"The Scrip"
MANY INVESTORS, ONE VOICE
New Zealand Shareholders Association Inc.
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In this Issue

Be careful what you wish for

Members may be aware of the so-called two strikes rule that was introduced in Australia some two years ago. Basically, if the annual remuneration report is rejected by more than 25% of votes cast for two years in a row, a compulsory vote must be taken to decide whether to "spill" all non-executive directors. If this passes, then a special general meeting is required to elect a new board. The "spilled" directors can stand for re-election if they wish.

The rule was introduced with the intention of addressing the real and perceived excesses occurring in director and CEO remuneration. At the time, a number of members contacted me and asked the NZSA to push for the same thing in New Zealand. However, the NZSA board decided to take a wait and see approach. Why did we not dive in boots and all?

Firstly, New Zealand rules do not require a prescribed remuneration report, nor do shareholders get to vote on it. The NZSA supports having remuneration reports, but in our view they must be relatively brief, clear and simple to follow. Australian reports are often 6 or more pages. An example I saw from Canada stretched a full 27 pages- highly informative and completely useless at the same time, with important stuff buried by the dross! We need a two pager in plain English with appropriate tables showing entitlements, vesting periods and so on. What we get are reports of variable quality and a variety of confusing formats which are often nigh on impossible to understand.

For example, often we see a CEO receiving higher pay when company performance has deteriorated. Why? The answer is usually in the timing. Performance pay, frequently delivered as free or cheap shares, may not vest for 2, 3 or even 4 years. If a scheme is well designed, (and the NZSA certainly criticises a number that are not), in a few years the pay will slump to reflect the downturn, even if the company is then going gangbusters.

Another sensationalist approach favoured by some journalists is to report theoretical maximum bonus income as though it were a certainty. With directors fees there can be confusion between the total available fee pool and the actual fees that are paid to individuals. Both companies and commentators have a responsibility to get the reporting right.

However, two major concerns about the rule have been demonstrated in the recent Penrice Soda case. This small Australian company has been a total dog with the share price falling from $A2.18 in 2005 to less than 10c in 2012. In 2011 36% voted against the remuneration report and this catapulted to 62% in October 2012. The spill vote passed with 60% in favour. For the first time, a contested EGM was needed to elect a new board.

For some time prior, a modest Sydney based investor with the rather grandiose name of London City Equities (LCE) had been agitating for change. It was their activities, reasonably large shareholding and a very low (30%) turnout of the retail Penrice shareholders that carried the day and lead to the spill. LCE claimed that the Penrice board had been doing nothing and had no concern for the company or shareholders, but was only interested in lining their own pockets. LCE proposed three directors of its own to stand against the two incumbents. The Australian Shareholders Association took quite an interest. Right up until the last minute they intended to vote for all those standing in the belief that a combined board might find a way out of the mess. However, shortly before the vote, the existing board announced it had finalised a deal which would result in the loss making soda ash plant being closed and Penrice becoming a distributor for a major international supplier. This game-changing deal had been some time in the making and it was obvious the existing board had in fact been "doing something about it". Consequently, at the last moment, ASA changed to supporting only the incumbent directors. This time most shareholders did vote and the outcome was a big defeat for the LCE nominations with only 25% in their favour.

This situation highlights the fact that while the two strikes rule was designed to deal with pay issues, it can be high jacked for far broader purposes, such as dissatisfaction with the direction a company is heading. That was never its intended purpose. Those concerns are best dealt with by a motion at an EGM or AGM if enough investors are concerned.

The biggest concern is that one or two large investors with say 7% each might be able to carry a vote to suit their own agenda if the threshold is only 25%. Typically, about 50% of votes are cast. So 14% effectively becomes 28% and the report could be voted down. In the NZ market, it is not unusual for single institutions to hold more than 7% of the shares, so this becomes a real possibility. Institutions often have a very different agenda to retail shareholders.

They have to report results at certain times, boost their own chances of attracting investors, trade a lot and of course tax issues are critical. One example: Many retail investors need dividends to live, but some prefer additional shares instead of dividends. One institution wanted a significant NZ company to stop paying cash dividends and only issue shares in lieu. In the particular circumstances, that was great for the institution but would not appeal to many retail investors. The NZSA was quick to advise the Chairman of our views when we were asked! However, imagine the pressure on the chairman and board if the threat of a two strikes vote was used to "encourage" similar changes.

On the plus side, there is no doubt that the rule has moderated extreme remuneration demands in Australia. Companies that have one strike have been given a fright and have generally reacted accordingly. That is what was intended and we should applaud that outcome. However, a threshold of 25% is too low for NZ. Without other restrictions there is scope for a few large investors to unreasonably influence outcomes. The ASA has now also expressed reservations about the system. There may well be a place for such a rule, but the Mark I version is not it.

The lesson is that simply waving a big stick may result in unintended collateral damage. Calm heads and proper consultation are needed to get workable solutions that deliver as intended. One of the great strengths of the NZSA is that we are always included in these processes. As an individual, you have no chance. Knee jerk reactions - even less.

John Hawkins

Chairman

Closing the Gaps

Editor: *Closing the gaps is a web-based income equality project supported by about 500 individuals, which seeks to disseminate the facts about New Zealand's growing inequality, and its statistical links to the least desirable aspects of our society – high rates of imprisonment, high infant mortality, increasing drug useage, teenage childbirth, obesity, welfare dependency, etc. For more information, go to* ***www.closingthegap.org.nz****. The site includes interesting references and presentations by researchers.*

The following article is submitted by Gray Southon, of the project, and does not represent NZSA policy.

We aim to include contributions from other outside organisations, particularly where their ideas are related to our own advocacy.

Executive Remuneration - What's the fuss?

