC's benchmarking was a reliable method of pricing. They point out that the proposed copper UFB pricing was already heading down. Chorus believes the government should legislate to protect the pricing of copper, and they will pursue the option of cost-based pricing which is always available to challenge CC decisions.

Re-election of directors was by poll and Sue Sheldon (current chair) and Clayton Wakefield (a communications technologist) have been confirmed.

Q&A was surprisingly brief. A question was asked about why dividend re-investment plan was implemented. The response was that it offered a good capital management option for a small price (3% discount) and allowed small shareholders to build up their stake. The DRP is expected to be on offer indefinitely. A follow-up query asked if there was likely to be a share buy-back option for small shareholders. The response was that although nothing was planned, there may be consideration in the future.

A question from last year's AGM was repeated by a senior shareholder about his preference for A4 sized reports rather than the tabloid style currently produced for easy readability. The Chairman demurred, indicating that a non-glossy option was much less expensive, and that they produced only 3000 hard copies as most shareholders opted for electronic delivery.

Vinny Venkatesh

Vital Healthcare Property Trust AGM 12th November

As a NZSA proxy representative it was a much easier to exercise discretionary voting than in the last 3 years as there was only one resolution for the reappointment of Chairman Graeme Horsley.

It was also a very quiet meeting compared with recent years.

Seventyfive percent of the assets are in Healthcare properties in Australia. Total return for the year (capital appreciation and dividend) was 20%. Gross income increased including completed Brownfield development on existing sites in Australia with further in the pipeline. Quarterly dividend increased to 7.9cent per unit for 2013/4. The recent 1 for 10 cash issue has reduced the borrowing ratio to 38%. Although the Trust has outperformed the NZX Property Gross Index it has the highest premium to NAV reflecting the long term rentals of Healthcare assets.

Noel Thompson

AWF SGM 18th November

This special meeting was called to give the go-ahead by shareholders to spend up to $36 million buying white-collar recruitment agency Madison Group in a deal forecast to boost annual earnings by half.

Fortuitously, this meeting was held a week after AWF had reported a bleak 19 percent slide in first-half underlying profit after a predicted lift in Christchurch demand didn't eventuate. "We are finding the New Zealand business environment at the moment both confusing and disappointing and undoubtedly somewhat different than the seemingly hyped up comments about the economy throughout the country being on a roll," chairman Ross Keenan told the meeting.

Madison is forecast to lift AWF's underlying earnings to $8 million in 2015 from $5.4 million in the year ended March 31, and earnings per share are expected to climb to 30 cents by 2015 from 20 cents in 2013.

CEO Mike Huddleston said because AWF had lost some business, as it could not offer a "one stop shop" it had been looking to expand into white-collar recruitment for some time and was in negotiations with Madison for two years. Because of the differences between blue-collar and white-collar recruitment, AWF won't merge the operations of the two entities.

Huddleston said, "the Madison business is to a degree counter-cyclical to AWF, in that, as the economy strengthens, the temporary labour market becomes more challenging whilst permanent recruitments takes the fore. Madison spans white collar temp, contracting and permanent placement, and is therefore well-placed to benefit."

Currently debt free, the board is comfortable with AWF's debt level growing to $30 million in the first year (this may lift by a further $6 million if the earn-out targets are achieved) and will consider whether to repay the debt from its cash-flow or raise new equity to do so once the acquisition has been bedded in.

Bruce Parkes

Bathurst AGM 31st October

This was the most security conscious AGM I have been through. Four security men at the ground floor lobby and one escorted me up and waited till I registered. The guard would not confirm if they were expecting the disgruntled Greens or Forest and Bird.

the annual report covered only the two months to June 30th (per accounting standards) following NZ incorporation of the company completing its move from Australia. However, a proforma P&L for full year was been made available to show a full year picture.

The big news was the Environment Court approval for Escarpment Coal Mine. While it is full steam ahead for final council signoff and preparatory civil works and sub-contracting to commence mining in the new year, management is wary of the fact that there is still a chance of an appeal for up to 50 days from the court decision. In other good news -- the estimated coal reserves have increased during the year and a reversal of impairments has improved the balance sheet. Reserves are $13.8M cash down from AU$53.8M at the beginning of the year. Spending has been mainly on legal expenses and capex to prepare for speedy production at Escarpment and acquisition/improvement of other assets. The expectation is that company will become profitable during this year.

