"The Scrip"
MANY INVESTORS; ONE VOICE
New Zealand Shareholders Association Inc NZSA

In this Issue

December 2015

The Christmas Fairy comes early for some

Now gather round children and listen carefully.

Once upon a time, not long ago, there was a small far off country commonly called Noo Ziland. It was a peaceful and lucky country where the grass was green, the sea blue and everyone treated each other fairly. Alas, this utopian ideal was shattered when a nasty ogre with grand designs to conquer the world hatched a scheme to fund his ambitions.

From his hideout right under the nose of the great protectors Enzedex and Effema, the ogre plotted, using his special magic which he called Munnee. First he found the wealthy merchants in the main town of Cherhulder. To them he offered fabulous riches. "For you my tiny group of influential and wealthy friends", he uttered, "I ask you to give to me $40m split as you wish, and I will multiply this into great fortunes for you all". And then to the other 3700 ordinary inhabitants of Cherhulder he said, "little worms, do you want a share of the fortune I am going to make?" And the ordinary

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people said, "yes please. May we give you $39m between us so that we can have a fair share". And the ogre roared with laughter and said to the 3700, "Worms do not deserve anything, but I have consulted with the twin oracles of Looyah and Envestmintbankka, and they have advised that I toss you some crumbs. My other assistant Peeare Spinartiste has written many clever words to convince you how generous I am being. So, little worms, I will take $3m from you and you can have just a teeny, tiny part of the fortune that me and my new rich friends are going to make with my Munnee magic".

And so it came to pass that the few became even richer and went to The French Cafe to celebrate. And the ordinary people of Cherhulder were sad and downcast as they contemplated their Big Mac. And the seeds of discontent were sewn.... So, the moral of our little fairy tale is to treat people equally or a pestilence may descend on the land and there will be no winners.

If you have got this far, some of you will recognise that this is an allegory for the hugely unfair equity raising that A2 recently undertook. Institutions and "eligible investors" got to participate in a $40m placement and ordinary shareholders were insulted with a $3m share placement plan (SPP). Following huge oversubscriptions, A2 scaled the SPP applicants 1 for 13. The dilutionary effect as you can imagine is dramatic. To add insult, A2 also did their scaling based on the value applied for, not the size of existing shareholdings. So larger retail investors are even further disadvantaged.

For its part A2 says it was surprised by the retail shareholder interest. That is surprising considering how much the company has done recently to talk up its prospects. We are told it needed the money in a hurry and wanted certainty because its largest shareholder (at that time) was unlikely to participate. There were other factors at play as well, but it is hard to look past the complete disregard the board showed for its retail shareholders. While it is true that the A2 share price has risen dramatically over the last month, the institutions have certainly shown no loyalty or gratitude, with tens of millions of shares being rapidly traded to realise a quick profit as soon as the placement was completed. Of course, the SPP beneficiaries also shared capital gains, but had little to cheer given the miserable pittance of shares they received. Not much reward for their loyalty through the tough times!

In NZSA's view, a renounceable rights issue using the provisions of the same class rules would have easily raised the funds. Advice we have received is that this process only adds a couple of weeks to the time that it typically takes to get a placement to market. Facilitating this fairer method was in fact a primary reason for the new same class rules being introduced less than two years ago. While placements are rapid once announced, they are organised by investment bankers in advance, and this takes some time. With this system, there is a high level of certainty about the uptake. However, the A2 board still chose to underwrite the placement. Why would they waste shareholder money doing that? They could just as easily have applied that expense towards the modestly higher fee for underwriting a full rights issue and had exactly the same certainty of outcome.

And then there is the reason for the issue. Basically it was to fund additional stock to satisfy demand in Australia (and onto China). Apparently sales were going begging due to a lack of supply. It defies belief that in those circumstances the company's bankers would not have provided short term facilities while an underwritten renounceable rights issue took place. So urgency and certainty could have been accommodated.

Too many companies including recently Wynyard (twice), Stride and ANZ are using all manner of excuses to justify the unfair and dilutionary placement/ SPP process. The discount rate that might be required is one. Additional cost is a typical red herring, given that rights issues are no more difficult to organise than an SPP. Urgency is the big one. In fact, I have never discussed a placement with a Chair or director where the demand was not "urgent". If the board is so poor at planning its capital management that the situation becomes desperate (GFC or completely hopeless commercial performance excluded), just what are shareholders paying directors and management for? Desperation is frequently a synonym for systematic failure in these circumstances. Even if it is a little more expensive, at least with a rights issue any costs and rewards are shared equally and fairly.

It will be hard to break this cycle, as unfortunately neither NZSA nor ordinary shareholders hear about placements until they are a done deal. However, we believe issuers have an obligation to give all their investors equal access when equity is being raised. After all, the directors are supposed to be the link between shareholders and management. Of course, not everyone can or will participate, and that still leaves the opportunity for large investors to mop up any shortfall. While institutions continue to benefit from the largesse shown by some boards, don't expect them to pressure for greater fairness. In most cases, they are able to book an instant profit and that, quite reasonably, sits well with their own shareholders and investors.

NZSA may well step up media activity around this type of behaviour. Members can help by getting in the ear of directors at companies that treat them unfairly.

Last December I wrote outlining our new Corporate Membership initiative. We now have 13 corporates on board. There will be more in the new year. The resource this has delivered means we are making steady progress towards the various objectives that I outlined at the time and our professionalism continues to grow as any of the 260 or so delegates at this year's Annual Investor Conference hosted by Waikato branch will attest. Nothing beats being there, but for the first time we have been able to bring the presentations to you via our popular video series available on demand in the members' area of the website.

Our recent selection as one of three finalists in the Deloitte Top 200 awards highlights the respect with which NZSA is now held. That we ended up a bridesmaid to deserving class winner, the NZ Superannuation Fund, was still a fantastic testament to the efforts of everyone who has been involved with NZSA over the years.

For those of you who worried that the changes we have made or are trialling could make us lose our edge, there should be comfort that we remain publicly outspoken when the situation demands. Both Sky TV and Kathmandu are recent examples of this. Most importantly, our membership, the life blood of your organisation continues to grow and our new Taranaki branch is now firmly established. You can do your part by encouraging friends and colleagues to consider joining and sharing in the wide range of benefits available.

It has been a rewarding year for investors and NZSA alike, and indications are that next year will not disappoint either. So to everyone, a very Merry Christmas, and may 2016 continue to bring health, wealth and happiness.

John Hawkins

Chairman

Tony Carter - NZSA 2015 Beacon Award Winner

The winner of the 2015 Beacon Award is Tony Carter, Chair of Air New Zealand and Fisher and Paykel Healthcare. Tony's stellar career at Foodstuffs, where he became CEO, demanded special talents of communication and strategy, to focus a large group of owner-operators, in a responsive culture, serving a huge range of consumers each day. Leaving to start a career in governance at a relatively young age demonstrated his courage and determination.

Tony Carter and John Hawkins admire the Beacon Award

Tony sits on several high profile boards and chairs two of our most internationally competitive and successful companies. He is associated with finalists in no fewer than five of the Deloittes Top 200 Awards this year, and was named their Chairman of the Year in 2014. Tony's unwavering determination to champion the highest standards of governance and ethical principles make him a worthy winner of the 2015 Beacon.

With typical modesty he wrote thanking the NZSA:

"I am truly humbled to receive this award. It means a lot to be honoured by the organisation that so well represents retail shareholders. To me it is pretty simple, shareholders do own the companies where I serve as a director, so I am a trustee of their investment and I have an obligation to work hard to add value for all shareholders. So being recognised by shareholders is something I really appreciate and value.

The previous winners are people I admire immensely and to be a recipient alongside them shows the esteem in which this award is held. As an aside it was wonderful to see Joan Withers chosen as the Chairman of the Year at the TOP 200. I was disappointed that the NZSA didn't win the Effective governance award, but being a finalist shows the regard with which the Association is held."

The criteria appear on our awards and bear repeating in summary:

- Leadership in corporate practice
- Bravery in taking a stand on corporate governance
- Ignoring self-interest - recognising the concerns of all stakeholders
- Treating small shareholders with the respect due to business owners
- Working within the rules to ensure fair outcomes for stakeholders
- Taking actions that warrant special recognition from shareholders.

In the past we have recognised

- Brian Gaynor for his clear voice and analysis which have informed and assisted small investors
- Bruce Plested whose example shows how a small team with a powerful ethic and culture can become a global player
- Michael Hill whose leadership in commerce, the arts, sport and his book show how business people can become

benefactors in the community

- Rob Fyfe for his humane leadership at a time of crisis and marketing flair.
- Simon Challies. His consistent focus on good service to Ryman Healthcare residents has year after year grown shareholder value.
- Joan Withers. Her perseverance, leadership and dedication to the causes of board diversity, future directors and community trusts are an inspiration to aspiring directors.

The NZSA Beacon Award is an important part of our annual calendar and national profile

NZSA Board members and guests at the Awards dinner

Tony also chairs the Blues Board and has the Herculian task of bringing them back to their glory days

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***

Kathmandu AGM 20th November

Editor: NZSA received national publicity when it published its voting intentions which were critical of the incentive plan for the new CEO of Kathmandu. The company modified its resolution, NZSA published an update,(these can be viewed on our website,) and our Canterbury Branch lead the charge at the AGM. This is their report.

Kathmandu had a disappointing year with FY15 profits down 52%. However, Chairman David Kirk presented a positive forward outlook, with the appointment of Xavier Simonet, the new CEO, now on board and improvements in their distribution and on-line marketing.

Xavier Simonet recognised the poor financials for FY15 but pointed to some cost cutting in administration, developments with new stores in Australia and their new, more efficient, distribution centres. They are also currently rationalising their pricing and promotion strategy. They are aiming to improve the profitability of their NZ stores and open new stores in Australia. Their on-line sales have grown to 6% and are aimed to grow to at least 10%. In the UK they are continuing operations but with a "capital light model" rather than investing in "bricks and mortar".

He concluded his address with a trading update for the 2016 year which confirmed that more positive results had produced an increase of 8.6% increase on the PCP up to the 15th of Nov 2015 with gross margin up 5%.

Max Smith, the NZSA proxy holder, asked the Chairman "is the $30.2m profit still achievable?" Answer: Yes.

On the resolution for the re-election of John Holland, Max Smith asked him;

- to confirm that he was a member of the remuneration committee? He confirmed he was.
- "What qualifications he had that warranted him being a member of this sub-committee?" His answer was long but in essence he was a securities lawyer and had been involved in a number of employee share schemes and the development of them. He confirmed he had been a member of the Securities Commission which had advised the government on employee share schemes.
- "Please explain to the meeting how they arrived at the original CEO LTI scheme?"

  They had sought advice from professionals at EY in Melbourne and he considered there was nothing wrong with the structure of the scheme and was in his opinion in accordance with best practice at least in Australia. He stated that when Mr. Simonet was appointed the sub-committee considered what they would offer him and looked at an STI and a LTI mixture which they believed they had got right. He submitted in their defence that when this decision was reached they did not know just how bad FY 2015 was going to be. He openly admitted that he was personally embarrassed when these figure were known that he had not picked up on the full implications of the decision they had made. He gave no credit to third parties pointing out the inappropriateness of the scheme and claimed that they had waited until the next board meeting which had been the previous day to debate and change the scheme to a more realistic formula.

- "Surely this was the result of pressure from interested parties in particular major shareholders?"

  His answer was that as soon as Mr Duke had pointed out the situation they agreed and moved to make the changes and denied when pushed that this was not the result of any pressure.

- for an assurance that the board would be more vigilant in future!

  Mr Holland confirmed they would be and conceded with a degree of acknowledged honesty that this had been one of the more obvious mistakes he had made in 25 years. It was observed that the mistake had arisen because of the time delay between CEO negotiations and the financial accounts. The board admitted the mistake and apologised.

John Holland and Christine Cross were re-elected to the board. NZSA used its discretionary votes in their favour.

On the resolution for the appointment of auditors Max Smith asked how long PWC had been their auditors; noting that best practice suggested a change every 8 to 10 years? There had been a rotation of audit partners every 5 years but matters of tax advice were handled separately.

On the resolution for the CEO Incentive Plan the Chairman pointed out that the resolution was a requirement from their Australia listing. Referring to the earlier discussion on the re-election of John Holland, he conceded that an error had been made with the low starting point but higher targets had now been set. Max Smith said that the NZSA supports the appointment and the principle of an incentive scheme but as the resolution is unchanged from the original it requires a binding commitment from the board to stick with the higher targets. The Chairman gave an assurance that there would be a more structured review in the future with more cross checks to ensure alignment of incentives.

There was a poll vote; and NZSA used its discretionary votes in favour. The resolution was passed with 92.8% in favour.

Robin Harrison

Auckland Airport AGM 22nd October

The Chair, Sir Henry van der Hayden reported underlying profit after taxation up 10.5% to $169.9 million and total profit after tax up 21.3% to $215.9 million.

The company strategy over the course of the financial year was focussed on each of the following.

- Growth in travel markets.
- Strengthen the consumer base.
- Be fast, efficient and effective.
- Invest for future growth.

Total passengers numbers were up 5% to 15.8 million, with international passengers up 5.7% to 8.1 million. International transit passengers were up 6.7% to .5 million and domestic passengers up 4.2% to 7.2 million.

The Chinese market continued its amazing growth up 28% on the previous 12 months. There were some 14 flights per week between October 2014 and March 2015. The airport sees this growth continuing into the next financial year.

Similarly, North America has continued to be an important market with international arrivals up by 10.6% on the previous period. Air NZ is introducing a new route to Houston, which will add another 126,000 seats annually.

Australia is still the largest passenger market with some 776,350 arrivals this financial year, enough to justify two further baggage belts in the terminal.

Other opportunities' were in property, retail and the appointment of two new duty free retailers. The airport now has two hotels and further property developments are being planned. This year Coca-Cola Amatel, and Fuji Xerox moved to the airport.

Over all the shareholders came away happy with what the Chairman and CEO had to say, and had their questions answered.

The Chairman gave the future director program the thumbs up and shareholders seem to like the fact the company was promoting new younger diversified talent.

Des Hunt

Metlifecare AGM 27th October

Chair Kim Ellis set a relaxed, good humoured, but professional tone opening the meeting, and after introducing the board, key executives and professional advisors, chose to make a number of key remarks about the business rather than simply echoing his statement in the Annual Review.