Why all this fuss about Chief Executive and Board remuneration? After all, we know how critical it is to have the best brains at the top, and that if you pay peanuts then you get monkeys. It just makes sense to get the best people you can attract, then incentivise them to maximise stockholders wealth. After all, what they get is only a small fraction of total profit, so it is a worthwhile investment in a better outcome for all stockholders.

That is a very sensible conclusion if one assumes that there is a direct relationship between top decision-making and stockholders performance, and nothing else really matters. This, of course, is patently false. First, the stock market itself is quite erratic and influenced by many factors besides the performance of the company. But more importantly, the staff who generate the value on which profit is based have their own interests. They are unlikely to be worried about increasing the income of stockholders or managers, but they may be interested in the quality of the service or product that they provide, the interests of the customer, finding better ways of doing things, etc. Their own income will be important, of course, including work-based incentives, but they will feel alienated if they see the incentives as manipulative. In fact, psychological studies reveal that while financial incentives may be effective for simple physical tasks, they may be ineffective, or even counterproductive, for highly intelligent or creative tasks.

http://www.youtube.com/watch?v=u6XAPnuFjJc

Imagine yourself as a skilled worker in an organisation doing a reasonably complex task. You will want to do a good job, but could feel alienated by management who earn many times what you do but have little understanding of what your job demands. Would you respect them, or any incentive systems that they design to supposedly enhance your performance? The sense of alienation inhibits you from putting your neck out to correct errors or injustices for fear of antagonising your seniors. Such an attitude throughout the organisation destroys the essential cooperation which is critical for organisations to be effective.

In fact, an organisation is disabling the top management by putting them on a pedestal far above the rest of the staff.

Think about the type of person that you are attracting to top positions by enticing them with very high incomes. They are likely to be super smart, able to convincing anyone of their capabilities, but principally in it for the money. If this is the case, then their apparent commitment to the organisation or the stockholders is likely to be superficial. They may manipulate incentive schemes to their benefit and exploit the company for short term gain. If they fail the company and are fired, they often ensure they leave handsomely compensated.

This is no basis for developing trust at any level of the organisation.

Then how, might you say, can a company attract the quality of executive that it needs to succeed in this highly competitive world? Any company of any size worth its salt would have a well developed staff development program including a mentoring process and an executive succession plan. That way you get people who know the company, who really understand the business and are committed to it. They need to be respectably paid, of course, but would be principally concerned with the productivity of the work environment and their impact on it.

Back in the nineteen eighties, when Japanese industry was dominating much of international manufacturing, comparisons were made between Japanese and US management styles. One of the dramatic differences was that US top executive incomes were much higher than the Japanese incomes, even though the US companies were much less productive. Clearly, paying more did not improve the performance of US executives, nor were there great migrations of Japanese executives seeking the higher US remunerations. Japanese executives were committed to their companies rather than their incomes, and were attuned to the specific cultures of their companies.

The need for a reasonable income balance between participants in an effective company is analogous to the needs of society. When certain sections of society start to gain wealth far above that of the rest of society, then alienation sets in and the society becomes dysfunctional. Although the effects of this dysfunction are seen most obviously amongst the poor, many aspects such as teenage pregnancy, drug use and obesity begin to affect the wealthy as well. This has been amply demonstrated in the book “The Spirit Level” by Wilkinson and Pickett.

Thus, by tolerating excessive executive remuneration, stockholders are not only promoting the dysfunctionality of the companies involved, but are also promoting the dysfunctionality of society in general.

That is not a good investment.

Gray Southon

Closing the gap project.

The Takeovers Panel must approve Independent Advisors

Introduction

Every transaction that is regulated by the Takeovers Code requires an independent adviser to be appointed to provide advice to shareholders on the merits of the transaction.

The Panel follows a robust process when it approves independent advisers to act under the Code. This process is intended to ensure that shareholders who will rely on the information contained in an independent adviser’s report can be satisfied that an adviser is appropriately qualified, experienced and independent in relation to the specific transaction.

This article sets out a summary of the independent adviser approval process adopted by the Panel.

The Code and the role of independent advisers

Under the Code, an independent adviser means “an adviser whom the Panel considers is independent and who is approved by the Panel for the purposes of” the Code.

Reports on the merits of a transaction from independent advisers are required in a number of circumstances. For example, a report is required when a person seeks to acquire or have allotted to it voting securities in a company to which the code applies.

The Panel’s policy for the approval of independent advisers

The Panel considers each application for approval so that the Panel can be satisfied on each occasion that the adviser is appropriately qualified, experienced and independent in relation to a specific transaction. The Panel does not have a list of “pre-approved advisers” - a separate application from a proposed independent adviser is required for every report.

As set out in the Panel’s Policy on the Approval of Independent Advisers, which can be found on the Panel’s website ***www.takeovers.govt.nz***, an application to prepare an independent adviser’s report under the Code must include specific information. This information includes:

a The applicant adviser’s details, including qualifications and expertise; and
b Confirmation that the applicant adviser is independent in relation to the transaction.

Applicant’s Qualifications and Expertise

The Panel requires details of the applicant adviser’s qualifications and expertise. The applicant must include:

a a statement of the applicant’s qualifications and expertise in the form the applicant expects it to appear in its report, together with the curricula vitae of the individuals who will be involved in preparing the report; and
b evidence of previous relevant experience demonstrating the applicant’s suitability for approval.

If the applicant is a sole practitioner the Panel may require someone of appropriate standing undertakes a peer review of the report.

The Panel is keen to broaden the pool of advisers who do Code reports. If the Panel is not familiar with the applicant adviser's work, the Panel may request examples of previous work undertaken as evidence of the applicant's expertise.