The Managing Director's presentation took place after resolutions were passed by show of hands and the AGM meeting was closed. All the resolutions were passed by show of hands except for Resolution 5 (placement facility) which had been withdrawn pre AGM due to technicalities. This included Dave Frow and Craig Munro being re-elected and a facility to privately place 104,887,100 shares without further shareholder approval. Under a long term incentive plan, approval to provide Hamish Bohannan (MD), 1,845,992 shares were also approved. There were no questions from the floor on any of the resolutions.

(Bathurst cont.)

MD's report highlighted the fact that coal from the 3 operating mines and the new Escarpment project is expected to ship in 1 qtr 2014, mainly to Japan and India. There is also a significant domestic market providing energy to dairy and potash to cement industry, which will help mitigate exchange rate variations. Hamish highlighted that Bathurst's Escarpment mine commitments would result in a $21M commitment to support Heaphy estate conservation (via DOC), up to 225 direct jobs and a further 1000 ancillary jobs in to support to the West Coast people, economy and the environment.

Hamish has since appeared on TV3 programme "The Vote" about the mining debate.

Vinny Venkatesh

NZ Oil and Gas AGM 29th October

Chairman's address was upbeat with the announcement of 6c/share dividend, putting to rest the Pike River issues. The immediate future is also positive with a government that is very supportive of oil and gas exploration. Discoveries on two onshore wells in Indonesia and an exit out of Tunisian operations were announced recently. NZOG has cash reserves of around $160M and is expecting to maintain a similar dividend of 6c next year (9%) while planning to spend about US $35 million per year on exploration. The next 18 months will see a high level of drilling activity with potential for some good finds. Although annual report, using typical industry reporting norms, lists probabilities at around 50%, some of the sites have an expectation of a higher chance of success.

Averil Bramley a shareholder took the floor to table three motions which had been provided in advance to the management.

First motion was around whether NZOG would pay the reparation order for Pike River families of around $3.41 M ordered by Judge Jane Farish. CEO Andrew Knight responded that the decision was not binding on them as they were not a party to the proceedings. He pointed out that NZOG had already provided $25M for maintenance of operations immediately after the explosion and a further $1M directly to trusts set up to support affected parties ($500K directly and $500K via Pike River Limited). While the bulk of insurance monies went to secured creditors, $7M was also distributed to unsecured creditors. Given the above the directors were not of the opinion that any more monies should be distributed.

The second motion, that shareholders express their dissatisfaction with the way in which the directors managed the company's investment in Pike River Coal Ltd and the company's response after the explosion, was countered with the fact that directors of Pike River and other directors from NZOG at the time had moved on.

The third motion was for NZOG to undertake additional spending to improve its health and safety practices. Andrew Knight responded that an independent report on contracting out and workplace safety had already been completed and this included ethical use of workforce by contracted 3rd parties. Actions have already been taken to improve the safety culture, with further investment in plant and staff training.

Alan Dick queried the boom and bust nature of drilling activity in New Zealand and wondered whether suitable planning could be undertaken to operate a continuous programme. Andrew indicated that lack of drilling vessels in New Zealand contributed to this. There was already co-operation among drilling operators in NZ in the next 2-3 year horizon to ensure continuity for as long as possible when drilling vessels are in place. Next 18 months will be critical with the expectation that 2-3 wells out of 13 planned drillings would give rise to drilling activity longer term.

(NZOG cont.)

Brian Ralston asked as to whom had been held accountable for the writing off on $7.5M on the Kakapo field in 2006. Andrew said that that this was a portfolio decision and was business as usual with directors fully aware and participating in the decision.

In response to question from the floor, Andrew suggested that gas would be a transition fuel for the next 25-30 years (with oil declining and coal being not ecologically desirable) while new energy sources are found. NZOG's exploration is targeted towards gas.

Three directors were up for election for two positions. Of the nominees two (Tony Radford, founding director and ex CEO), and David Scoffham (ex Shell, joined the board in 2003) were existing board members while the third, Rod Ritchie (a geologist) was supported by the board – he may have actually been invited by the board to stand.

It is unusual to see the board support a new appointment when sufficient existing directors are standing to fill vacancies and the chair was careful to be impartial and support all three equally. All three nominees spoke to the audience, Tony Radford's main pitch was for return of up to 20c per share to shareholders from the high cash buffer held by NZOG.

Unsurprisingly, voting by ballot confirmed the election of D Scoffham and M Ritchie, with Tony Radford not elected.

Vinny Venkatesh

Auckland International Airport AGM 24th October

AIA produced a very solid result with total shareholder return up 26.6% for the year. The Chair and CEO spent most of the time on the new 5 year plan. In the past, the Airport's main focus was about managing infrastructure at the airport and little about how they could grow the business. In the last three years, a change in the business strategy has established a "Flight Path for growth."