Two directors, Carolyn Steele and William Smales should be noted particularly. Carolyn is an executive of Guardians of NZ Superannuation,and William an Executive of Morrison and Co. Guardians and Infratil each own around 19 % of MET, and were referred to as cornerstone shareholders. (Investors in this sector might want compare these strategic investors' to others in the retirement village sector – they have a pretty good investment record.)

Mentioning both Statutory profit and underlying profit Kim Ellis made particular note of MET's strong cash generation in its core business – including resale of units but not sale of new units.He posed the question 'Why are we pursuing a strong development programme?' And answered - 'to bulk up the business and give it critical mass.' Development itself is not very profitable – it takes 8 or 9 years for the cash to start really flowing through, but building the asset is critical to having the operational business and resales downstream.

Kim also noted that MET's valuation is significantly lower than that of both Ryman and Summerset. This appears to be because both – particularly Ryman – have a maturer asset base and can expect to be reselling units faster in the short term as a percentage of their total stock. This seems to be driving a higher valuation. However, shareholders should note the build up of value in MET as new villages are completed and the potential resale value of units increases.

Kim noted MET's commitment to include care facilities in new village developments. He noted a growing preference among retirement village customers for villages which included care facilities to enable residents to remain in the same basic location when they find it harder to look after themselves. It is more complex and expensive to 'insert' care facilities into existing retirement villages but MET is also committed to this.

Finally Kim noted the sensitivity of the whole retirement village business to the residential property market, and cautioned shareholders that at some point the current market will slow down, or drop, and MET has to plan to be able to work successfully through downturns.

CEO since 2009, Wynton Edwards will be retiring next year, and a replacement is being sought. He focused on three key strategic priority areas, which together will make MET a first choice for retirees seeking a village: Operational excellence; Promoting a strong culture; and Sustainable growth

Their delivery programme is on target; the delivery pipeline consists of 1,690 retirement village places (+42%) and 502 care beds (+140%). Currently only 8% of MET's residential capacity is in care beds. The current programme aims to boost the care component to 20% of total capacity. Wynton also discussed the move in the Netherlands to create mixed use developments like childcare facilities amongst retirement villages to gain a more natural population profile, and the growing non-European population in Auckland, who may have different cultural and language expectations of a retirement village.

Finally Wynton talked about MET's strategy for their employees – over 1000 – noting their focus on retaining and developing staff and reducing costly turnover. In this respect, it was very impressive that after the CEO presentation and before Resolutions, the Chair called on a senior Union representative present who spoke in praise of the board and MET's decision to review all care staff's salary positively. Nine individual employees then spoke in turn in support of the board's action, expressing their appreciation. Quite rare to see spontaneous union and employee support speeches at an AGM.

NZSA voted undirected proxies in favour of reappointment of both retiring independent directors, Christopher Aiken (key skills in property development,) and Noeline Whitehead (senior nursing background), as well as in favour of an increase in Directors' fees. We noted "The explanation of this resolution is a model of disclosure and transparency, unlike some others that NZSA has recently criticised. We particularly like the table which clearly outlines the various fee components that directors receive. The company consulted with NZSA in advance on this resolution and we think this shows in the way the matter has been disclosed. NZSA considered that the proposed fee structure and the increase being sought were reasonable and voted undirected proxies in favour of the resolution.

NZSA also voted undirected proxies in favour of the resolution to amend the company constitution by updating it, but I commented on the voting by a show of hands: "NZSA notes that the company is retaining several clauses relating to voting being by a show of hands. In particular, clause 14.6 requires a show of hands unless a poll is demanded, and there are several options as to how this can be done. The NZSA believes that the use of a show of hands is unfair and in any event it will become impractical if at some stage the company decides to use electronic or hybrid meetings. Removing the outmoded provisions of Section 14.6 will simplify the constitution as sections 14.7, 14.8 and 14.13 can also be removed. We would request that the board look at this over the next 12 months and bring further amendments requiring all resolutions to be decided by poll back to the next AGM"

A shareholder asked why the Chair had not disclosed Proxy votes held by the Chair as the meeting worked through the poll. Kim Ellis explained that the Board had decided not to disclose proxies as it could seem to make a mockery of votes being cast by shareholders present at the meeting. The NZSA position is now quite clearly understood. We agree that the proxies should be disclosed by the Chair after, and not before, the discussion so that free reign is given to those attending to question and air their opinions.

A shareholder asked what age MET required residents to be in order to purchase a retirement unit in one of their villages – the age is now 64 (Ryman now 70).

Simon Walter

Fletcher Building AGM 17th November

Net earnings were down 20% to $270m in the 2015 financial year due to significant items.

Those were Goodwill Impairment $78m, Site closures $65m and Disposal of businesses $7m.

The chairman Sir Ralph Norris and CEO Mark Adamson stated it was a good year under the circumstances, but I would have said just an average result. One shareholder said this was a pattern over the recent years of being told the result would have been good if it wasn't for significant items.

The chairman explained many of the current significant items had occurred before the recent board had been appointed. To convince shareholders the company is on the mend next year's result will be important.

Cash flow from operations increased by 18%.

NZ operating earnings were up 24%, Australia down 30% and the rest of the world fell by 7%.The company balance sheet is in line with projections of net debt to net debt plus equity of 30% to 40%.

The CEO outlined a number of opportunities to grow the business.

a. NZ residential development business.
b. Construction in NZ and South pacific.
c. Trade Distribution in NZ and Australai.

Some of the highlights in NZ were.

- NZ Cement +9%
- NZ Concrete Products +7%
- NZ Concrete +14%
- NZ Steel Distribution +17%
- NZ steel Reinforcing +20%
- Windows & Doors +11%

The two highlights in Australasia were.

- Insulation volumes +22%
- Laminex Operating Earnings +30%

The main negative was Iplex being impacted by loss of coal seam gas pipe volumes.

The CEO claimed further progress with FB Unite program. Of $50m of benefits delivered in total to 30th June 2015 comprising Procurement $35m, Property $10m and Financial shared services $5M. Further Operational excellence initiatives are expected to offset cost inflation. I will believe these numbers when they start showing up more on the bottom line.

The company is focussed on 4 strategic priorities.

1. People: Create a great place to work.
2. Customers: Deliver what they value.
3. Efficiency: Work smarter together.
4. Profitable growth: Invest where we can win.

Growth this year will come from building and selling 1,500 new homes p/a over the next few years, with increasing focus on master planned community with mix of apartments, terrace and stand-alone houses.

FBU expects to invest $160m (net) in land purchases in FY16, and holds a strong order book now standing at $3.4 billion

Outlook FY 16.

The Chairman forecast New Zealand construction activity to continue at above average levels. Government infrastructure spending expected to remain at current levels.

In Australia activity may slow from a recent peak levels especially in the multi-dwelling segment. Non-residential is expected to remain subdued, especially mining, resources and infrastructure sectors. North America would continue at similar levels as the past year, and Europe would continue with mixed conditions and a weak economic outlook.

Asia should see further growth but is likely to remain highly competitive. Earnings before interest, tax and significant items expected to be in the range of $650 million to $690 Million.

Although an improvement over the 2015 financial result, the company has still a way to go to satisfy many shareholders, especially those who have been around for a while.

Des Hunt

Genesis Energy AGM 20th October

Genesis intends to run shareholder meetings around the country and has an email address for shareholder questions ***investor.relations@genesisenergy.co.nz***

This was the first full year of trading as a public company after the IPO in April 2014. Most financial measures were positive and higher than the PFI forecasts in the prospectus. The only measure lower was EBITDAF which was 5% lower although 12% above the 2014 financial year. Dividends will be $0.16 cps being 9% net or 13% gross and 23% higher than 2014. This represents 81% of free cash. The dividend return is expected to increase further in the 2016 year.

Genesis is the leading electricity and natural gas retailer with 26% and 42% market share respectively. The electricity market is particularly competitive and Genesis managed to maintain its position without dropping margins.

Genesis was very proud that they won the 2014 Deloitte energy Award for Health and Safety.

Looking ahead, Genesis reported major change in the levelling off of future demand for electricity due to changes in technology and in energy supply, with less reliance now on hydro creating price spikes in dry years. Genesis had announced earlier their intention to close the dual-fired (coal and gas) units at Huntly in 2018 and have now confirmed that intention. This means that 4 generating units will close leaving 2 gas only units operating. The site will remain open long term and will be considered for future investment. The Huntly decision was an example of a commercial company making a commercial decision rather than a whole of NZ capacity decision which is the responsibility of the Electricity Commission's, Security of Supply Committee.

Genesis has 31% of the Kupe oil and gas field JV and announced that the production profile was expected to drop during the 2020-30 decade. Options for future investment in production are expected in Q2 2016.

Three directors had put themselves forward for re-election as they were due to retire by rotation. The three directors were Dame Jenny Shipley (chair), Joanna Perry (deputy chair) and John Leuchars. The CEO, Albert Brantley, had also announced his resignation as at June 2016 and the appointment process for his replacement is underway. The three directors emphasised the value of retaining a stable board membership during the period of the change of CEO.

There were three resolutions, one for each director, the vote was done by poll.

There were a lot of questions from the floor, and the meeting ran for 1.75 hours. The questions covered:

- Potential impact on Genesis of Dame Jenny being the chair as a consequence of the Mainzeal action

Dame Jenny said she was vigorously contesting the action, that she kept the Board fully informed, had the unanimous support of the other Directors (which was endorsed by Joanna Perry) and that her future was in the shareholders' hands.

- Long term value of Huntly

There will be two units operating at Huntly after 2018 when the Rankin units are decommissioned. Other investment could be considered to change the configuration as it is a fully consented industrial site.

- Fixed price electricity offering similar to the new gas fixed pricing option

Will look at it, but the electricity market is more complex because of the transmission component with Transpower and 29 line's companies with different pricing

- Development timetable for the wind turbine site at Castle Hill, Wairarapa

Fully consented, but as wind generation is more expensive than natural gas or hydro, timing for developing the site is not clear

- New Venture Group

Established recently to trial new offerings, began with solar plus battery storage product focusing on commercial installations that operate during the day. Any proposal that contributes to EBITDAF is considered.

- Kupe replacement after 2027?

The field could be extended, will become clearer in 2016. Currently Kupe contributes 25 to 30% of EBITDAF but is expected to decline.

- Directors' fees review

No review was requested for 2015 but shareholders will be asked in 2016.

Christine Pullar

Air New Zealand AGM 7th October

Chair Tony Carter summarised a year of significant growth in both earnings (NPAT up 24%) and revenue. Alliances with Singapore Airlines and Virgin Pacific are improving market positions, and fleet efficiency is also improving. Gearing at 52.4% is within the boards guidelines, and Moodys has upgraded the firm's rating to place it amongst the highest in the industry. He forecast a pre-tax profit for the first half of $400m, against the full year for 2015 of $474m. He paid tribute to Roger France's 14 years of board service and this was later endorsed by past Chairman, John Palmer.

CEO Christopher Luxon spoke of his ambition to achieve superior commercial performance; enhanced customer experience; staff development to build engagement and performance; and then the actions planned to achieve this; $2.6b invested in new aircraft, customer awards from the industry, lounge development at key airports, and digital transformation. In NZ the Boeing 737s have been farewelled after 47 years in the fleet. The A320s with the turboprop ATR300s are more economic, while the progressive utilisation of Boeing 787 Dreamliners was improving the international fleet. A 39% increase in international capacity is planned, to include Houston, Buenos Aires, and the Joint venture with Air China.

A questioner pointed to soft economic growth around the world, but Luxon countered with a reminder that NZ is reorienting from Europe to Asia and the Pacific including USA, where there are 120m passport holders of whom 30m have NZ on their wish list. The smart move is to identify the customers and get them to promote NZ to the top of their wish list for travel.

I supported the re-election of Messrs Carter and Jager and the increase in directors' pool, which was explained by the chair as to cover the possibility that an Australian director may be required in the near future.

A range of questions prompted fuller explanation of the economies being implemented. The employment of a 19 seater aircraft on regional routes resulted in the highest cost per passenger mile, while the ATR 50 and 60 seaters enabled AIR to offer 2m fares below $100 in 2015. Diversity at board and staff level was being developed by mentoring services for selected female employees. At present, of the top 80 executives, almost a third are women. On market feedback, we learned that AIR was the employer of choice, that the management team received 25 letters per day identifying staff who had provided superior service and that booking by cell-phone had now reached $3m per week. AIR was happy to leave face to face booking service to travel agents. On airline profitability cycles, Luxon spoke of the uncontrollables in his marketing mix, which were mitigated by good risk policies, but the key observation was "first build demand, then buy the aircraft." Another shareholder was concerned at the increasing size of aircraft resulting in lower occupancy rates. However Luxon said that the current rate was 85-87% - up from the historical average of 75%. Another questioner was concerned at international competition from larger players. Luxon agreed that of the 360 airlines around the world only about 30 covered the cost of their capital, while AIR was amongst the top few to show a good return to shareholders, but the secret to continued growth was: focus on key markets (in this case the Pacific rim) make consistent fleet decisions, and maintain nimble responses to market conditions.

Alan Best

Vector Group AGM 22nd October

The Chairman Michael Stiassny gave a most interesting presentation on the changes occurring in the energy market. Vector, as the largest distributor of electricity and gas, is taking a leading role rather than sitting back and being forced in to make changes. It is focussed on – sustainable growth; operational excellence; customer service; technical partnerships; people, safety and culture. It is an award winner for equal opportunity. Vector owns and operates some 2,200 km of gas pipelines as well as the additional 309km Maori pipe line, and electrical reticulation for the Auckland region.

The company paid a fully imputed dividend for the financial year of 15.5 cents per share in line with policy to pay 60% of NPAT.

New technology includes batteries, solar, smart metering, electric vehicles, laser street assessments, and home energy management. They are also developing infrastructure to service and recharge electric vehicles.

Vector is the agent for Tesla Batteries. The company has installed over 400 solar / power systems. They are working with the Auckland council and BMW to establish EV charging stations. Vector has opportunities in Australia to install their smart metering systems.

Projections for the coming financial year is EBITDA $620m which is an increase of $15 over the 2015 result. NPAT was down in 2015 due to higher borrowing cost and a lost on derivatives.