Independence

The Panel requires applicant advisers to provide the following information:

a A statement that the applicant has no conflict of interest that could affect the applicant's ability to provide an unbiased report. The Panel will not accept any qualification to this statement;

b Disclosure of all past and present relationships (whether professional or otherwise) between the applicant and the persons instructing the applicant or any other party to the transaction (including the directors and shareholders of any such parties);

c Disclosure of any other advisory activities which the applicant is, or will be, undertaking in relation to the transaction, including details of the basis of remuneration for such activity;

d Disclosure of any direct or indirect pecuniary or other interest, including any success or contingency fee or remuneration, other than the applicant's fee for providing the report;

e Disclosure of any prior involvement in the transaction (particularly in the formulation of it); and

f Disclosure, if applicable, that the independent adviser is preparing an appraisal report under the NZX Listing Rules.

A prior or existing relationship with a party will not automatically disqualify the adviser from being approved. The Panel will consider the nature and extent of any prior or existing relationships when deciding whether an approval will be given.

If a proposed adviser has any reservations about making an application to the Panel due to a relationship with a party to the relevant transaction, the Panel encourages advisers to contact the Panel executive for guidance. The Panel executive welcomes any adviser queries and can be contacted at ***takeovers.panel@takeovers.govt.nz*** or on (04) 815 8420.

The following types of relationship are likely to lead the Panel to conclude that the proposed adviser is not independent:

a If the proposed adviser has been involved in giving strategic advice on the transaction to any party to the transaction;

b If the proposed adviser is likely to financially benefit from the success or failure of the transaction;

c If the proposed adviser has an ongoing advisory role or is the current auditor for any party to the transaction;

d If the proposed adviser has an interest in any party to the transaction.

Another issue of independence which arises with from time to time concerns requests to approve the same adviser for successive transactions involving the same parties. If an adviser wishes to be approved to prepare a report for a successive transaction, factors the Panel is likely to consider could include:

a The proximity of the preparation of the two reports;

b Whether this is likely to be the last independent adviser's report to be provided to shareholders before compulsory acquisition is initiated;

c Whether the business, circumstances or prospects of the target company have changed between the two reports;

d Whether the shareholders are likely to benefit from having an independent adviser's report prepared by a different advisory firm from that which prepared the first report; and

e The nature of the transactions.

Statement of Independence

To remind shareholders of the independence of the adviser, the Panel requires an independent adviser to display a "Statement of Independence", in the form published by the Panel, on the front cover of the adviser's report.

Andrew Hudson

General Counsel for The Takeovers Panel

Trust Busting post GFC

There has been an insolvency boom particularly amongst finance companies since the GFC. The Herald reports that court hearings will roll on in 2013 for Neill Williams of Five Star Group, the directors of Capital and Merchant Finance, the Butlers of Dominion Finance, the operators of Belgrave Finance, and the directors of Hanover. As the courts and the FMA go about their business, many members have wondered why the high-life assets of directors and senior staff have not been recovered to make some contribution towards secured creditors. There are usually family trusts involved with each individual charged.

There are about 200,000 discretionary trusts in New Zealand, most in the category of family trusts, which have been constituted correctly to show certainty of subject, certainty of intention, and clarity of objects. These trusts by their very nature are completely separate entities from either a partnership or trading company from which income or capital contributions may have been gained. So how can creditors get at the assets?

The first issue faced by receivers and creditors is whether funds transferred into a family trust were authorised by the board, or comply completely with contractual arrangements. If they were/do not, an attempt will be made to recover the money or assets from the trust. If they were, the trust itself may bear some investigation.

The claimants then move to have either the trust itself, or the transaction with the trust to be shown to be a sham. Evidence can be brought to show that the trust is merely a façade to act as a haven for assets which have been treated like the private possessions of the family.

Various tests are applied to check the validity of the trust. Are the settler, the trustees, and the beneficiaries clearly separate entities, or has the settler retained control of the activities? How have the appointment and removal of trustees been handled? Is there a clearly documented trail over the transactions in line with the intentions of the trust? Are the non active trustees merely rubber stamping the acts of an executive trustee? Is an insolvent trustee or beneficiary using the assets of the trust to meet his personal obligations, and is there evidence that he refers to the trust's assets as his personal property? This evidence is often difficult to obtain, particularly in documented form.

In cases where a transaction or the trust itself is shown to be a sham the court will freeze the assets of the trust, and extract those parts which can rightfully be returned to claimants. Ultimately the creditor will seek a court declaration of the trust as sham, and the court will pool the trusts assets with those of an insolvent party for distribution. This is obviously a time consuming and expensive process, often made much more complicated by a family breakup, and challenges under the marital property act. It is small wonder that the claimants unless they have a structure for broadly based joint, or class actions are reluctant or slow to move against a trust, even when a director or manager is known to have harboured assets in this way. It is a specialised area and should only be approached with full legal advice.

Alan Best

Volunteers needed for 'Sorted' financial literacy seminars

In our December issue we highlighted the problem area of financial illiteracy amongst those who are already in the workforce but have received no financial education through the school system. The Commission for financial literacy has now moved to address this gap by broadening the number of facilitators for their Sorted programmes which are outlined on the Sorted website. Many of our members are ideally equipped to run these seminars. All that is required is knowledge of the workings of our monetary system, and an ability to help people with their local financial knowledge. The Commission wants to list all those who will do a good job with the Sorted programme at a reasonable price. Because it is a government programme the Commission will need to verify the background of applicants.

Specifications and application forms are available from either Alan Best or ***louis.gibson@cflri.org.nz*** or ***robyn.scott@cflri.org.nz***

Alan Best

Proxy Coordinator’s Report for 2012

During the year a staggering 90 AGM and SMs were attended by proxy representatives of the Association. This is really a tremendous achievement and in particular by Auckland branch, which benefitted by having an additional 3 members who are now actively attending meetings on behalf of all members, and writing up informative meetings notes for you all.