Some key objectives are to grow the travel business, be fast and efficient, strengthen their consumer business, invest for the future, and work with the other tourist operators like Tourism New Zealand and Air NZ.

The Airport has been promoting new travel markets and new routes by attracting more airlines to come to Auckland. As an example, Chinese arrivals were up 104% this year. They hope to achieve 400,000 Chinese arrivals by F17. Another goal is to achieve 10 million international arrivals by F18, up from 7,317 million this year and 20 million total passengers by F20, up from 14,516 million in the last 12 months. A major marketing campaign will be launched in China.

The Chair reported the Commerce Commission was happy with the Airport pricing structure, which takes away some risk when looking at new developments.

The Airport plans to be Auckland's leading business centre. Property development offers the company great opportunities for future growth and returns for shareholders.

Another area of growth is with the retail business within the airport. Special attention is being given to understand the effects of competition and what needs to be achieved to achieve this objective.

It was reported Queenstown and North Queensland airports produced satisfactory results.

The chair made positive comments about the future director program, which had been a success. They now plan to appoint a new person in the coming year.

A new director Michelle Guthrie was voted in, along with Sir Henry van der Haden as the new Chair. Michelle Guthrie has wide marketing and digital experience in her role as Google's CEO for India, China, Asia and the Pacific region, and should be an asset.

At the end of the meeting compliments were paid to Joan Withers for her achievements at the airport, her skill in building a strong team, and for changing the way the company now sees the future.

Des Hunt

Caught on the Net

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Bruce Parkes

Branch Reports

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

Auckland

On 20th November, the questions to Eric Barret of Sanford covered quotas, boats, salmon and skipjack. Having just announced his 2013 result, Eric was well equipped with the latest slides and information for investors, which can be seen at the Sanford website under investors/presentations

The second speaker of the evening was Brian Gaynor, well known to just about everyone from his prominent role in Milford Asset Management, his regular informative and well read columns in the press and previous well received presentations to the Auckland Branch.

Again, Brian did not disappoint his audience. His talk this time was around the changes in the New Zealand share market from immediately before the GFC (Global Financial Crisis) (NZX 4333), through the darkest days of the GFC (NZX 2417) and finally up to the present day (NZX 4892). It was illustrated with a meaningful slideshow with good supporting statistical information that identified the best and worst performers over the period under the spotlight. (see page 3) Brian also compared the performance of NZX alongside several of the major world markets that have been through the same cycle.

One of the interesting points to emerge from this presentation was the suggestion that investors have become more laid back and are not reacting so emotionally to events that, in the past, would have had induced significant volatility into the markets. Another pertinent point was the thought that there is no shortage of liquidity and this could result in interest rates remaining relatively low and

that following on from this investors may be prepared to take on greater risk. A further observation drew a connection between new issues absorbing available cash that, in turn, could influence increases in prices for existing shares.

Possibly one of the most interesting charts that Brian showed was the classic "Boom- Bust" cycle included with this report. Whilst we may be somewhere on the steeper part of the rising curve, in reality it is anyone's guess where the markets actually are at this time …this will only be revealed by looking behind us from some point in the future.

The presentation was followed by a range of questions and the final thought "if you could predict the market, would there be a market at all?"

Robert Johnston

Future Auckland Branch Meetings

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

2014

Wednesday 19th February

Speaker:- Jeff Greenslade, CEO, Heartland Bank

Wednesday 9th April, David Hisco, CEO (NZ) ANZ Bank

Wednesday 18th June, Speakers to be advised

Wednesday 17th September, Speakers to be advised

Wednesday 19th November, Speakers to be advised

Future Company Visits

These are being organised for March, May, July, August, October, December.

Details will be published nearer the date.

Bay of Plenty

The Bay of Plenty Branch had their last Discussion Group meeting for 2013 on 25 October. It was an excellent meeting with interesting contributions from many mÅembers present. We covered company results for members' most popular shareholdings, discussed material from Peter Lynch on stock fallacies, Warren Buffett's 2011 Annual Report discussion on gold. Kerry Drumm spoke about the NZSA website company information.

The Australian Foundation will be giving their bi-annual presentation at Tauranga's Trinity Wharf on 2 December. Attendance is expected to be very good going by NZSA registrations plus their own shareholders.

Our Christmas function is on 3 December and our guest speaker is Brian Gaynor. We have over 100 members registered to attend and members are really looking forward to this event.

Our first Discussion Group meeting will be held on Friday, 28 February 2014. Russell Garland from Forsyth Barr will be our guest speaker talking about the year ahead.