Cash flow was $369.2 million or similar to 2015.

Once again we received positive feed back from the Chairman on the future director program. It was nice to see a shareholder get up and comment about the program. The lady asked if woman were getting appointed as well as men, to which I was able to answer, yes.

Another shareholder asked the question about the length of time some directors had held office. It seemed to be aimed at the Chairman who replied so long as the major shareholder was happy he had no intention of stepping down.

Over all I was impressed that the board and management were doing a good job in a changing market place.

Des Hunt

Editor*: It is unfortunate that the Commerce Commission seems increasingly out of touch with the latest trends in our energy market. Presentations at the AGM indicated that the regulatory regime is out of date, unable to stay abreast of the latest technology, and constantly flies in the face of independent expert assessments. Even its forecasts of inflation will cost Vector $57m of the industry's $150m shortfall, while the apparent ignorance of slower consumption trends is likely to cost $25m. Its attempt to invent a new system of determining cost of capital will reduce essential capex by $18m, at a time when new investment needs to be maintained. Similar comments can be made about the Chorus situation below.*

Chorus AGM 27th October

Chorus reported good progress on the operational aspects of rolling out fibre to deliver broadband which is now characterised as the "4th Utility". NZ's OECD rankings in terms of broadband connectivity are rising and Chorus is being used as an exemplar for proposed broadband rollouts in UK and Australia.

However net profit after tax is down 39% on last year down to $91M. Dividends remain suspended for now.

Delays in the Commerce Commissions process and decisions on pricing for basic service via existing copper wires, and the lack of certainty of the outcomes are strangling the company. The commission initially proposed $34 per month and then raised it to $38 per month with Chorus claiming that this is well below the $45 that applied when the split from Telecom took place. The Commerce Commission has also reversed a decision for charge to be applicable retrospectively.

The final commerce commission decisions are expected by Dec 2015.

Chorus is more optimistic about the long term i.e. post–2020, regulatory regime which MBIE has recently commenced work on.

Chorus' management is focussing on cash rather than value. Spending is being carefully managed with constraints placed on discretionary spending and operational trade-offs are being made to conserve cash.

There were only two questions from the floor (one asked by me on behalf of NZSA) and both related to resumption of dividends. NZSA's concern is that the resellers' desire to have cheaper service was impacting shareholders dividends and that this would drive down the chances of successfully funding future infrastructure developments.

Chorus acknowledged the impact by stating that it had lost about 8000 shareholders from its register, but refused to speculate on dividends until the Commerce Commission decision was available. Chorus have provided undertakings to its bankers when negotiating extension of facilities not to consider any dividend until the decision is in hand. Chorus also clarified that it had not drawn down on their Crown Fibre Holdings backstop funding arrangement which would have placed additional restraints on dividend potentially until 2019.

Post meeting it was announced that all resolutions for director re-elections were passed. Discussions indicate a degree of frustration at the "academic" modelling being used to set pricing without taking into account NZ specific realities. I also heard about active lobbying by institutional shareholders to counteract resellers' influences. It seems that NZSA voice on behalf of retail shareholders would be welcomed.

Vinny Venkatesh.

Fonterra Shareholders Fund AGM 25th November

When Fonterra Shareholder Fund was floated I decided not to invest. Attending this meeting confirmed my decision. Few questions were directed to the fund directors but rather had to be answered by the chairman, CEO, directors, and managers of Fonterra. I felt most answers were provided from the farmer's point of view. I could not understand how FSF shareholders could influence Fonterra.

Of interest is that Fonterra is to retail sell baby formula through the internet. The price of baby formula in China is about three times the price in Europe. Fonterra wisely wants a piece of that China market.

I asked questions relating to the free loans to farmers. 76% have taken up the loans; total value $390m; extending the time of the loans is to be considered; the cost to Fonterra is $20m; they have not calculated the dividend increase if these funds were returned to shareholders. I wonder what the consequences will be if farmers should default on these loans? Maybe the amount is insignificant to Fonterra. After all Fonterra is a cooperative, but this fund is not.

Michael Cornell

Port of Tauranga AGM 22nd October

David Pilkington outlined the previous year's results as contained in the Annual Report, slight growth of 1% consolidating on the previous record year and 4% dividend increase with 22.7% compound growth to shareholders over the last 20 years comparing to 9% of the NZX.

Of interest was the statement that the Board intends to review the capital structure of the company once completion is achieved of the $350m project to cater for larger vessels which includes dredging a deeper channel installing 2 further container cranes, and the items already done such as lengthening the berthage and purchasing 2 new tugs.

The balance sheet is relatively strong with shareholder equity at around 70%.From North Port to Prime Port in Timaru the Port has a National spread to service its customers.

Directors retiring on rotation, John Cronin (13 years) and Keith Tempest (5 years) did not make themselves available for re-election thus allowing for refreshment of the Board.

Doug Leeder, Chairman of the local Regional Council that has a 54% holding in the Port was nominated by that shareholder, he emphasised that it is not a rite of passage to sit on the Port Board but that there is a transparent assessment process that is carried out.

Julia Hoare had been appointed during the year and therefore stood for election at this AGM. A partner in PWC for 20 years she has committed to a fulltime role of governance positions and is now on 5 boards including NZ Post and A2 milk. Her experience and understanding covers infrastructure and capital spend as well as tax - she enjoys hard work.

Both nominees were elected on a show of hands.

Mark Cairns, CEO spoke on the letting of the International tender for dredging to a Danish company which will complete the $350m capital spend to deepen the harbour and expand the facilities. Growth is expected in the company once the larger ships are able to use the Port. As well, there is growth in kiwifruit and cruise ships, including the maiden voyage of Ovation of the Seas, utilising the Port and there is opportunity to sustainably grow the use of rail to feed into and distribute from the port with potential for 12 return trains per day.

Lost time injury frequency rate has decreased again and is a constant focus.

First Quarter results show 0% change to EBITDA and -2% to Group surplus after tax so expect Full Year earnings similar to last year.

Director's fees. A 3% increase was sought, which in the Chairman's words, is a modest approach of small movements on a regular basis and the fee structure is well below that of other similar sized companies. However it was signalled that a full benchmark analysis will be undertaken over the next year with consultation being carried out with Institutional shareholders, the Cornerstone shareholder and the NZ Shareholders Assn on behalf of retail shareholders.

The motion was put by show of hands, about 6 hands voted NO – the motion was carried.

Questions and comments covered

- An accolade that whereas road and rail was funded by Government, the Port was entirely funded by the Private sector
- Concern over the growth of container storage and the eyesore that was creating to the environment
- 1m tonnes less logs exported, is there a commensurate increase in processed timber? YES it is coming in the form of lumber cube which doesn't require methyl bromide fumigation
- Climate change assessment of risks and opportunities? Not looking at sea levels rising markedly
- Will constant dredging be required? A - Only maintenance levels.

Ian Greaves

Nuplex AGM 4th November

NZSA had met with the Chairman two weeks prior to the meeting and was impressed at Mr Springford's willingness to engage meaningfully without any hint of the defensiveness that marked these discussions in the past. We did raise the issue of imputation credits, but although performance in NZ has improved, there remains insufficient profit. The option of basing IP back in NZ with consequent royalty payments to improve the situation is also not viable because the overall costs would negate any tax offsets. Nuplex assures us that they continue to work on trying to improve this situation for NZ resident shareholders.

A disappointingly small crowd heard the Chairman outline a much improved year for the company. NPAT was up 35% to $70.8m, earnings per share up 36% and return on funds increased to 12.9%. Importantly, after a number of non-core divestments which leaves Nuplex as a pure global resin business, EBITDA from ongoing business was up 15%. The Chair commented on an improved health and safety performance and the commissioning of a new Chinese plant which will support growing Asian demand.

The board has decided to increase the dividend payout ratio to at least 60% of earnings resulting in a 29% increase from 2014 to 2015. Nuplex will also buy back up to 5% of shares on market. The company will still retain a very strong balance sheet as its current debt level is extremely low.

The Chair talked about the Russian operation at length. This is still very small but Nuplex's international customers are apparently keen for the company to expand its presence. The board is very aware of the geopolitical and economic risks and is researching this carefully before making any significant investment.

CEO Emery Severin told shareholders that a combination of volume and margin growth coupled with reduced raw material costs had driven the result in most markets. Australia and New Zealand had improved significantly, but was now a small part of the overall operation. Capacity in Asia has been increased 75% since 2011, and as well as the Chinese plant, major expansion has occurred in Vietnam, Thailand and Indonesia. This should cover sales growth in the region for the next three years.

For me, the highlight was hearing more detail about the company's new Acure™ paint system. Nuplex claims that this combines a long pot life with extremely fast drying including at low temperatures. First commercial sales will occur towards the end of 2015. If the company's hype is matched by performance, they really might have cracked the holy grail of coating technology. The impact could be to increase sales by $100-$200m by 2020 based on a 10% market share.

The CEO was cautious about the outlook saying that there had been a softer start to the year than expected and that would impact the first half. He predicted a full year operating EBITDA of $140-$155m based on growth of 10% in Asia with most other markets being steady. This compares with this year's $127m for continuing operations.

Both Barbara Gibson and David Jackson stood for re-election and both indicated this would be their last term. New director Mary Verschuer spoke extremely well. The other recent appointee up for election, John Bevan also appeared to have plenty to add to the board skill set. All resolutions were by poll and each was elected easily. NZSA voting in favour in each case. Curiously, the chair also took a show of hands at the meeting - an unnecessary step as the poll results always trump this.

The only question of note was from NZSA who asked the CEO about how the new Acure™ technology could be protected, and whether it would affect sales of other products. The response was that the company had heavily patented the process, it felt it would have a two year head start at least, and it was pushing into new markets although some impact could occur on older style product.

Nuplex appears to have finally turned the corner with some solid growth and a much more focussed strategy. A new Chair and a significant refreshment of the board seems to have brought a new performance based culture into the organisation. The good company that has been somewhere in the shadows is finally beginning to show itself!

John Hawkins

Spark AGM 6th November

The 2015 AGM was held at Spark's Victoria Street, Auckland headquarters. As well as the 150 or so shareholders present, a further 80 participated via the first "virtual" meeting to be held in New Zealand. This meant that they could not only watch and hear, but could ask questions (via keyboard) and vote in real time. It is likely that more hybrid physical/virtual meetings will be utilised in future which will be good news for investors living far from where their company AGMs are held.

Chairman Mark Verbiest confirmed that the resolution regarding an increase in the director fee pool had been withdrawn. This happened before NZSA had considered it, but given it lacked detail and clarity, we would probably not have supported it. Verbiest went on to say that Spark is no longer a telco infrastructure company, but now a broader digital services provider including services like Lightbox (TV on demand) and Morepork (home security) plus the full range of digital commercial solutions. Spark is growing again after years of decline and had strong free cashflow. The intention is to have a dividend increase next year from 20 to 22c per share (plus a 3c per share special dividend). The chairman said the first quarter trading was on target and he apologised for some poor customer service in regard to fibre connection difficulties. He told me later that 100 extra staff have been drafted into the call centre operation to improve this service.

CEO Simon Mouter spoke about the accelerating pace of change which meant constant reinvention and reinvestment. Mobile market share is growing and Spark is on track to be number one in terms of mobile revenue within a year - a position it already enjoys in data and cloud applications. The Spark brand was now very strong, the company now purely NZ based, much leaner and work was ongoing to reduce unit costs. This is needed as he pointed out that mobile data retailing for $263 just 5 years ago is now sold for $19! He spoke about the emphasis on staff training and a shift to a "net promoter" score to measure customer satisfaction, something which is increasing. Earnings after tax were up 16.1% and EBITDA up 2.8% with the critical mobile revenue up 2%. Mouter said the company aspired to be the digital leader, most valued brand and to provide shareholders with strong and rising dividends. It was a strong confident performance (without a set script) and gave every impression of someone with a clear strategy and his finger firmly on the pulse.

The resolutions attracted no real comments and were decided by poll. Each director up for re-election spoke. Spark chose to not stifle discussion by revealing the proxy position at all during the meeting. Results released later showed between 97% and 99% support on all resolutions NZSA held about 60% of all discretionary proxies cast and voted in favour of all resolutions.

In general business, additional detail was sought and provided on actual connection and customer numbers in the main business categories. One questioner was concerned about cyber security, something the Chair said was front and centre of the company's risk management strategy. He advised that as well as internal teams, Spark used outside consultants in this area and in fact provides cyber security services to a wide range of customers.

NZSA asked whether Skinny (the low cost mobile brand) was profitable and whether it actually just cannibalised higher value services. For the first time publicly, Spark said Skinny was profitable and that they were seeing some migration to more expensive plans over time, but actual numbers were not given as they were commercially sensitive.

Two online questions were answered. One related to staff engagement. The Chair pointed to the staff share purchase scheme that 25% of employees now belong to. The other queried customer advocacy (positive word of mouth promotion by customers). Simon Mouter said that was why they had changed to the net promoter score and so far it was showing encouraging trends.

The whole meeting was over in 75 minutes and shareholders then had plenty of opportunity to speak with directors and management at the well catered morning tea.

John Hawkins

Teamtalk AGM 21st October

The previous Teamtalk AGM I attended was in 2013, and it was held on level 28 of the Majestic Centre in Wellington - about 50 shareholders were there and at the close of the meeting we all enjoyed a good selection of wines, beers and canapés. The 2015 AGM was held on level 1 of The Macs Brewbar function centre, the same 50 shareholders attended (well, they looked the same to me) and afterwards we had beer and chips and a selection of wine. So things haven't been going well for Teamtalk since 2013 and the share price reflects that, down from a high of nearly $2.50 to about 70c today.

Teamtalk has three main business areas, the rural ISP Farmside, the broadband business (Citylink and Araneo), and mobile radio.

Farmside was purchased in December 2012 and has it has not lived up to expectations. Not even close. Teamtalk have overhauled the management (perhaps more than once) and invested a lot more in customer service with the objective of being the number one rural telco. However as the rural broadband initiative rolls out high margin satellite internet connections are being replaced by lower margin broadband connections and it takes about three of these to earn what one satellite connection does. Also the satellite costs are relatively fixed so at some stage this part of the business could start losing money as subscribers drop off. Reducing the fixed costs requires cash for capital investment, and there isn't a lot of cash floating around Teamtalk.