Breakdown by region:

Auckland	58 (up 29)
Wellington	13 (up 5)
Christchurch	14 (same)
Tauranga	4 (down 1)
Dunedin	1 (same)
Total	90

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

Auckland:

Oliver Saint	Alan Best	Grant Diggle	Bruce Parkes
Des Hunt	John Hawkins	Jacquie Staley	Bill Jamieson
Michael Cornell	Aaron Bhatnagar	Matthew Abel	

Wellington

Martin Dowse	Peter Milne	Phil Kelleher	Ashley Chan
Matthew Underwood	Scott Hudson		

Christchurch

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

Tauranga

Howard Zingel	Kerry Drumm	Lloyd Christie

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

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

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

If you wish and can to assist us, please get in touch with me at the above email address, or your branch chairperson.

Jacquie Hagberg

Company Meetings

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

Heartland Building Society AGM 30th November

An estimated 200 people attended in Ashburton. Mr Bruce Irvine, the chairman listed a number of milestones for the 2012 year – including profitable growth, removal from the Crown guarantee scheme, striving for a bank licence and "creating a sustainable platform for earnings growth into the future". He was satisfied that the past financial year successfully 'bedded down' the four separate entities into one cohesive business unit.

He proceeded to outline the highlights over the previous twelve months; the one missing being (at that time) the lack of a banking licence. In summary the positives included a growth in interest (27%) with net growth of 36%. The one off income tax benefit saw profit after tax grow from 7 million in 2011 to 24 million in 2012 and total financial receivables grew from 1.7 billion to 2.1 billion largely due to the acquisition of PGG Wrightson finance. He was pleased that as a result of meticulous planning, Heartland had successfully withdrawn from the Crown Guarantee scheme while maintaining prudent levels of liquidity.

Heartland will become a regular dividend payer by distributing their net profit after tax to shareholders after retaining what profits they consider necessary. They intend paying an interim (March/April) and final dividend (September/October) on an annual basis. The board however have resolved to pay a 'one off' special fully imputed dividend of 1.5 cents a share on the 21st December this year to all shareholders. (This was greeted with a round of applause).

Mr Irvine commented that he was very pleased with the performance of the board who skilfully manoeuvred their way through the pitfalls over the past two years. He said it is an 'aggregate' board with representatives from Marac, Southern Cross and CBS. A review, to ensure they are 'fit for purpose' is in progress, the results of which will be advised in the near future.

Geoff Greenslade, CEO. 2012 saw a reduction in provision for bad debts while operating costs increased by acquisition. However, efficiency improved with the cost/ income ratio declining from 80% to 60% in the second half of the financial year. Total assets grew by 230 million driven by the loan book increasing by 371, offset by the reduction in liquidity they were carrying prior to the expiry of the Crown Guarantee. The capital raising they undertook to finance PGG Wrightson finance resulted in a small decrease in the NTA per share but the balance sheet is strong, as confirmed by the Standard and Poors rating agency.

Heartland is starting to see a shift in investment earnings which is providing a more balanced approach from the three key drivers of NZ economy, the household sector, the rural, and the business sector. The amount contributed by the non-core property book has also declined during the course of the year.

Heartland has a business division targeting small to medium size SME's, a rural division targeting farmers and a retail/consumer division targeting the household sector. As for the business sector, they now have 16 relationship managers in all key locations in NZ which has been very well received with 13% lending growth from that division in a market that was flat. The PGG Wrightson Finance acquisition was a highlight for the rural sector. They are now poised to grow and dominate the provision of livestock finance. They recently concluded a relationship arrangement with Silver Fern Farms, whereby Heartland will be providing finance to their farmer customers.

Motor vehicle lending grew during the year which was good news in a contracting market, helped by targeting middle NZ family cars and business vehicles. Offsetting this growth was a decline in their mortgage book due to intense rate competition and earthquake related repayments in Canterbury. They see the residential property market as becoming over-heated in parts of the country and the risk/return is becoming commoditised utilising large amounts of capital. It's an area where they will participate only if the fundamentals are sound.

They saw a reduction in the non-core property book of 187m down to 161m. They have an exit plan spread over three to five years (while ensuring shareholder value). This will be reviewed in the New Year.

Heartland wishes to position itself as a 'new breed' in the banking industry. The model which is emerging(since the GFC) sets them apart from conventional banking by having a greater balance of risk, more focus on the productive sector and staying small and agile. They do not intend to go 'head to head' with the major banks.

In conclusion, he estimates the net profit after tax this year ending June 2013 will be in a range of $21m to $24m compared with the $23.6m this year, which was heavily assisted by some tax losses. Heartland's focus is now very much on the future and providing sustainable growth.

Mr Bruce Irvine then asked for questions from the floor. He mentioned that he had seven questions from the NZ Shareholders Association "who are represented here today" and mentioned our table setup in the foyer.

Questions were numerous and not all are listed.

Q Can the board provide guidance on what we can expect in the way of the dividend?

A – No, not at this point due to too many unknowns at this point

Q - Is there any relationship between running down the property portfolio and impairments?

A - We intend to manage the portfolio in the most effective way to final exit.

Q - Heartland have negative cashflow but they make a profit?

A – The chairman said it is an issue for him too. Essentially it means "we have negative cash flow if our book is growing". He gave an example. If they had $100m and an interest expense of $80m (making a profit of $20m) and if they grow their book by $40m, under accounting standards that has to go under operating income meaning the $40m comes off the $20 m to give negative $20m. The money that they borrow to grow the book by $40m comes down under financing so the finance portion is at the bottom and the growth of the book at the top. "It's a complete nonsense and makes no sense at all". In view of this, what they do is separate out the operating cash flow and then show the movement in the financial receivables, which is the growth in the book because that is a deduction from it. "We have positive operating cash flow but because the book is growing, it actually comes up as negative because of the required accounting standards.

Q – How does Heartland obtain cheap enough funding to compete with the major banks?

A – As indicated earlier, the cost of funding is coming down however, they will always be more expensive than the major banks but as they don't intend to compete they will focus on their niches as indicated above.