March 26, we will be holding our first "After 5" event for the year with David Pilkington, the new Chairman of Port of Tauranga as our guest speaker. Then a company visit to Trustpower will take place March 28. A busy and interesting start to 2014

Jane Lyndon

Waikato

We had Vince Hawksworth, Chief Executive of Trustpower as our guest speaker at our gathering on 29th Oct. Very enlightening presentation especially their wind farm developments in Australia and how these are funded.

Sir Henry van der Heyden will be the guest speaker for our Christmas Dinner Function, 3rd Dec, to be attended by 85 members, partners and guests.

Our programme for 2014 starts with

25 February 2014, Mark Lister, Head of Private Wealth Research, Craigs Investment Partners

March 2014, John Williamson, Managing Director, Hellaby Holdings Ltd (date to be confirmed)

Tuesday, 22 April 2014, Gordon MacLeod, Chief Financial Officer, Ryman Healthcare Ltd

Tuesday, 27 May 2014, Martin Hawes, Financial Advisor and media commentator.

John Davies

Canterbury

The Canterbury Branch Committee has been busy attending a number of company AGMs, acting as NZSA proxy holder and ensuring shareholder interests are address by the company boards (these are reported elsewhere in the Scrip).

Our next function will be on 5th December in the Fendalton Croquet Club where we will be holding our End-of-Year Social with Branch Secretary Peter Heffernan running the "fun and informative" trivia quiz with dividends! Peter will also present some interesting and possibly relevant video clips. This annual event is always entertaining and informative for members.

Finally, the Committee is progressing with plans for an IT education event for members early next year and with developing a touring South Island "roadshow" to bring information of the NZSA's work and successes to a wider audience in the regional centres.

Robin Harrison

Upcoming Events

For more information go to Branch section of NZSA website

2014

February 19	Auckland Branch meeting
February 24	Waikato Branch meeting
February 28	Bay of Plenty Branch meeting
March 11	Wellington Branch meeting
March	Waikato Branch meeting (date to be confirmed)
March 26 ``	Bay of Plenty Branch meeting
March 28	Bay of Plenty company visit
April 8	Wellington Branch meeting
April 9	Auckland Branch meeting
April 22	Waikato Branch meeting
May 27	Waikato Branch meeting

Wellington

Thank you to branch members and the committee for your support during 2013. It has been a busy year and we have had a great variety of meetings and speakers.

For 2014, our meeting will be held on the second Tuesday of each month (March to November) from 7:30pm to 9:30pm. As well as having guest speakers from listed companies we will look at running several new investor/new member evenings where real investors talk about how they got started and how they approach DIY investing.

All the best for Christmas and I look forward to seeing some of you at our next branch meeting in March 2014.

Martin Dowse

Members' Issues

Political Donations - A tax on shareholders

Pat Dillon has asked about the court action against John Banks and his declaration of anonymous donations after the Auckland mayoralty campaign.

"At the drop of a hat Sky management was prepared to donate without John Banks showing the company name, splitting into two $25000 to avoid the rules. The donation has been admitted by company. Is it legal to do this sort of transaction? How is it accounted for in the financial report as there presumably no receipt? Certainly it is not ethical. "

Editor: *While New Zealand law allows companies to make political donations, Chairman of Sky City, Chris Moller, at the 2012 AGM assured our proxy holder that the company now has a policy not to make donations to political parties or candidates. NZSA too has a clear policy on this, which is shown on our website under Resources/Policy Statements.*

1. *A contribution by public companies to political entities is inappropriate use of shareholders' funds. The NZSA opposes political donations.*
2. *Should a donations or contribution of a political nature be made, it should be disclosed and fully explained in the annual report. Where they have occurred, there should be an agenda item on the AGM notice to allow for discussion of the matter.*
3. *Nothing in this policy prevents directors or company executives making personal political donations or expressing personal political views outside the context of the position they occupy in the company. This is their unassailable democratic right*

Hard copy harder to get

Don Foster has ordered hard copy for all NZ company reports. However, he has seen reports become more and more complex causing many shareholders to read only the first few pages, and companies to duck full disclosure, by (a) providing simplified substitutes, and (b) by forcing shareholders to receive full reports on line. They do this by saying the default position is to receive reports on line, and asking shareholders to make a written request for hard copy at each publication. Don believes, this is an erosion of the right to receive hard copy.

Editor: *We believe that each shareholder is entitled to stipulate his own default position, and that this instruction should be binding on a registry until formally revoked. Both Computershare and Link usually accept this position.*

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New Zealand Shareholders Association Inc.

NZSA

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Editor Alan Best

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