The broadband business had a reasonable year in a competitive environment, but the mobile radio underperformed and now has a new management team. Mobile radio is really in its twilight years, there is still money to be made but no real growth.

Chair Roger Sowry opened the meeting by commenting on the tough year just gone and noting that although the second half was better than the first, it still wasn't up to expectations. FY 2016 is looking like another tough year.

Dave Ware then spoke – he didn't have a written speech so what he said was being recorded for later transcription for posting on the NZX website.

Dave looked worn out as he thanked retiring director Russ Ballard for ten years of service. He explained the problems were:

- A competitive market
- Some bad luck
- Mistakes were made (expansion into Auckland and some key appointments)

He also mentioned that the government continues to meddle in telecommunications and that presented challenges and opportunities, but the uncertainty around it all made Teamtalk reluctant to invest.

Dave finished by saying there is a good management team on board and good products so all they now need to do is get out and sell.

At question time everyone was initially quiet so I started thing off asking three questions:

1. What was the bit of bad luck? A large power bill that covered several years and was unexpected – meter problem.
2. Is the dividend being paid (4c per share vs 4.74c EPS) sustainable and sensible given that there wasn't a lot of equity left in the business? Yes directors are confident they can maintain the payout ratio and the bank was happy with it.
3. When will Dave Ware be happy with Farmside? No Idea.

After that there was a veritable deluge of questions including:

a. Is the dividend going up this (FY 2016) year? No.
b. With Teamtalk trading at 0.76c it is a good dividend yield (comment not questions here). Roger Sowry replied that the shares are grossly undervalued.
c. Loyal shareholder noted that the share price will only lift if the company lifts profits and that goodwill should have been written down this year based on the profits. The board gave careful consideration to goodwill and decided no impairment was necessary.
d. Loyal but somewhat frustrated shareholder noted that Teamtalk was no longer a cash cow with EBITDA vs revenue at IPO of 43% now reduced to 13%. Dave Ware answered that there has been a compositional change as Teamtalk now sells lower margin boxes.

He also noted that the mobile radio business was more profitable than it looks as it has historically absorbed some group costs. However there was revenue erosion but still fixed costs.

Financial Statements were adopted, Reg Barrett was elected as an independent director to replace Russ Ballard, Roger Sowry was re-elected, and auditors will be remunerated again.

We got a few more questions along the way and the only time I saw Dave Ware smile was when a shareholder pointed out the atrocious gender imbalance on the board and senior management (100% male) and followed it up by saying that studies have shown having a woman on the board lifts profitability by 26% on average. Dave was up for it – he has nearly completed a PHD on corporate governance and has looked at that question – his take was that you can find research to back any position you want to take. Rather than gender, it is all about the best person for the job, and at Teamtalk the best people all happen to be males. A shareholder commented that give Reg Barrett time he could well beat the 26%. Another shareholder noted that women are key users of rural broadband and that Teamtalk are missing an opportunity by not having a woman from the farming community on the board.

Martin Dowse

Addendum

The 2015 annual report says "A focus of 2015 has been getting our 'ducks in a row' as we look to play a larger part in the telco landscape. This continues to be a work in progress but we are heartened by the results to date."

In the report there are ducks on the front page and ducks sprinkled (can you sprinkle a duck?) throughout, and on the last page there is a silhouette of Amy Adams as a duck shooter taking aim at their ducks.

Abano AGM 2nd November

The presentations made at this meeting and a video of the proceedings – broken down to easily searched chunks – are available on the company's website.

Whether it was the later start time or a lack of contentious items on the agenda, the number attending this meeting was down on recent years. This was the final meeting for retiring Managing Director, Alan Clarke, who has led Albano through its development and growth over the past 15 years. Also retiring was Director, Susan Paterson, stepping down after 10 years as part of a process of board refreshment and renewal.

Incoming CEO, Richard Keys, presented the good and bad news. Net profit was down through the loss of contributions from the divested pathology and orthotics businesses. The company reported a net loss after tax of $1.3 million. This included a $9.0 million non-cash loss and reduction in goodwill from the sale of the pathology and orthotic businesses. On the other hand, the company achieved record revenues, primarily from the dental sector that provided 70% of gross revenue. Underlying NPAT was $8.8 million - up 46% on the previous year. The net result for shareholders has been a 40cent drop in share price and a probability that dividends will not increase - at least in the short term.

Through an expanding exposure to the cooling Australian economy – particularly in Queensland, 2016 first half earnings are expected to decline up to 14%, even while the dental network grows and audiology unit improves. Dental makes up 75% of the business; 90% of the revenue is from private customers; and 60% of revenue is from off shore.

The Australian dental business, currently the second biggest dental consolidator in the country, is to be re-launched under the "Maven" brand. I was assured all steps have been taken to protect domain names for this brand. Because the Australian practices now purchased are larger, the price earning multiples in purchase prices have increased to a point where greenfield development has become a viable option. Revenue and capital expenditure currency risk is primarily managed through using cash and finance in the country concerned. Currently, there are no plans to raise further equity to fund development.

Directors Pip Dunphy and Ted van Arkel were re-elected to the Board and new director, Murray Boyte, elected. Mr. Boyte is Australian based, but was raised in Hamilton. A further director is being sought to replace Susan Paterson. My understanding is that any such appointment will likely also be Australian based.

Bruce Parkes

Veritas Investments AGM 19th November

I attended the meeting knowing that Veritas Investments was one of the worst performing companies on the NZX and that the Share Price in the past 12 months had dropped from $1.33 to 40 cents.

It should have been obvious to the Board that the AGM was going to be contentious as they had received three pages of questions from one Shareholder. Given that the Board had prior knowledge of the questions they seemed unprepared. You will need to refer to the NZX website for published statements as they had not all been loaded on to the company website at the date of publication.

There was nothing really positive for the Chairman, Tim Cook, to say to the AGM attendees (which included Sir Peter Leitch). When key figures where compared against the 2014 year: Sales Revenue had increased 320.8%; EBITDA increased 28.2% but NPAT decreased 23.4%.

The Better Bar businesses purchased in November 2014 was not performing as expected (to the extent that 3 of the worst performing bars were being divested at a loss of $500k). This is in addition to the $300k each of these three bars had been "bleeding" since they had been purchased.

The" trading turnaround" that the Board had anticipated when they acquired Nosh Food Market (September 2014) was yet to come. Although a new Nosh store had opened this business remained loss making ($1m+) and was seen by the Board as a work in progress. Rod deVries (ex Restaurant Brands) had been appointed as General Manager of Nosh Food Market.

The Board was constantly reviewing Mad Butcher and appeared to have difficulty with some of their stores and franchisees. Four stores, not yet on sold, were purchased from franchisees that choose to exit from the business. A brand new store in Invercargill (that opened two years ago) which was destined to be franchised (until the Franchisee had a change of heart) made a loss of $500k. A new concept - mini Mad Butcher - store which had recently opened in Mosgiel, was doing well.

The outcome of a dispute with joint venture partner Antares Restaurant Group (which operates the NZ Burger King Franchises) to manufacture meat patties, had ruled in favour of Antares. The Board was considering whether to appeal the decision and remained hopeful that a mutually beneficial commercial outcome would be found.

The Chairman, Tim Cook, advised that Veritas had improved its Balance Sheet over the past year. I found this difficult to understand when Current Liabilities exceeded Current Assets. The Balance Sheet also included Goodwill ($30m) and an increase in Long Term Debt ($23m) along with an increase in Equity $7m (all of which related to the recently purchased and poor performing Better Bar business.)

The Chairman acknowledged that company was very young having four investments of which two had not traded for a full financial year. He also stated that Veritas was on track to meet its profit guidance for 2016. For me (who is not a Shareholder in Veritas) the facts of the organization spoke for themselves: Veritas issued a profit downgrade earlier in the year. It has serious "churn" with Board members (6 different directors in four years) and currently has two Board vacancies. The only Directors who have been "constants" on the Board for any length of time are Tim Cook, Michael Morton and Mark Darrow (until he resigned June 2015). During the same period there have been two Financial Controllers and Veritas is currently seeking another CFO as well as a CEO. There have been major changes in shareholdings and in particular the noticeable exit of Fund Managers and Mark Darrow (the previous Chairman). To imply that media reports are the causes of their Share Price woes was symptomatic of the mismatch of what the Board "believed they were capable of achieving" versus "actual reality".

There were lots of questions.

Michael Morton came under fire for the performance of the Mad Butcher stores, related party transactions, and the fact if Veritas could not generate a profit how were franchisees expected to make one? Richard Sigley was asked questions relating to the Better Bar businesses (which he had sold to Veritas): was he confident growth was possible? (Yes), were they all profitable? (No - not all of them) was he surprised by the impact the Drink Diving changes had on the business? (Yes) and was this the reason he sold the business?

The Chairman was asked: would there be a capital raising? Answer: Extra capital would be needed only for acquisitions or to reduce debt. There were no more acquisitions in the pipeline and the Board was happy with debt levels.

Several questions centred around Kiwi Pacific Foods (the meat pattie Joint Venture) regarding materiality and contributions to overall NPAT (12% or $415k).

Other questions had a common theme: the lack of performance and the inability of the Board to manage communications and the media. One Shareholder even appeared to be more knowledgeable about the Financial Statements than the Board, and while all resolutions were passed, there were numerous abstentions from some votes.

Jenny Miller

Mighty River Power AGM 5th November

Joan Withers runs annual meetings in the interests of all shareholders. She emphasised the importance of directors and executives gaining feedback from shareholder and advocated that shareholders support NZSA, and the future directors programme.

The CEO, Fraser Whineray got the key points across on how MRP had been tracking and covered: the financial position including dividends and Shareholders' Returns; the impact and changes that technology brought to the company; what the company did for the community; changes that were occurring within the sector; renewable energy; the one off costs of having to remedy old sites; the sale (or lack of) the Chile operations; the Zero Harm policy for employees, contractors and suppliers; and MRP's ability to increase capacity if demand increased. Slides of the presentation are available on the MRP website.

For the coming financial year the company is forecasting NPAT of between $490 and $515million. One factor which could affect the results, is the lack of rain.

There were some excellent questions on how director fees were set. It does raise the question though - could there be another methodology to determine fairly Director's Fees of publicly listed companies that is more palatable and understandable to shareholders? The system of justifying comparable fees on the basis of size and complexity can be questioned, as can the claim that you need to pay top dollar to attract the right candidate. One questioner commented that no consultant's report ever recommends a reduction in fees.

Although I supported the resolution for an increase in director fees, I did say the gap between the top and the average worker needs to come down to a more realistic level.

Des Hunt and Jenny Miller

Freightways AGM 29th October

The Chair and CEO gave a good presentation on the financial results. Operating revenue was up 10.9% and NPAT by 4.3%.NPAT, excluding non-recurring items, was up 15.8%. Improved performance came through out all divisions and this trend is likely to continue. The company sees many opportunities from its core business units.

The Chair commented if you ignore non-recurring items it was an excellent year. This is acceptable if those non recurring items are truly one-off.

One of the strengths of the company is the average executive employee has been with the company for over 15 years.

The two main businesses units Express package and business mail and Information management continue to expand at a healthy rate.

Within the Information management business 60% of the revenue comes from Australia.

Freightways will continue to seek out and develop strategic growth opportunities, including acquisitions and alliances that compliment its core business. To improve efficiency and reduce cost the company has purchased some new planes.

The company has just appointed a new director Mark Rushworth who has experience in the technology sector, with a decade`s governance experience, predominantly in the high tech and innovation space.

This will strengthen the board in areas where they wish to grow.

A question from the floor asked why there were not more woman on the board and at senior management level.

The Chair replied it was not because of the company's policy but more a male dominance throughout the industry. This should change over time as more woman work in the industry. They do have many women in relatively senior positions but because many of their senior executives haven't left, opportunities have been limited.

When you look back over the last few years Freightways has proven a good track record of growth.

Des Hunt

Delegat Group AGM 1st December

Copies of presentations and overheads are posted on the NZX website.

Delegat Group won the 2014 Deloitte top 200 best growth strategy award and continues its strong focus on continuous growth. Global sales of 2,210,000 cases are up 9% on the prior year and operating NPAT of $34.4 million was up 10%. The Group continues to invest in growth. During the 2015 year $80.6 million was invested in vineyard development in New Zealand and the Barossa Valley, the extension of the Marlborough winery and the construction of their Hawkes Bay winery. The Group plans to invest a further $101.9 million in 2016 to support plans to grow sales by 43% by 2020. The Group's two brands, Oyster Bay and Barossa Valley are aimed at the premium end of the market.

Retained earnings and bank debt – now up to $202 million, fund growth. The Directors say they are comfortable with this debt level and certainly no one at the meeting was complaining. The only complaint at the meeting came from one shareholder who asked for extra shareholder discounts on the company's wines and parking assistance to attend the AGM. Other questions covered: wine awards; staff development; and whether El Nino would impact production – no, adequate irrigation systems are in place.

Rosemari Delegat and Bob Wilton were re-elected as independent Directors on a show of hands. I note that the Delegat family has a controlling stake in the company and the chairman was holding proxies for 76% of the issued shares.

At the end of formal business attendees had an opportunity to talk to the Board and management while sampling an excellent range of wines. This really is one meeting to which attendees should take public transport.

Bruce Parkes

A2 Milk Company AGM 17th November

NZSA Proxies 88,000 undirected votes.

In the weeks before the AGM a2 had enjoyed significant increases in share price ensuring a 'happy' meeting.

a2 had recently placed a large number of shares with institutional investors followed by a much smaller offer to current shareholders. The entitlement was to apply for $15,000 of shares at a price that became significantly cheaper as the a2 price rose after the offer. The shareholder entitlement has been scaled back to less than 10% of the amount applied for. The likely size of the scaling was not announced prior to the meeting! The chairman made it clear they were not interested in raising the scaling as they did not want additional cash. This I think is the third year institutional shareholders have been enormously advantaged, by an offer, compared to retail investors. A question from the floor elicited that institutional investors are favoured to provide certainty & speed of funding. The cynical part of me wonders if retail investors are tolerated to provide a price for institutions to sell at. Is it retail can take it or leave it?