Q – Senior executives seem to be over incentivised

A. The incentive scheme is viewed as modest as it based on performance criteria and that is dependent on shareholders getting good dividends.

Q – Re the application for a banking licence the Community Bank, formerly the PSIS, took 3 years to navigate through the Reserve Bank process, why do you think your application is going to proceed more expeditiously?

A – Heartland has been working very closely with the Reserve bank. It has been almost 2 years since the process commenced.

Q Why didn't Heartland utilise Credit Union branches in places like Hokitika and Invercargill and why didn't they merge with them.

A – Cannot merge with a credit union.

They deal with Invercargill through the PGG Wrightsons division and are dealing with the West Coast out of Canterbury as there is not enough critical mass to justify a branch. Branches are very expensive and they have to make sure they are located in the right place for maximum benefit.

Q. Are they exploring ways they can improve the facilities provided by PGW Finance

Answer – yes they are

Q – Has Heartland been looking at Fisher & Paykel Finance?

A – It is an opportunity that comes up from time to time and they have looked at it as a possibility. Nothing is on the table currently.

The re-election of directors, Geoff Ricketts and Graham Kennedy was confirmed and KPMG were reappointed as auditors.

Barbara Duff

Editor: *On 17th December, Heartland announced that it had been granted a banking license and subsequently that its name would change to Heartland Bank from end January 2013.*

Hallenstein Glasson Holdings AGM 5th December

The prelude to the AGM was a fashion show, which stimulated the audience, but also revealed that most of them were not in the target market segment of the HGL chains. Chair, Warren Bell ran through the operations including the youthful Storm chain now 9 shops, and the emerging online business. HGL has no debt and at year-end, harboured $26m in cash – plenty for new store expansion and dividends.

Managing director Graham Popplewell, standing in after the premature resignation of Di Humphries, stressed that brand building, and staff training had to go hand in hand with store expansion. Consequently HGL strategy aimed at:

- Strengthening the brand in existing locations (upgrading stores)
- Seeking out the best locations from experience
- Developing internet sales
- Developing the Storm and Hallensteins segments

Questions covered:

Capex spending at $10m. This will be maintained but the greatest influence on profitability was "buying."

The auditor (PWC) was asked to speak to her audit, and was questioned as to the details of individual stores, independence, and access to information. This is a good move in an AGM, and one which more companies should follow.

One shareholder wondered why it was necessary to replace the CEO, when the operation was successful without one. Popplewell who had previously retired from the role, quickly fended this off.

Another shareholder sought assurances that products were not sourced from "sweatshops," and these were given.

Your proxy holder sought explanations on human resource development, and management leapt at the chance to explain the personal development programmes that applied to all new and existing staff members.

The elections of Messrs Bell and Ford were passed on a show of hands but NZSA's questioning of the need for a 15% increase in Directors fees was resolved by a poll. The resolution was carried, but our points that smaller increases at shorter intervals, and fuller explanations of the grounds for an increase were noted.

Alan Best

Goodman Property Trust EGM 7th December

505,677 proxies held
Goodman called this extraordinary meeting of unitholders to gain approval – in a related party deal - to take full control of East Tamaki's Highbrook Business Park.

Prior to the deal, Goodman Group (Australia's largest listed industrial property entity) and the Fisher family owned half of Highbrook and the trust owned the rest. The Goodman Group also owns Goodman (NZ), the manager of the Trust.

Media reports commented that unitholders attending the meeting were "unquestioning". Questions were asked but attendees seemed to accept that, on balance, voting in favour of the deal was the preferred option. That was reflected in the vote where 99.1% of the votes cast were in favour.

During question time Phil Pryke, Goodman Group nominee on the Trust Board, was asked why Goodman Group was prepared to wait 3 years for settlement of 50% of the purchase price. He replied that the Group thought it had a fair deal and it was good business practice to leave some money on the table. He did not add that the increased value of the Trust would be good for Goodman (NZ).

As part of capital raising, NZ Unitholders were offered an opportunity to purchase up to 15,000 further units at a $1 price. Chairman Keith Smith said the Board believed all applications could be fitted within a $20million cap without scaling. However, the issue was over subscribed and applications were scaled on the number of additional units applied for. Goodman Trust has traded slightly above $1 since the issue.

Bruce Parkes

Steel and Tube Holdings AGM 14th November

I've attended all the Steel and Tube AGM's since 2001 and this year's, their 59th and my 12th, was one of the more interesting to the 80 attendees.

Traditionally Steel and Tube AGMs were predicable and quick affairs. The Chair Bob Every would open the meeting and give an overview of the results for the year. CEO Nick Calavris would then give more detail and update the meeting on trading conditions and profitability (good, average or poor depending on where in business cycle it was) and add a couple of sentences on the outlook for the following year. There would be a couple of non contentious resolutions, the odd share shareholder question and then it was all over. Twenty minutes then off for a nice lunch.

In 2003 a glass of bubbles accompanied the lunch to celebrate the 50th AGM.

In 2005 Dean Prichard took over as Chair and in 2008 there was a flutter of excitement when it looked like 50.3% shareholder One Steel was going to make a full takeover offer. At this stage STU was trading at around $4.50 per share. The GFC put an end to that sort of behaviour, and the offer was off before it had been formally announced. Not long after that Nick Calavris announced his resignation and CFO Tony Candy took over in a caretaker role.

In October 2009 former BOC (multinational gas giant, previously called British Oxygen Company) and OneSteel (spun out of BHP in 2000) senior executive Dave Taylor was appointed CEO, and in 2011 Tony Candy left to run Atlas Steel in Auckland.

Since Dave took over trading conditions for Steel and Tube have been very tough. Dave has embarked on a makeover, adding management capacity and systems and bringing together the various parts of Steel and Tube that had been, and tended to still operate as, separate businesses. As a part of this "One Company" programme Steel and Tube locations have been rationalised and branding updated.

Then in a surprise move in October 2012 majority shareholder Arrium (OneSteel by a different name) announced that it had sold its 50.3% holding in Steel and Tube via private placement to various institutions at $2.05 per share, a small discount to the $2.15 market price at the time. Apparently it was a relatively easy sale at that price and ACC became a significant shareholder with over 7% and AMP Capital Investors at 5%.

This change in shareholding is very significant. In 1994 Tubemakers of Australia (eventually to become OneSteel then Arrium) became the Steel and Tube majority shareholder with just over a 50% shareholding (1992 49.9%), it had built up the shareholding from an initial 8.8% in 1985. In some form or other OneSteel has been Steel and Tubes majority shareholder for the last 18 years, and OneSteel exceutives have made up half the board, and since 1989 the Chair has always been a OneSteel executive.

While having an Australian owned steel business as your majority shareholder gives you access to expertise and product supply, it also influences what you can and can't do – although the directors might say otherwise. Would Steel and Tube have purchased the Canadian based steel distribution business in 1995 if Tubemakers hadn't been the majority shareholder? It was purchased jointly with Tubemakers and turned out to be a poor investment and a major distraction for management. It was sold in 2001 for around book value.

On to the 2012 AGM held on 14 November in Wellington. The 2012 annual report listed three OneSteel/Arrium non-independent directors, Chair Dean Prichard plus Rosemary Warnock and Steve Hamer. The remaining three directors listed were independents Sir John Anderson and Janine Smith, and MD Dave Taylor.

However as the 2012 annual report was produced before OneSteel sold out in October 2012, on AGM day we had a reshuffled board with the Chair now Sir John Anderson, along with Janine Smith (independent) and MD Dave Taylor. OneSteel/Arrium director Steve Hamer had resigned but Dean Prichard and Rosemary Warnock remained as newly independent directors.

Sir John's opened with his address (seated as he has just has a knee replacement) and covered five areas:

1. Safety
2. Financial results
3. Arrium divestiture
4. Low ball share offer
5. Outlook for 2013

Safety is a top priority for the company and over the year health and safety resources have increased. Although most indicators have been positive there has been a disappointing increase in the number of lost time injuries. There has been an improvement in the first four months of this financial year.

The financial results were pleasing in a very difficult and competitive environment. Revenue was up 5% but profit was down 23% due to reduced margins. Operating cashflow was good and the balance sheet strong. Supply chain efficiencies were being made with inventory down.

The exit of Arrium was seen as very positive. Arrium will remain a key supplier and Dean Prichard and Rosemary Warnock remain on the board providing valued steel industry experience, a replacement for Steve is being sought. Steel and Tube now has more flexibility in its strategic direction, and as result of both the Arrium exit and Fisher and Paykel Appliances sale to Haier, Steel and Tube reentered the NZX 50 on the day of the AGM.

Sir John warned shareholders about an unsolicited offer for shares – he had also contacted all shareholders by email or letter warning them of this offer.

The outlook for 2013 – key markets will remain flat except Christchurch where activity is expected to slowly pick up.

Dave Taylor talked in more detail about safety and the One Company transformation underway and how this is helping make the company more efficient. While margins have been squeeze and profit is down, it would have been worse without the One Company initiative. More benefits, especially around supply chain, are expected next year.

Question time – there were a few.

First up I thanked Sir John for contacting shareholders re the unsolicited offer, thanked Dean and Rosemary for staying on as directors and noted in my opinion the Arrium exit was an excellent outcome.

I had two questions, the first just confirming the $10,000 donations were not political (they were not, they were for local communities) and second asking if the supplementary dividend paid to overseas shareholders would be scrapped now that Arrium has exited. Actually this was probably not all that relevant given that most shareholders are now NZ institutions and individuals. The answer was that it would remain as it didn't disadvantage other shareholders, it was just a bit of tax magic that paid the withholding tax on the dividend for overseas investors, and was claimable back by Steel and Tube (well, I think that was the gist of the answer).

A shareholder complained about the low share price and that dividends have not offset the drop in capital value. Sir John replied that it was a reflection of the sector the company operated.

Another shareholder asked why revenue was up but profit down. The reply was that margins are being squeezed and that competitors such as Fletcher Steel were struggling too (its profit was 50% down). The One Company initiative was supporting profits through efficiency gains.

Lastly a shareholder asked if the company was considering going outside its core business to pursue other opportunities. The answer was the next step was to look at opportunities for industry consolidation. Once that was done then outside opportunities might be looked at.

Martin Dowse

Postie Plus Group AGM 7th December

NZSA proxies held: 153000
The meeting was addressed by the chairman, Richard Punter, and by the CEO, Ron Boskell, who is to retire soon.

Postie Plus is operating in a very competitive sector and made a small loss for the year compared to a small profit for the previous year. Mr Punter said that the company lacks the scale of a competitor such as Hallensteins, and needs to reduce costs. The company is responding to the challenges it faces in various ways. The company's distribution centre has been moved from Christchurch to Auckland in order that it is closer to the company's main market. However the move did not go smoothly. And it is out with the old and in with the new.

During the year Postie Plus sold its Baby City chain. Postie Plus is planning an initiative, called Pogo, in the health and beauty sector. Mr Boskell told the meeting that he was unable to give much detail about this for commercial reasons.

Tim Kerr

Delegats Group AGM 4th December

Net profit for the year as stated in the accounts was $25.4 million, compared to $32.7 million in 2011. However this comparison is distorted by the reversal of an impairment provision of $8.3 million in 2011, together with sundry other 'fair value' adjustments in both years.

The company considers that a truer picture is given when these non-cash accounting adjustments are eliminated, to give an operating profit after tax of $25.6 million for 2012 against $23.9 million for the previous year – a gain of 7%.