Synlait is the a2' supplier. Demand for a2 milk is increasing month on month & synlait is supplying. This has been recognised as a risk, one supplier one customer, and is being addressed. Meanwhile research & registering of new patents continues.

Michael Cornell

Ebos Group AGM 27th October

NZSA Proxies: 255,986 votes

This was the last AGM of Chairman Rick Christie with the former CEO, Mark Waller, about to take over the role. The annual report was presented by Rick Christie and showed yet another successful year with turnover now exceeding $6b and EBITDA up 12% to almost $200m.

The NZSA proxy holder praised the board and management for the company's excellent performance and their success in integrating a number of acquisitions. However, he urged greater transparency on the proposed increase in directors' fee pool from $950,000 to $1.1m as no indication had been offered on how the increase would be allocated. Indeed, as only $843,000 of the pool was currently used, this represented an increase of about 30%. Nevertheless, recognising the growth and size of the company the NZSA would be voting for the resolution but asked that the board reconsider its level of disclosure when it next approaches shareholders for a fee pool increase. The Chairman said that the board would take notice of this request.

Each of the three directors seeking re-election was invited to address the shareholders. Sarah Otley and Stuart McGregor gave clear statements of their qualifications and the contributions they could make to the company. However, Peter Kraus (a director since 1990) gave the briefest and quite perfunctory statement before returning to his seat; leaving many shareholders feeling slighted and dissatisfied. Nevertheless, all three were elected on a show of hands.

Our proxy holder asked the incoming Chairman, Mark Waller, how the board would cope with just two independent directors. He indicated that under the NZSX rules he would qualify as an independent as it would have been12 months since he stepped down as CEO. He was not concerned that best practice guidelines suggested that three years should pass before independence could be claimed!

After the meeting Mark Waller was questioned about the fee pool increase and the board size. He indicated that the rise could facilitate board expansion as new acquisitions were in prospect and an additional board position would likely be required.

Robin Harrison

Skellerup Holdings AGM 28th October

There was a good turnout for this meeting despite the simplicity of the agenda. Skellerup has now expanded into a global supplier of industrial rubber componentry using chemical, pressure, and foaming techniques to strengthen rubber compounds for use in a diverse range of industries. The Agri division with net assets 0f $57m has now been overtaken by Industrial componentry with net assets of $86m supplying manufacturers in 30 countries. Much of this business is repetitive as componentry wears out or is replaced under increasing health and safety, or maintenance standards.

Chair Sir Selwyn Cushing commented on the recent lull in share price to below $1.20, as some large funds inexplicably exited, and confirmed that a number of staff and directors had taken the opportunity to buy in the regulated window. He was clearly pleased that the price on the day of the meeting had risen to $1.57 per share, still on a trailing p/e of 12.75, and a gross yield of 6.2%. He forecast a 2016 profit of at least 2% above 2015.

CEO, David Mair outlined the expansion in earnings from gumboots and milking sleeves to global componentry. The headwinds of low commodity prices in dairying, mining and gas, are compensated for by tailwinds of consumable products, (demanding regular replacement,) food safety standards, and potable water standards. The board's focus on allocation of cash and human resources into profitable areas is continuous.

Questions concerned the interruption of profit during the move to the new Wigram base in Christchurch, (covered in the forecast and phased in progressively by management,) and the decline in cashflow in the 2015 year, which was explained by shipping delays and the need to increase stock in USA. Senior staff were available to brief shareholders.

Sir Ron Carter gave an interesting summary of the large factory site being developed in Christchurch – the size of 2 rugby fields to allow for the batch production of rubber and the efficient moulding, cutting and extrusion of components. The election of Liz Coutts and new legal brain John Strowger gave them both the opportunity to present. Apart from David Mair (Managing Director,) this is a tight board of 4 (including AU Chancellor Ian Parton,) and it will sometimes be necessary to call on outside expertise as it has done with Sir Ron Carter. I did mention, outside the meeting, the need to develop a successor to Sir Selwyn Cushing, and although he was non-committal, I gained the impression that the board had this issue covered. I believe either Coutts or Parton, have the background to step up.

Alan Best

Sky Network Television AGM 21st October

This year's Sky TV moved its annual meeting to Eden Park but continued a familiar pattern of not letting attendees in to the meeting venue until the last minute. When I asked chairman, Peter Marcourt, why, he said he did not know. Someone in the management team must see it as their duty to keep shareholders on their feet – if not on their toes. It certainly saves directors and senior management from having to mix with and meet shareholders. Even stranger, there was a new My Sky box demonstration booth set up inside the venue for shareholders to check out. However, the closely guarded doors kept us away until after the meeting, when it had no show of competing with the refreshment tables for attention.

CEO, John Fellet, has previously described Sky as "an entertainment delivery company". It certainly is not a communication company and its attempts at communication with shareholders and customers is far from optimal. For this year's meeting we were spared a "goody bag" and promotional videos played at 'advertising volume levels throughout the meeting. Nevertheless, there was one complaint about the excessive noise at which an absent John Fellet's video presentation was played.

Mr Marcourt paid tribute to retiring directors Robert Bryden (retiring after 25 years) and Humphry Rolleston (retiring after 10 years). He reported a successful 2015 year with record revenues and net profit and went on to outline the steps the company was making to stay competitive in an environment of continual changing technology and customer preferences. He noted that the challenge for the company was separating disruptive from distractive issues.

He then kicked in with the rider that the cost of new services would be greater than revenue opportunities. Guidance for year 16 is for lower earnings and net profit. The market was listening. Within an hour the share price had dropped over 10%.

There were three resolutions before the meeting. The authority to fix auditor remuneration; the election of Susan Paterson as a Director; and to increase the director's fee pool by $200,000.

The first two drew no comment or questions. On the director's fees, John Hawkins spoke on the poor disclosure in the notice of meeting, noted that the fees had actually risen 50% over the past 5 years and were not dissimilar to those of other companies with comparable complexity or market capitalisation. In response, Mr Marcourt said they were about to appoint another director and then, if the necessary board skill mix is not right, look to appoint one more. My thought was that the appointment process was either inept, or he did not want to tell us more about board appointments. Probably the latter. Poll results were 284.772million for, 1.661million against with 7.992million abstaining.

As Sky's share price plummeted post meeting to a 6 year low, those institutions supporting the board fee increase may have become less sang-froid in their support for the board. Other than John Fellet, the Sky board are either not, or are minimal shareholders in the company and will not feel the pain. Sky invites us to "come with us." Unless it lifts its game, fewer investors or customers are likely to want to make the effort.

Bruce Parkes

Meridian Energy AGM 6th November

The Chairman, Chris Moller was proud the company had exceeded its forecast for both financial years since listing on all key metrics. Over the last 12 months to the 29th October 2015, Meridian provided the 20th highest return of companies included in the NZX 50 with a 20 per cent total return to shareholders.

The company is considering whether to pay special dividends without imputation credits, or to buy back shares.

It was stated the Tiwai Point Smelter uses some 12% of the total power used in the country and so it remains an issue for the board. There is strong competition in the energy sector and pricing, excellent customer service and a strong renewables brand proposition are all critical. Growth last year came from the agricultural sector, and is continuing this year as more irrigation systems get installed. Significant thermal plant closure is occurring and will require strategic thought by all market participants.

With around 90% of their NZ generation coming from their hydro power stations on the Waikato River and Manapouri, working with stakeholders on access to water is a critical activity for the company.

The Board is promoting diversity of thought, gender, age, experience and skills to effectively meet the Company's objectives and decision making for Meridian by adopting formalised skills matrix.

The CEO covered how the company was addressing technology changes in their industry and he felt that they had a good handle on what was required to stay ahead of competition. The accident record was trending down.

Finally it was forecast smart metering will be in most homes by 2020 which will help consumers manage their electricity use more efficiently.

Des Hunt

PGG Wrightson AGM 28th October

NZSA Proxy votes 3,365,900.

Chairman Alan Lai opened the meeting but left CEO, Mark Dewdney, to make the presentation of the company report while Deputy Chairman, Trevor Burt, chaired the rest of the meeting.

Mark reported a successful year in some challenging conditions with group EBITDA of $69.5m up 18%. Three acquisitions had been made; one in NZ, one in Australia and another in South America. There had been a major upgrade to IT software, the webpage had been redesigned and Tablets provided to many staff to improve their efficiency in the field. Several other areas of progress were emphasised in particular the completion of the regional leadership program, updating retail stores and the development of the water irrigation business in which they saw considerable potential. Part of their management plan included recognising and acting on "Game Changers" which involved judging when and how to introduce new technology and strategy.

Gains had been made even as financial conditions deteriorated – notably in the dairying sector. Although he noted that exposure to dairying represented only about 25% of revenue and they had gained from their product and geographic diversification. Notably beef and seeds had improved. The announcement on their first quarter's performance issued that day gave an expectation of a slight drop in EBITDA for the year in the range $61m to $67m.

A number of questions came from shareholders, mostly from NZSA director and proxy holder Max Smith:-

- The margins appeared to be small; can they be improved? PGW operates largely as an intermediary so margins are important, they rely on their expertise for better margins and margins had improved last year. He noted that PGW was the largest supplier of seeds in the southern hemisphere and these yielded good margins. Overall they saw more sales in higher margin products.
- PGW is pursuing opportunities in South America and what about China? In Uruguay current operation exceed $100m and they are building on local expertise. In China there were some imports plus the exports of wool and cattle. Seed trials were continuing in various regions to identify the most successful cultures. Agria has been helpful with these developments. All these new markets take time. The core business will remain in NZ.
- There had been a significant increase in inventories in Uruguay. Is this a good move? Growth in sales has required an increase in inventories to facilitate more growth.
- The ear tag case is before the Commerce Commission. Did the board know of this before the Commission went public? Implementation of "tagging in the yard" was an operational matter but a fuller statement cannot be made while it is before the Commission. A statement would be made when the case was resolved.
- Dairying has a big impact on PGW so what is their expectation on the level of $/kg? The current price of $5 of Fonterra seems sensible. However, milk supply was down while demand in China is improving, so some trending of price upwards towards $6 seems likely.
- How is PGW progressing in Argentina and other South American countries? Uruguay is the safest environment. Argentina can be challenging but is good for seed growing and is part of South America mix of activities. Brazil and Paraguay have some potential.
- • How do you expect to hold good staff so they are not lost to your competitors? Staff turnover has been low and we ensure we provide a great environment to work in. There has also been an inward migration from competitors which suggests that our policy towards our staff is on the right track.
- In your report you emphasised EBITDA but why not NPAT? Both are reported in the accounts. The EBITDA better reflects business operations and is a better guide whereas NPAT is picking up tax volatility and extraordinary one-offs.
- There are predictions of a major drought. What does this mean for PGW? The weather is always an issue. In some circumstances it can result in increased

trade with affected regions but if a draught was nationwide it would have more serious implications. If it happens PGW will respond. However, when a drought breaks it can result in positive sales of seeds for replanting. It's hard to predict.

- What are the implications of the termination of the supply agreement with Silver Fern Farms? The agreement was too inflexible and imposed penalties on PGW for missing target obligations. So they negotiated an early termination of the agreement. However, they are still working closely with SFF.
- Can you comment on the company's gender diversity policy?

It was acknowledged that there was a noticeable lack of women in the senior management of the company and that this was something they were aware of. The point was duly noted.

The general conclusion that can be drawn from this meeting was that management were very much aware of the market they were in and the influencing factors that directly affected them. It was also clear they were not being distracted by non-core activities and that so far the dedication to their pre-set ideals and strategies was proving successful.

The NZSA proxy holder, Max Smith cast all votes in favour of the resolutions all of which were passed.

Robin Harrison and Max Smith

Tourism Holdings AGM 23rd November

The Chairman Rob Campbell opened the meeting and summarised the previous financial year results and future forecast;

- Revenues up 4% to $237M
- NPAT up 81% to $20.1M
- Good prospects both local and international
- Leader in self drive rental motor homes
- Looking at potential acquisitions subject to satisfactory returns.
- Have completed strategic review of capital structure.
- Forecast investment for 2016 around $2M
- Positive macro economics for tourism.
- Dividend policy will be in the range of 75% to 90% and has been confirmed by capital structure review.
- Looking for future value growth
- Forecast NPAT 2016 $22M up 10%

The CEO Grant Webster then expanded on the results and the plans and outlook for the future;

- The 2015 result was the largest profit in THL history
- Australian business has improved but still needs further work to maximise returns
- Fleet utilisation as improved in all markets
- New Zealand comprises 50% of total business but international business will grow in the future so will be the largest sector.
- Smart technology now being rolled out including apps to allow customers more information and make it easier for them to plan their journey.
- Using tablets in vehicles that show speed harsh braking high bridges and places not suitable for vehicle.
- New initative Mighway allows private owners of motor homes in New Zealand to rent their vehicle to THL customers using 'shared economy" model
- Waitomo has had a major revamp and more facilities added over the past year.
- Chinese market penetration is growing and this will continue as the middle classes grow.

There were no questions so the Chairman moved to the business of the meeting. Voting was by way of a poll.

Grainne Trout, Rob Campbell and David Neidhart were elected or re elected as Directors each by significant majorities. The proposed increase in the Directors fee pool was approved by a significant majority, as was the proposal for the Directors to set the Auditors remuneration.

Grant Diggle

The Warehouse Group AGM 20th November

It was good to see the Chairman Ted van Arkel, Mark Powell and Sir Stephen Tindall arriving early to greet the shareholders. The Chairman reported a strong rebound in the second half year, which resulted in a significant increase in profit growth. NPAT of $50.9 million was impacted by an $11.3 million write – down in goodwill in the Torpedo 7 Group. Total dividend for the year was $0.16 cents per share, representing 93.7% of Retail Group Adjusted Net Profit After Tax. In future the policy is to pay out between 75 and 85% NPAT. FY16 earnings will be significantly influenced by Christmas trading performance, and expected losses associated with the launch of the new financial services business. However the company is expecting to achieve a NPAT in line with last year.

The group has entered a period of consolidation, where it is focussing on driving performance across all of the businesses in the portfolio. Noel Leeming faced strong competition but it is growing market share. The Stationary group continues to grow and has had over 20 quarters of continuous growth.

The Group Strategy is to build a Sustainable profit and a Sustainable society.