These adjustments are typical of the problems many companies face when trying to give a true picture of annual performance and in the opinion of many, (including Delegat's chairman Robert Wilton who is a Senior lecturer in accounting at Auckland University) the new accounting standards are imposing rules that are too rigid and rather than improving transparency in company accounts, are in fact hindering it.

The operating profit improvement was achieved in the face of a 6% decline in case sales of wine, unfavourable exchange rates, competition from the export of bulk wine by other producers which ends up in overseas supermarkets' "Own Label" wine, and a fall in industry prices because of previous year's over-production.

Delegat's countered this by a combination of value growth (price increases) and volume growth in selected markets. This was achieved by exploiting the inherent strength of the Oyster Bay brand which continues to maintain its status as a 'super premium' wine in more and more markets.

Strong cash inflows allowed group debt to be reduced by $30 million or 24% during the year and also an increase in dividend to 9 cents per share from 8 cents previously.

For the future, national grape supply is forecast to be down by 20% in the current year, which will correct the previous over-supply situation. Delegat's expect their case sales to increase by 6% in 2012/13, lifting operating profit after tax to $27 million. The company's strategy is one of continuing growth, with case sales projected to increase from 1.8 million in 2012 to 2.3 million in 2015, with a corresponding increase in earnings.

The only official business was the re-election of Rosamari Delegat and Alan Jackson as directors.

Bill Jamieson

Scott Technology AGM 6th December

Tim Kerr acted as NZSA proxy at the Scott Technology AGM held in its Christchurch plant in Bromley. The NZSA represented 13 shareholders holding approximately 300,000 shares. This was just under 1% of the 40 million-odd share issued. One NZSA member questioned the company's proposal to increase the directors' pool from $200,000 to $300,000 leaving the voting decision to the proxy-holder's discretion. The increase to the director's pool seemed large, but the company had increased profits, dividends and made some acquisitions that increased the board's workload. In that respect, all NZSA discretionary proxy votes were cast in favour of the increase. For YE 31 August the company made $6.1 million, up 17% on the previous year, paying 8c per share.

Scott Technology builds appliance manufacturing systems, automated meat processing equipment and more recently, automated technology for the mining industry. These are pretty broad categories, and fail to describe the nature of the research, design and build processes that the company provides. For example, an automated palletising system for bagged animal feeds, geochemical sample preparation within the mining industry (a sector that makes up about 53% of the company's sales) and automation within dairy farm milking sheds.

Scott Technology was founded in 1913 and listed in 1997. The company will be celebrating its centenary in Dunedin later in the New Year. According to the Chairman, Stuart McLauchlan, the company has reasonable forward orders and is optimistic that it will be able to "nail down" a number of other projects , which if secured, would put the company in a strong position.

MD Chris Hopkins pointed out that the company was involved with mining and there had been no slow-down in the precious metals mining sector (The company's manufacture of sampling machines is a significant part of its income). In that regard, Scott Technology is going through due diligence to buy Integrated Conveyor Systems, a Western Australian company that makes a conveyer belt that wraps or encapsulates the material so it can be conveyed at higher speed - and up and down.

Tim Kerr

The AGM was held at the company's Bromley production plant. Shareholders view a $6.5M automatic production line that produces stove tops. The project, to be shipped to its American customer before Christmas, took just seven months to design and build.

Photo: Tim Kerr

Sanford AGM 30th January

The meeting was convened at the Viaduct Events Centre in Auckland, only a stone's throw from the Sanford head office and trawler base.

The company has had a disappointing year with most numbers similar to or slightly behind the 2011 result. While revenue was only 1% down at $460M, NPAT was a miserable $20.8m, and return on equity a mere 3.8%. The dividend was maintained at 23c per share, unchanged for the past 5 years, but notably this year the cash profit was insufficient to cover the full payout. Clearly this was not a great outcome.

Chairman Jeff Todd's said the board had been focussed on leadership in strategic direction. Market conditions were mixed with salmon in particular under price pressure. Loss of fishing time in the Tuna fleet and higher fuel costs had had a depressing effect. While it remains challenging to earn the required rate of return, he said the company needs to accept that the high exchange rate was the "new normal" and policies must be adopted to work with this reality. Following Pike River and Sanfords own well publicised environmental pollution issues in American Samoa, the company has replaced the existing Remuneration Committee. The new Employment and Regulatory Compliance Committee will report to the Board on statutory and other compliance issues. As part of this initiative a new position of Corporate Compliance Manager has been created.

In regard to director's fees, he announced the amount utilised will remain the same as last year. He made specific reference to the NZSA and the fact that after discussing the issue with Sanford, we were comfortable with the outcome. Members will recall that last year we persuaded the Sanford board to significantly reduce the proposed payout.

MD Eric Barratt then gave a detailed commentary on each aspect of the business. This is on the website and is well covered in the annual report, however he updated the meeting on several issues.

The San Nikunau tuna boat was held for a period in American Samoa in relation to breaches around oily water pollution. The MD outlined the facts as the company sees them and detailed the changes that have been made. Unfortunately the court case did end up costing the company around $3m in penalties. A second tuna boat, Ocean Breeze was badly damaged in a fire during routine maintenance and as a result missed a considerable part of the season. While the direct damage was covered by insurance, in answer to a question Mr Barratt said that consequential loss insurance was not readily available and was prohibitively expensive. These two incidents had a significant negative impact on profits of several million dollars.

New initiatives around selective breeding of mussel spat and a top secret "precision harvesting technology" for fin fish are both expected to add significant income growth over time. Greenshell mussel farming continues to grow in importance. Unfortunately Mr Barrett did not address the important issue of adding value to the existing catch, something that will be essential in offsetting the high dollar.

Looking forward, the MD said that catches were 1% ahead in the first 3 months of the financial year and revenues had increased 10% over the same period last year.