The CEO, Mark Powell set out the Group Strengths and Core Competencies.

- NZ Scale
- Understanding of NZ customer, market and channels.
- Sourcing, logistics and retail expertise.
- Their people and a best practice of way of working and culture.
- Digital and online capability.

The Warehouse Group`s Strategic Priorities was as follows.

- Keep the “Red Core” Strong.
- Grow Non Red to be the large as “Red”
- Be the leading multichannel and digital retailer in NZ.
- Source better products at better prices.
- Be a leading NZ financial services company.
- Leverage group competencies and scale.

What the group now has to concentrate on is turning this into a better performance.

It was a very professional presentation so the coming year should show if what was presented today produces extra sales and NPAT.

Des Hunt

NZ Windfarms AGM 24th November

NZSA Proxies held 40,357,519

Copies of Chairman, Derek Walker, and CEO, Chris Sadler’s presentations are available on the NZX and Windfarms websites. The meeting was not digitally recorded.

NZ Windfarms has been in existence as a public company for 10 years and has not paid a dividend in that time. The share price has fluctuated around the 5 to 6 cent level until recent times when a buying spree by opportunist investors lifted it to 11 cents. The company has been continually beset with technical problems with its innovative technology; a less than ideal site; and noise and environmental issues with neighbours and the Palmerston North Council. The company is small, standalone and a price taker in a soft market. Further, it has no capital reserves and is not in a position to raise capital for future development.

Shareholders, many of whom seem to have bought in with green optimism at the time of the float, have been voicing their disappointment for a number of years. This year, with the chairman and Board members holding proxies for only 37% of the share capital there was a sense, pre-meeting, that change could be on the way. Prior to the meeting, sitting directors Michael Stiassny and Vicki Buck, up for re-election, announced that they were retiring from the Board.

Shareholders Heiko Mueller-Cajar, an electrical engineer, and Sam Viskovic, who described his professional expertise as the maintenance, inspection and fault investigation of power stations, threw their hats into the ring for a seat on the board. There was also a resolution before the meeting to direct the board to prioritise the identification of ongoing savings to enable the payment of a maiden dividend in 2016.

In his address, Mr. Walker said that Windflow Technology, had reached an agreement in principle to provide Windfarm with $1 million in cash and convertible notes that could be used to take a 9.9% shareholding in Windflow, as well as "access to the necessary licence and know-how to ensure we can independently operate, maintain and improve our future fleet." Also, the company won an Environment Court action brought by Palmerston North City Council, which claimed the turbines were exceeding noise limits under the Windfarm's resource consents. He was disappointed in the failure of the PNCC to respond to Windfarms' wish to engage in dialogue, instead being intent on a court process. There is a likelihood of further reviews under Section 128 of the Resource Management Act.

He said there had been "a very preliminary expression of interest" in purchasing the company, but this had evaporated when the share price began rising. Considerable work continued to try to improve output from the Windflow machines, which have not performed to specification. Repairs to bearings, gearboxes, generators and other equipment cost $1.4 million for the year. Part of the issue may be the location of some turbines and investigations are under way to re-site some of them. The company was still capital-constrained and while no further asset impairments were considered necessary, the company considered it prudent to hold available cash on the balance sheet for working capital.

He noted that to support a one cent per share dividend, the company would need to be producing $2.9 million profit a year, compared with losses of $159,000 and $1.2 million in the 2015 and 2014 financial years respectively.

Mr. Mueller-Cajar and Mr. Viskovic addressed the meeting. Both are passionate and have technical skills. Neither voiced a vision for changing the company around other than improving equipment reliability and output. When I asked, they both claimed to understand the governance role of a director and had the necessary skills to complement the Board. I was not convinced and in private discussion I gained no evidence to change my opinion.

Voting on all resolutions was by poll. Just over 200 million (70%) of shares were voted. Authority to fix the auditor's fees was passed with 99.95% in favour. Sixty four percent were in favour of the non binding resolution for the Board to pay a maiden dividend. Only 10% were in favour of Mr. Mueller-Cajar's candidature and 23% in favour of Mr.Viskovic. I voted undirected proxies against the two candidates and against the payment of a dividend.

While the board could operate with three members, the company will be set back with the loss of Mr. Stiassny. I expect they will look to replace him. They are unlikely to find a candidate of the same calibre.

Bruce Parkes

SLI Systems AGM 18th October

You could tell it was a tech company as none of the directors was wearing a tie! SLI Systems has been in existence for 14 years and listed just over two years ago. Its software development team is based in Christchurch although the majority of its workforce (sales promotion) are overseas. It is a Software as a Service (SaaS) provider, providing software to companies to improve their on-line retail and commerce websites. Although its shares had peaked at $2.80 in early 2014 they now traded at about 80 cents and the company has yet to breakeven. The annual accounts show a loss of $7.1m on revenue of $28m. The company is pursuing a strategy for high growth, achieving 16% annual growth on a constant currency basis; although the decline in the NZ $ had raised this to 27%.

The Chairman, Greg Cross, started by introducing the new CEO, Chris Brennan, who had only started the role one week earlier. The previous CEO and founder, Shaun Ryan, was in attendance and has now taken the role of Chief Innovations Officer. It was Shaun who gave a presentation of the company's recent performance.

The following questions were posed from shareholders:-

- Is there any update on the accounts since the June 15? Not yet but when available will be notified in the usual way.
- What is covered by the "Growth Costs of $20m"? These are commissions,

sales and marketing costs which can be easily turned on and off.

- What are the plans for Oracle, the No 1 player in this field? We are keeping a close eye on them. However, Oracle is very expensive and their product is inferior. Unlike Oracle, SLI is already a SaaS provider and is in a better position to respond to clients needs.
- SLI derived 97% of its revenue from overseas and has gained from recent NZ$ declines. What if the NZ$ moves back up? SLI does not currently hold foreign exchange hedging provisions.
- The customer retention rate has slipped to 78% from the previous year. What steps are taken when customers move away? This usually occurs when a customer changes its e-commerce platform and they take time to evaluate their returns. So SLI keeps in touch with them as they settle into their new platform with a view to bringing them back.
- The NZSA proxy holder asked the CFO, Rod Garrett, about their cash flow position. The accounts show reserves of just $5.5m but the net cash outflow in the previous two years had been $4.0m and $5.8 respectively. So how would they cope? The "Growth Costs" are very controllable and there had already been some economies include the release of less effective members of the sales force! Net cash outflow in the second half was down to $1.8

There were three resolutions and the NZSA discretionary votes were cast in their favour. All were passed.

Robin Harrison

NZ Oil and Gas AGM 29th October

There were 80 to 100 people at the New Zealand Oil & Gas (NZOG) AGM.

NZOG increased its revenue by 12% on FY14 but made a loss of $6.2m compared to a profit of $10.1m in FY14. Cash flow from operations also dropped to $59.3m from $88m in FY14. EBITDA was steady. NZOG is in a strong cash position and will continue to return surplus capital to shareholders as it did this year.

The headline messages from the Chairman, Peter Griffiths and CEO, Andrew Knight were of a challenging year triggered by the enduring downturn in oil prices at around $US50 a barrel. Price volatility was the No 1 worry. Global demand rose about 2% and the general prediction is that oil prices will rise but no-one is predicting why or when.

To adapt to the ongoing lower price market, NZOG adopted a 'lower for longer' strategy focusing on three objectives:

1. Improving the performance of the existing asset base, e.g. upgraded estimates for Kupe field
2. Investing in larger exploration opportunities in particular the Barque off the Canterbury Coast and Indonesia, getting out of smaller exploration opportunities
3. Buying undervalued assets that NZOG can add value to, e.g. purchase of 48% of Cue Energy

The size of Kupe field was tested by Origin Energy, NZOG's JV partner. NZOG reported an increase of 35% in reserves which will generate more sales to Genesis Energy without the need for additional capital investment, meaning that capital can be used elsewhere. The size of the Barque opportunity is estimated to be 530m barrels of oil, twice the size of the Maui field. The site is in 800m of water 30km off the Oamaru coast. The technical work done by NZOG has been well received internationally by drilling companies. The Barque opportunity must be taken up by April 2016. If Barque becomes a reality, it will be big for NZOG, Canterbury and New Zealand.

Two directors had put themselves forward for re-election as they were due to retire by rotation. The directors were Roger Findlay and Mark Tume. The CEO had also stood down as a director during the year following a governance review, where it was decided that the position of chief executive should not be that of managing director.

There were three resolutions, one for the auditor's remuneration and two for re-election of directors, the vote was by poll.

There were a lot of questions from the floor covering:

- NZOG's position on clean energy (gas over oil)

Andrew Knight responded that both oil and gas demand is growing internationally;

Barque is a gas condensate field similar to Kupe and will be mostly exported; gas is a less prominent energy product in New Zealand because of the plentiful supply of electricity generation but that is not the same internationally; LNG is a growing product for trucking and marine transport and NZOG is following this trend with interest

- Internationally will fracking change the long-term direction of oil exploration?

It's not obvious yet if fracking is a technology disrupter. However, there are large shale fields in China and Indonesia and in the long term NZOG has good opportunities in Indonesia; the infrastructure to support fracking will take time to develop; New Zealand has 16 basins that have hardly been touched

- NZSA question regarding potential revenue upside from Refining NZ being able to refine NZOG product once the Te Mahi Hou expansion is complete.

NZOG's decision to use NZ Refining or not is an economic one not a technical one; currently NZOG generates more revenue from exporting than refining and selling domestically

- NZSA question about the timing of future dividend payments

When NZOG is comfortably profitable again!

The chairman noted that the loss was a mix of write down of the Tui and Patiki wells bringing forward the dates of abandonment and current modelling assumptions of future revenue because of the lower oil prices

This sparked a long Q&A session about the fall in reported cash flow this financial year because of the assumptions on which the future oil revenue has been calculated, with the inference that NZOG was engaged in creative accounting. I felt that the chairman did a good job responding to this explaining the CAANZ and IFRS accounting rules relating to oil revenue projections. Roger Findlay in his address to shareholders also commented on this question advising shareholders that the cash flow statement is more relevant sometimes than the P&L statement

- Directors' fees

An increase is not requested; NZOG is operating on the 2008 base of fees; noting that there is now one less director with the CEO role change

- Wind up NZOG?

Not recommended by the Board. The share price does not reflect the underlying value of the company, compared to other small or mid cap oil companies, NZOG share price is less unfavourable, however all oil companies are out of favour internationally

- Potential of gas

Genesis is NZOG's largest customer and is treated as a partner; NZOG hopes to strengthen this relationship, noting that electricity companies are having to reinvent themselves.

Christine Pullar

Cavalier Corporation AGM 24th November

After the 2014 meeting which demanded change, and an annual report which showed impairment and restructuring costs of almost $27m, shareholders gathered to see what was preserved of this well-established carpet maker. The knock-down sale of Onterra Tiles to Milliken in September 2015, and the sale of the Sydney warehouse and offices realised $16m to pay down debt, but they resulted in a reduction of shareholders equity from $92m to $66m, and even normalised profit after tax was low at just over $1m. After the retirement of Alan James as Chair and Colin McKenzie as CEO, new CEO Paul Alston delivered a subdued address explaining that the New Zealand carpet market had moved from being about 70% wool only a few years ago to about 20% wool today. He confirmed that every 1% move in the NZ$ exchange rate resulted in $600k movement in net profit. Current wool prices at $5.50kg are still high by comparison with the $3.50kg in Cavaliers best years. Asset sales have resulted in a reduction of bank debt to only $35m, which does give Cavalier the abilty to invest in synthetic yarns and tile ranges. Paul confirmed that the management structure had been flattened, and that the business was more flexible to meet changing demand. New Chair Sarah Haydon said that DeLoittes had confirmed the strategic direction adopted by the board, and that research had confirmed the strength of the Cavalier brand. She forecast an improvement in Net Profit to $3-5m.

There were plenty of questions after the reports.

- Q.Is there a need for a capital raising at these depressed prices? A. No.
- Q. Can the decline in Gross margin to 22% be reversed? A. Synthetics do not afford the same margin as wool, but initiatives on overheads, and handling efficiencies are bearing fruit.
- Q. Please explain the sudden decision to sell Onterra. A. The board assessed the options invest or close or sell and decided that sale was the best option.
- Q. Cavalier Wool Holdings Scouring has received its 5th approval from the commerce Commission. When can the rationalisation be implemented? A. We expect yet another appeal from our competitor (Godfrey Hirst,) but we hope to have the way clear by mid 2015.
- Q. Why was the large settlement made to the retiring CEO, when his results were so poor. A. The board was bound by contract, and needed to provide consideration in restraint of trade.
- Q. Why the large gap between NTA at 93c/share and market price of 40c/share. A.They are completely different values and subject to different influences.
- Q. How much longer do the two long-standing directors Messrs Biel and Hawkins (17 years,) aim to continue? A. Both are needed as Cavalier transitions to a new board, but both will retire at the end of their current terms.

All resolutions were decided by poll and the chair revealed the proxies after discussion had been heard. Grant Biel (one of the founders of Cavalier,) and the 3 new directors Steve Bootten, Dianne McAteer, and John Rae impressed shareholders with their presentations. Your proxy holder congratulated the chair and board for their fresh approach, and shareholders appeared to be more hopeful of the restructured enterprise than they had been over the previous 3 meetings.

Alan Best

Steel and Tube AGM 12th November

Around 100 shareholders and employees attended the 62nd Steel and Tube AGM.

It has been a pretty good year for S&T. Sales, NPAT, EPS, dividend, and free cash flow all increased over the previous year. The internal investment programme rolls on, with three new facilities opened, and MSL Fastenings and Aquaduct NZ were purchased. Debt is up a bit (to fund the acquisitions) but nothing to worry about.

Both Chair Sir John Anderson and CEO Dave Taylor were pleased with progress but noted that the steel prices were at 13 year lows due to surplus capacity in China flooding the market with cheap steel. There hasn’t been a corresponding increase in steel sales so while the S&T margin is maintained in percent terms, in dollar terms it is a lot less.

The outlook is mixed with steel prices volatile, reducing demand for stainless steel (as the dairy sector slows), and construction activity good but with slim margins in a competitive environment. First half of FY 2016 is likely to be down on the comparable 2015 period but I got the impression that full year results could be similar to 2015 with new acquisitions making up for a decline in the existing business.

Resolutions were passed by Aye/Nay and there was only one question of note – a shareholder pointed out that since they had owned S&T shares for about 10 years there had only been 2% compounded capital growth in the share price, was this a sunset industry? Sir John answered that S&T prices and margins were down, and the challenge for management and the board was to produce quality earnings. Good acquisitions would increase the share price. Dividends would be maintained and over time capital value would increase.The meeting was over in 30 minutes, and we then watched promotional videos showcasing the new facilities.

Overall – a good company with a strong board and management team performing well in a difficult environment. As of today the shares trade at $2.30 - that is a PE of 9.5 and a dividend yield of over 8%. A few weeks prior to the AGM they were trading at $2.75.

Martin Dowse

Trade Me AGM 14th October

The fourth AGM as a listed company was a little more subdued this year, with fewer people present and absent previous years stunning displays of Kiwiana, and instead of last year's blue T shirt you could get a copy of the annual report. There was none of the outward excitement of the sixteenth birthday party it is for the company.

As I write this the next morning the share price is $3.70, having been between $4.06 and $3.00 in the last twelve months, but not wildly different from where it was 12 months ago, sitting on a Price Earnings ratio of 18 times.

The story last year was lots of spending on infrastructure for not much if any additional revenue. This year the news was better with revenue growth at 11%. This wasn't reflected in earnings during the period and the reasons given seem credible. The Chair David Kirk declined to give an earnings forecast but was prepared to give directional guidance that it would be a better year next year.

It has been a busy year for Trade Me. In its core offering the infrastructure work to position the company on mobile is complete, and they are making use of the data they have to deliver a personalised home page and more specific advertising and better search results. All this appears to have sparked a big 16% lift in sales in the last quarter of the year which has continued in the first quarter of this year.

It has also been a year of acquisitions and product launches. Added to the stable are stakes in Harmony, the online Peer to Peer lender, and a payments gateway, Paystation. Insurance was added and it offers a full online experience, from proposal, to contract to claims, all online.

Existing "Other" businesses appear to be doing well with revenue increases of 24% in Motors, 14% in jobs, 5% in property, and 83% in Life Direct, admittedly off a low base.

The lack of conversion of the additional sales to profits seems to be a timing thing, with launches and upswings in sales late in the year. When the internal efforts are added to acquisitions total expenses were up 25%, with a full half of that due to acquisitions. Headcount increased by 105.

CEO Jon Macdonald seemed quite pleased with the sales upturn, and noted there were three big streams of work going on:

- Improving functionality and design
- Bringing on new sellers, especially of new goods.
- Putting this new proposition to NZ'ers to drive demand.

The recipe for value was given as Consumer facing good usability, and back end automation.

The formal motions were few and uncontentious, and this is always a credit to the company, the Board, and the Chair. The Auditors were re-elected, and Directors Gail Hambly and Paul McCarney retired by rotation and were re-elected.

There were a handful of questions. Joanne Perry fielded the question of what other work did the Auditors do, and confirmed there was a strict policy around auditors doing other work. There had been one item this year of less than $10,000 which the Audit and Risk Committee had approved ahead of the work being done. The question of aiding Super 14 hawkers with tickets sales was raised, and Jon Macdonald fielded that well, starting with "you may not like this but here is our thinking". It turns out the Trade Me share of ticket sales is minimal, and there are avenues for the promoters to sideline hawkers that they choose not to take, it is a willing seller – willing buyer situation and on balance Trade Me allow the listings. It was during questioning that the Chair gave the directional guidance on next year's earnings in preference to an actual number.

I think I got the last question in, wondering if Trade Me was the new old-media as reflected in its pricing for classifieds and the 67% Ebitda to sales ratio, and what risks other sales platforms like Facebook pose to the model. The answer to that was that Trade Me have a healthy paranoia about this but are confident in their strength and path.

On a side note I was bailed up after the meeting by a distressed investor who believed they hadn't been able to join the shareholders association because they didn't have a computer. Always in problem solving mode I asked if they had a computer now, so I might tailor a solution. I'm sorry you took that as a further rebuff, but pleased you didn't pour your beer over me as you suggested you should. If you would still like to join we meet every second Tuesday of the month at the Royal Society rooms in Murphy Street. Contact me and we can sort out the exception dates like our movie night and work out how to keep in touch.

Matthew Underwood

Airwork Holdings AGM 11th November

Airwork's second AGM – the first for a full year – seemed more like a family gathering with the 'top table' engaging in banter on a first name basis with many attendees. Fifteen minutes before the scheduled start time the venue was full and walls had to be pushed out to make standing room for those arriving 'just in time'.

Presentations by Chairman, Mike Daniel and CEO, Chris Hart, are posted on the NZX and the company's websites. The few presentation slides are not posted but attendees at the Auckland Branch November meeting got them as part of Chris Hart's presentation. The meeting was not digitally recorded.

Both presenters shared the good news of a solid yield and a share price surge since listing. Despite some current and on-going challenges, continued growth is forecast for the year ahead. Profit is expected to climb 30% to at least $20 million in the year to June 30, 2016, from $15.5 million profit on revenue of $144.9 million in 2015; although Mr. Daniel warns the rapid growth will probably not continue at this pace. "I certainly won't be promising to maintain this level of growth – I'd be silly to say we could – but then we might surprise you."

Last year the company's fixed wing business struggled in the Australian economic slowdown – although earnings from helicopter engineering and leasing made up for this. Management has since been working to improve fixed-wing margins.

The company now has a fleet of 18 737 aircraft – mostly 400 series – some still being converted into freighters. Three of the newly converted aircraft, together with one from the pre-existing fleet, were delivered for lease to freight operators in Europe, while six will be used for freight operations in New Zealand and Australia. The rest are due to go in to service through the remainder of this financial year.

The company is expanding its engineering facility in Ardmore to keep up with demand.

There were two resolutions before the meeting. The authorization to set auditor's fees and the re-election of Mr. Daniel. Both passed on a show of hands without dissent.

In response to questions from the floor, the company is confident it will prevail in its High Court dispute with Helicopter Lines but will not recognize that revenue until the decision is announced (hopefully this year); and there is a world wide demand for narrow body aircraft (737) because they are more versatile and can service a wider range of destinations.

After just 25 minutes, the meeting was over. Attendees obviously pleased with what they heard. So was the market, with the share price rising by 30c in the two days post meeting.

Bruce Parkes

Caught on the Net

2015: Year of many quirks and valuable lessons

While this is an Australian viewpoint, it covers many companies we commonly invest in. The key lessons also apply in NZ **More**

Drowning in Adjusted EBITDA

These days it seems every second company wants to offer adjusted EBITDA to "better reflect their results". Financial blog, Footnoted, claims this is a growing trend in all markets and questions why we continue to swallow this approach. **More**

Ethical investment can be surprisingly unethical

In a Financial Times opinion piece, John Plender looks at ethical funds that a responsible pension plan might invest in. Finding funds with both robust returns and ethical portfolios proved difficult. **More**

The payoff of Pay-for-Success

Pay-for-success contracts, also known as social impact bonds, are being touted by our government as a clever way to fill the funding gap plaguing social programs. The U.S. experience is that they can work, but just not in the way many proponents think. **More**

Lure retirees out of homes to save retirement system, Australian government told

Here is a thought that will quickly cross the Tasman. Incentivise retirees to downsize their homes to free up equity for retirement spending (and at the same time free up housing) **More**

"Non cash" is cash

Romano Sala Tenna, on a Livewire blog, had his focus on Santos, but his comments apply to all companies. When management announce sizeable write-downs or impairments and it is okay because it is "non-cash", that is only because they have already blown the cash - it just didn't happen in this financial period. **More**

Thirteen women who transformed the world of economics

As part of the drive for gender parity in economics, Mike Bird, in the World Economic Forum, lists 13 of the women who have had the biggest impact on the subject and practice of economic policy, whether in academia, business, politics or education. **More**

Getting up to speed on high-frequency trading

The debate on high frequency trading isn't always easy to understand if you do not have a handle on HFT terminology. The Alert Investor helps out with a glossary of the key terms. **More**

Vanguard's gain is Wall Street's pain as billions leave the financial industry.

Bloomberg Business discusses how passive investing, popularised by Vanguard, has removed a large chunk of Wall Street's revenue from management fees. Their figures are in the billions of dollars. **More**

How would you invest $! million today?

In a Livewire video interview, Investment commentator, Shane Oliver, opines on how he would invest $1 million today. **More**

Finland plans to give every citizen a basic income of 800 Euros a month

Sounds good - except it would replace all other benefits and will only apply to adult citizens. Those who really need help are likely to be disadvantaged. **More**

Bankers v mattresses

Although the Australasian Central banks have a little way to go, globally, central banks are testing the limits on how low interest rates can go. The Economist discusses the success the European Central Bank has had in following the lead of other central banks by reducing its benchmark interest rate to -0.1%. That's right. They are charging commercial banks for looking after their money. This makes putting your cash under the mattress an attractive option. **More**

Age discrimination in the job market may hurt women more

The research is from the U.S. but the anecdotal evidence suggests it is applicable here. The deck is stacked against older workers who find themselves unemployed and this pervasive age discrimination is more acute for older unemployed women. **More**

The growing value of social skills in the labour market.

Irving Wladawsky-Berger, in a Peria article, reviews the research on the impact of automation in the workplace and those occupations most at risk. Those with routine tasks, whether white or blue collar, are most at risk. Those jobs hardest to automate are those requiring social skills. **More**

How professional services can disrupt its way out of automation

Disruption "guru" Clayton Christensen, put it this way, "if you are currently on the leadership team of a consultancy and you are sanguine about disruption, ask yourself: is my firm changing (at least) as rapidly as your most demanding clients?" This Wharton Business paper asks, "how do we in professional services best disrupt ourselves?" **More**

What you need to know about Bond Spreads

Bond yields and spreads are a bit of a counter-intuitive mystery to the uninitiated. The Alert Investor provides a clear overview of the subject. **More**

Five Black Swans for 2016

Drawing on a Society Generale paper, Macrobusiness offers a view on both downside and upside risks in 2016. **More**

What is the natural rate of interest?

"The natural rate of interest, also called the long-run equilibrium interest rate of neutral real rate, is the rate that would keep the economy operating at full employment and stable inflation." Conceptually attractive, but is it possible? Peter Olsen and David Wessel, writing on Marginal Revolution, have their doubts. **More**

Paternalism and the pitfalls of behavioral economics

In a Foreign Affairs review essay, Phillip Swagel offers his thoughts on Richard Thaler's latest book *Misbehaving - The making of behavioral economics.* He found the book absorbing and accessible but worries that there may be adverse policy implications if the behavioral approach becomes more prevalent. I bought the book as an early Christmas present to myself and found it a great read. **More**

Why has world trade been so weak in recent years?

Katie Stratford, in a Bank Underground blog, looks at why world trade, which used to grow at around twice the rate as world GDP, has, since 2012, simply matched GDP. Her conclusion is that for the next few years world trade growth will remain weaker than before the 2008 crisis. **More**

Is starting a new market like opening a night club?

Another Bank Underground post. This time from Arzu Uluc - and one that troubled me. He is discussing the prospects for a "property derivatives market." He defines them as:

a financial instrument whose value is derived from the value of an underlying property price index. Property derivatives can be categorized into four main types: futures/forwards, options, swaps and structured notes. He notes that they have been around since at least 1991 but did not take off until 2005 - 2008 when regulatory and taxation obstacles were removed. And we all know what happened next. He wants them to grow. Don't Bank of England "financial whizz kids" ever learn? **More**

Bruce Parkes

Branch Reports

We recognise that branch reports in our newsletter do not adequately represent the expertise and preparation of those presenting to us. 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.

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Auckland

Glenbrook Steel Mill Tour

November 10th a party of 25 of our members visited the Glenbrook steel mill, the only iron sands mill in the world. Note this visit was a plant tour only, there would be no meeting with their senior executives as Bluescope is based in Australia. However, that did not dampen the enthusiasm for the visit.

The tour guides however gave us a very interesting presentation before the tour on their steel mill operation:

It produces 650,000t/year of high quality steel. In the process of doing this, the plant consumes – 24,000t/week of iron sand plus - 15,000 of coal - 1,000t of lime (sourced from Otorohanga) - 200,000 cubic metres of water (99% of which is recycled) - 155t of oxygen - 4t of Argon - 1000 cubic metres of hydrogen

All of the above gases are produced on site with sufficient surplus manufactured to enable commercial sales to be made to other industrial users.

Glenbrook is also a very large consumer of natural gas and electricity but manages to generate 60% of its own electricity using flue gas recovered from the kilns to drive turbines.

The iron sands are mined near the mouth of the Waikato River. There the iron content of the sand is concentrated to 59% by separating out the iron containing particles by magnets and a centrifugal washing process. This concentrate is then pumped as a slurry through an 18km pipeline to the mill.

Because of the unique composition of NZ iron sands, one of the slag products produced during the steel manufacturing process contains vanadium, a high value metal. This particular slag is shipped overseas for extraction of the vanadium.

An interesting aside also to do with the composition of our iron sands is Glenbrook steel is unique in containing a minute amount of cobalt which makes products manufactured from Glenbrook steel easy to identify the source of the raw material steel.

Glenbrook employs 1,000 staff and during their maintenance shut down period this number increases to 1500 so Glenbrook is a major employer.

Upcoming Auckland Branch Meetings

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

Dates for 2016:

Wednesday 17th February Ricky Ward, NZ Equities Manager, J B Were

Wednesday 13th April Paul Shingles COO, and Shane Grey CFO, Pushpay Holdings.

Wednesday 15th June – speakers to be advised

Wednesday 14th September – Brian Gaynor, Milford Asset Management

Wednesday 16th November – speakers to be advised

Please diary these dates, and look for details of the programme on the branch section of the NZSA website

Company Visits

These are organised by Fiona Gray – grayfion@gmail.com, and will commence in March 2016, subject to confirmation

The plant covers 160ha and is located on the edge of a basalt lava flow which provides very good foundation base for a heavy industrial process such as steel making. The plant was commissioned in 1970.

This was an extremely interesting tour broken part way through to enable everyone to take the opportunity to enjoy an excellent lunch produced in their company canteen.

Glenbrook Steel Mill is a wonderful local industry employing many people, producing a vital product for NZ industry. We all wish it the best of success for the future.

Stuart Gray

Fisher and Paykel Healthcare Company Visit

The dairy industry and Fonterra have dominated the economic debate in New Zealand for a long time now. But what if – as a director at the Fisher and Paykel Healthcare AGM mused – we had ten companies the equivalent of Fisher and Paykel Healthcare? Their contribution to the economy could equal or even surpass that of the dairy industry. And companies such as FPH have the capacity to employ literally thousands of highly paid graduates as part of a skilled workforce, plus they are focused on innovation and the development of cutting edge technology. This gives us something to think about.

We took another couple, friends of ours, on the visit to FPH. It was their first time to the FPH campus on the Highbrook Business Park, and they couldn't believe the size of it. The campus covers 40 hectares and includes multiple buildings and beautiful landscaping that attracts local wildlife such as pukekos. This setting is a world away from the factories of old. The people in our Shareholder's Association group who had never been there before, and even some of us who had visited previously, were in awe of the sheer size of the operation they've got going there at Highbrook. It's impressive.

So let's get down to the nitty-gritty. One of the huge advantages of a company visit is not only to have a good look at the operation of a company in-situ, but also the opportunity to 'eyeball' the executive team up close and ask questions of them in a way that you may not be able to do in the more scripted and formal setting of a company

AGM. We were addressed first by C.E.O. Mike Daniell, then by Senior V.P. Products and Technology Lewis Gradon, followed by C.F.O. Tony Barclay.

FPH has 3,500 employees, 2,000 of whom are employed in New Zealand. They have 750 people in sales, marketing and distribution. The company earns $800 million in revenue and makes $135-140 million in profit. Mike Daniell said the big challenge for countries was the growing cost of health care. One driver is demographics – people over the age of 65 will double in the next thirty years. Obesity is also relevant. Males in the United States have gained 400grams on average per year since 1960. The biggest costs in healthcare are people costs; medical devices are only 6% of the cost of running a hospital. Therefore there is an incentive in trying to help patients remain at home, and FPH's state-of-the-art portable ventilators can help enable that. Mike stated that FPH is a leader in respiratory acute care and obstructive sleep apnoea devices.

Lewis Gradon said that FPH is a 'collaborative' company. Consumables are 80% of revenue (a very important statistic) and the company currently serves 9 million patients per year. Lewis emphasized that "Everything we do is innovative". He said proudly that "We have the world's best masks". They have 440 engineers and scientists in the R&D team.

C.F.O. Tony Barclay stated that the net profit after tax was up 17%. $65 million was spent on R&D last year. He ended by saying that there should be a "Nice increase in the dividend this year".

I'm left with the abiding feeling that New Zealand needs more companies like Fisher and Paykel Healthcare. Innovative and successful exporters and big employers of skilled people. Mike Daniell and his executive team were again extremely hospitable to our Shareholder's Association members and, if you haven't been on a visit to there before, I strongly recommend you come along on the ***next*** one – possibly in a couple of years' time. It will open your eyes.

Fiona Gray

Waikato

Seventy-four shareholders enjoyed an excellent meal and superb venue plus the company of Brian Gaynor, one of our favourite speakers. As with Mark Lister, at the beginning of the year, Brian gives us up-to-date information on the global economy and global share markets. He gave 8 out of 10 to the United States, which is progressing well and is the back block of the financial markets. Unemployment is down from 10% to 5%, and GDP growth of 3.9% in Q2 and 1.5% in Q3.

The situation in Europe is up and down, but there are "green shoots". The northern half is doing well, however the southern half is not. Interest rates have been reduced and there are some signs of recovery. Brian gave it 5 ½ out of 10. Of more concern to us is China, which is walking a tightrope. China has been key to commodity demand and now manufacturing and construction have decreased. This is of particular concern to Australia. The services industry is growing strongly, but it is a smaller sector. China is trying to get its inhabitants spending more to make up its targeted 4% growth.

The outlook for Australia is soft growth. Tailwinds: lower interest rates than global, lower currency, housing market. Headwinds: falling mining investment, China, reduced government spending, lower confidence.

In New Zealand the NZX50 gross index is up 19.6%, however there is a big difference between Auckland and the rest of the country. The Auckland house values are up 26.4% compared with 2.1% in Wellington and 10.8% in New Zealand overall. On the downside, whole milk powder is down 55%, and the global dairy trade index down 53%, so why is New Zealand doing better than expected? Brian gave us two main reasons. The first is the high number of immigrants, with Auckland up 43,000, or 2.8% this year, and New Zealand up 86,000 or 1.9%. At the same time there has been a slowdown in emigrants to Australia. Australians are now coming here and not the other way round. The second reason New Zealand is doing well is tourism remains strong with a growth of 8.6% a year. He believes that both trends will continue. Tourists benefit from the low dollar, New Zealand suits older travellers, and it is a relatively safe country. We noted that McDonalds is moving to butter in the USA, as being healthier than margarine, and this should benefit Fonterra. Fonterra is under performing, and needs to have more value added products. New Zealand's tailwinds: immigration, tourism, low oil prices, lower NZ$ and low interest rates. Headwinds: dairy prices, China, Auckland housing and consumer debt. Although there are difficulties the outlook is positive as there is a lot of money sloshing around in managed funds and banks, and assets are going up. The share market could run for the next 6 months or even longer. Care needs to be taken, however, as share prices are high, though not as high as they were in 1983, 84 and 86 when the market was up 90%. Now it is only 18 – 20% up. Savings are high, but so are mortgages and Auckland houses are now nine times income. New Zealand is vulnerable to a severe down turn if the housing market collapsed like it did in Ireland. Overall, Brian is cautiously optimistic. There is slow economic growth and lower commodity prices, however we have lower interest rates, and investment returns will be there, although they are expected to be lower.

At question time, the first question was on US interest rates and debt, and we were told that interest rates would only rise when the US economy improved and that debt was not a problem as long as they could service it. The problem comes if there is a downturn, the same with New Zealand and housing. The next questioner asked about Fonterra, and Brian says the city thinks it could have done better. Spending 45 million on farms in China seems a poor idea when the Chinese themselves are buying their milk powder overseas. A member asked what jobs are immigrants coming to in Auckland? Brian said that the service industry and technology have developed in cities and that the world has moved away from manufacturing. The next questioner referred to the resources in Australia and when would demand catch up with supply? We were told that China will not pick up in manufacturing and that it was now cheaper in Indonesia.

Brian was asked about the shortage of housing in Auckland and he said that this would improve when there was an increase in supply, which may take years. In China it is the opposite. There has been a massive increase in supply but not the demand. Australia is building apartments 97 storeys high and this is one answer to demand in cities. The second last question was about India, and we were told that it is still a rural economy and that over the next 10 years there will be more moves to the cities, better roads and railways and that India is the China of the last 20 years over the next 20 years. However there is a lot of corruption and care will need to be taken. There is a shortage of coal in India.

The last questioner asked how the Milford Funds are performing. Brian said that they have 14 in their investment team, that the active fund was up 13% this year, and that the firm was the top Kiwi Saver performer. The salary gap between Britain and New Zealand was narrowing sufficiently for many high flyers to want to come back to New Zealand, and they mostly went to Auckland.

Helen Glyde

Fletcher Building

There was a very good turnout of members to the presentation by Philip King, Group General Manager Investor Relations and Capital Markets for Fletcher Building Ltd. Philip told us that Fletchers is in "good heart in spite of its share price". Net earnings are down from last year, however if significant items are excluded net earnings are up 10% on 2014, and operating earnings up 24%. This in spite of poor results in Australia, where there is a buoyant residential market but weakness in mining, resources, and infrastructure. The Australian residential rise has been driven by foreign investment from China where foreigners must buy new housing, and growth is at record levels.

In New Zealand, after two decades of under investment, the Government has plans for investment in infrastructure for the next ten years, and this is very positive for Fletcher Building. Philip said that the company has another year in Christchurch working for the EQC. He told members that he was proud of the cap on material costs in Christchurch and that there had been very little fraud. In Auckland it is estimated 16,000 new houses are needed, and at present only 10,000 are being built, of which Fletchers have built 1,500. He said that the type of house needed has changed – people are now seeking terraced houses with small gardens, or apartments. The firm is developing terraced apartments in Three Kings, however its stand alone components for roofing and insulation are not suitable for multi units. Migration is up 8% and most of these people migrate to Auckland.

With regard to commercial construction, consents are up 25% and $3 billion will be spent over the next 3 years on buildings and infrastructure. We noted that Fletchers has low levels of debt. Philip said that Fletchers intends to exit non-core businesses, and that mergers and acquisitions are not a high priority. Only those businesses that have a long term future will be kept, such as Golden Bay cement. He concluded by saying that the outlook for New Zealand is positive, but he is cautious on Australia, where the goal is to improve returns. North America has good prospects and there has been a strong performance from Formica, South East Asia should also do well, however China is a hard market. The prospects in Europe are mixed. Spain is down 95%, however the demand in the UK is good.

The first question was on leaky homes. Philip said that the rising property market is helpful as owners can afford to fix them. In addition, owners can easily sell in Auckland and the value is in the land. Thirdly, people are now more wary of leaky homes. The next question was about houses for the disabled. The answer was that there are extra costs to meet Government standards. However energy efficiency is improving through the installation of double-glazing and insulation. Another question was on sustainability. We were told that this is covered in a separate report in the annual report, and one example is that long steel roofing is now recycled.

Philip was also asked about the competition and why prices are so high in New Zealand. The answer was that costs are higher because we are earthquake prone, mountainous, with a high rainfall, plus the fact that New Zealanders want individual houses. In Australia they have standard houses with the bonus of scale. We do have market share advantage in Winstone plaster boards, and in cement, which makes it hard for competitors here. Placemakers have 34% of the market. The final question was on the labour force. Here we learned that Fletchers currently has a staff of 19,800, however there is some shortage in qualified trades. The return of Kiwis from Australia is helping, and Fletchers has been recruiting from Ireland and the UK. Philip King did well in answering some of our questions, and with Sir Ralph Norris as Chairman let us hope that the share price will improve.

Helen Glyde

Bay of Plenty.

Bay of Plenty Branch's final Discussion Group Meeting for the year was held on 29 October 2015. Sue Brake, Senior Investment Strategist, New Zealand Super Fund gave us a great insight in the Investment strategy and guidelines which the Fund has developed, and how the Reference Portfolio is set. NZSF reference portfolio design principles and the levels of risk and Sue herself has also been instrumental in developing the currency hedging strategy, investment policies and derivatives capabilities. She is also an external expert on investment and risk management for the IMF. An excellent speaker and would be happy to give presentations to other Branches.

For our Christmas end of year dinner we were given a wonderful presentation by Steven Saunders (Ngai Te Ahi) a "new generation" speaker, Founder, Owner and Managing Director of the Plus Group of companies specialising in horticulture management consultancy, global pollen productions, robotics development, soil consultancy, international ventures, applied technology, research and development/innovation and science and much more. Also a Director of a number of privately owned companies, Crown appointed Director Landcare Research. Our members present were completely blown away by the enthusiasm and commitment to innovation etc for our country. He is also the co-founder of the Newnham Park Innovation Centre in Te Puna, Tauranga and young IT people are coming from all over the globe to work here at this centre. His ventures bodes very well for future potential investments.

Robotics Plus features on the NZTE New Zealand Story and well worth a look.

Jane Lyndon

Wellington

Thank you to branch members and the committee for your support during 2015. It has been another busy year and we have had a great variety of meetings and speakers.

We started the year with a new member evening, during the year we had presentations from ikeGPS, Infratil, FMA, Orion Health, an AGM report from the Berkshire Hathaway AGM, and a visit from the Oracle of Epsom – Ray Jack. We finished the year with an uplifting and Christmas themed film – Trading Places (1983).

Next year will be a bit like this year, interesting speakers and maybe a surprise or two along the way.

I leave you with several quotes from Winston Churchill that were probably not intended as investment advice but are quite applicable:

However beautiful the strategy, you should occasionally look at the results.

It is a mistake to try to look too far ahead. The chain of destiny can only be grasped one link at a time.

For myself I am an optimist - it does not seem to be much use being anything else.

All the best for Christmas and I look forward to seeing some of you at our next branch meeting in March 2016

Martin Dowse

Canterbury

Our regular monthly meetings for members have progressed; firstly with a very entertaining and enlightening talk on 29th October from John Penno on his experiences as CEO of Synlait Milk. Then we wound up our year's activities for members with our now traditional "End-of Year" quiz night on 26th November organised by Peter Heffernan.

It has been a busy time for our committee members attending a large number of company AGMs which are reported elsewhere in the Scrip and we have several more AGMs in Canterbury coming up in December which we will be attending.

We continue to maintain communication with our members through emails and our monthly newsletters edited by Tim Kerr.

Robin Harrison

Members' Issues

Board refreshment- an alternative view:

I would like to see boards of around 6 to 7 for larger companies and may be 5 for smaller ones. Then each should appoint one or two future director candidates where they need more expertise to cover areas applicable to their business. The quality of future candidates we are seeing in most cases is equal to or better than many existing directors.

Each year they can review what new candidates experience would be beneficial to the board. The cost of two will still be around 50% cheaper than an extra director. This would be a much cheaper and better way than bringing in consultants. It would also refresh the thinking on the board and help the understanding of technical and consumption changes in the market place.

Des Hunt

Education News Flash

These courses are very popular and often sell out. Enrol early.

Auckland Education Courses 2016

Western Springs Community College will run two education courses early in 2016.

Website: ***www.leisuretimelearning.co.nz/businessandfinance***

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

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

Commencing 17th February 2016; Tutor John Hawkins

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

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

Commencing February 2016; Tutor Jacquie Hagberg – 2 x 2hr sessions

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

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

Upcoming Events

For more information go to Branch section of NZSA website

2016

February 17	Auckland Branch meeting
February 23	Waikato Branch meeting
March 8	Wellington Branch meeting
March 22	Waikato Branch meeting
April 12	Wellington Branch meeting
April 13	Auckland Branch meeting
April 26	Waikato Branch meeting
May 10	Wellington Branch meeting

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Editor Alan Best

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