The Chairman then sprang a surprise by announcing that Mr Barrett was resigning after 15 years in the MD role (and 30 years as a director). This appears to be an amicable arrangement with agreement that he will stay until a replacement is found or until the end of December at the latest.

The Chair also announced that following shareholder comments that the AGM was held too long after the balance date (September 30), this year Sanfords AGM will be before Christmas. He finished by thanking outgoing director and former MD David Anderson who was not seeking re-election.

In answer to another question it was clarified that difficulties with a joint venture mussel processing plant were resolved when Sanford and one other partner bought out the third following receivership. The MD said that in effect, it had always been business as usual.

The re-election of Peter Goodfellow and Peter Norling were non controversial and easily carried on a show of hands. The attendees were then treated to an excellent afternoon tea which featured some of the company's products, including the rather unlikely named Dissostichus Mawsoni, (otherwise known as the Antarctic Toothfish).

John Hawkins

Caught on the Net

Returns of the decade

As it is in New Zealand, bricks and mortar are the popular choice for Australian investors. How does that sentiment stack up long term? A retrospective 10 year study of Australian asset classes provides interesting answers. More

Is debt free money an option?

Abraham Lincoln certainly thought so but in the US the bankers won that argument 100 years ago. With interest rates in many countries at near zero, the notion of debt free money is being raised again. The historic and current situations are discussed here

Hedge Funds can't beat the market because of fees

This will not be news to most readers but it is good to have George Soros, billionaire philanthropist and former hedge fund manager, agree. Even if he has a caveat - only in times of low volatility. More

Australian Shareholders Association CEO resigns

Van Kolesnikoff has resigned as the ASA CEO because, even with 6000+ members, they do not have the funding and resources to do all they want to do. This highlights the magnificent contribution of our volunteer Board. More

Economic Storytelling

Carola Binder blogs on the need for politicians (President Obama) to be story tellers as well as policy makers. The nature of political office is a requirement to tell a story to the people that gives them a sense of unity and purpose and optimism, especially during tough times. More

Australian baby boomers stagger blindfolded into retirement

Eighty six percent of Australia's baby boomers are, in varying degrees, financially under prepared for retirement according to research released by industry super heavyweight REST industry Super. More

Is a new bull market here?

Jacqueline Doherty at Barrons thinks so. She cites rises in the Dow transports and industrials as the key combination for the birth of a long secular rally. More

Saving Economics from the Economists

Nobel laureate Ronald Coase argues in the HBR that the separation of economics from the working economy has severely damaged both the business community and the academic discipline. More

Beating the market with responsible returns

UN Principles of Responsible Investment executive director claims that research debunks the traditional view amongst some investors that there is a trade off between returns and responsible investing. More

Major Investor backs two-strike rule

AMP Capital has come out in support of the two-strike rule saying that they have seen a dramatic increase in the number of companies seeking to engage with them. If you follow this link make sure you also read John Hawkins' leader in this issue. More

The Irrational Consumer: Why economics is dead wrong about how we make choices.

A new paper reviews how psychology, biology and neurology are ganging up on economics to prove that, when it comes to making decisions, people are anything but rational. More

The first word in mangled meanings

2012 turned out to be another bumper year for guff, cliche, euphemism and verbal stupidity says Lucy Kellaway of the Financial Times as she posted her Golden Flannel Awards for 2012. More

Australia's economic outlook - the Nauru option

Somewhat provocatively, in an Economic Outlook article, Satyajit Das compares Australia's economic wellbeing, based on raw comodities, with that of Nauru. What is Australia's future as the demand for commodities weakens? More

Why the Rating Agencies desere the death penalty

Barry Ritholtz blogs in the Big Picture that as Arthur Anderson received the ultimate penalty for their role in Enron, Moody's, the S&P and other smaller Fitch rating agencies deserve the same fate for their role leading up to the GFC More

Bruce Parkes

Branch Reports

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

Auckland

Branch Meeting November:

A report on the second speaker at our last meeting of 2012 was omitted from the December issue.

Rod Drury – MD of XERO

Rod placed Xero's phenomenal rise in share popularity in the context of the wider world market. At the last report Xero's customer base approached 112,000 small and medium sized businesses (SMBs.) The target market is over 1 million customers, and by comparison with international competitors, this is only a fraction of the available market. Xero with revenues of $0.6b compares with the smaller private companies Box and Yammer at over $1b, and larger publicly listed competitors, Workday $7.5b, Intuit $17b, and Sales Force $19b. However, most of these concentrate on larger business customers, and employ a high-overhead sales model, whereas Xero is focussed on a simpler and more user-friendly model aimed particularly at accounting partnerships and small business. Xero has pursued development and growth consciously to make the entry of competition more difficult, and to stay with the entrepreneurial demands of small and flexible operators. It has kept pace with the generations of accounting software:

Firstly, during the PC wave,

Then, the MYOB-style, small business packages,

Next, the on-line systems and

Finally, the emerging need for a personal information system available 24 hours from the Cloud through the hand held device.

Promotion is automatic, as accountants or SMBs using Xero, send out invoices acknowledging Xero on each charge.

Now listed on the ASX, Xero recently traded at NZ$7.30. It expects to lose more in its second half, than the $7m lost in the first, partly we suspect because it has had to commit to develop overseas payroll systems. Its commitment to customers, keen prices, and development is admirable, but unless it soon breaks through into profit, no matter how it spends that surplus, it risks becoming another tech bubble. Several of the branch's questioners reflected this.

Alan Best

Auckland company visit:

Company visits will take place in the month between scheduled branch meetings. Members should register by email with:
Uli Sperber – uksper@gmail.com

Auckland Branch Meetings for 2013:

Wednesday 20th February
Dennis Barnes, CEO of Contact Energy and Brian Gaynor
Wednesday 17th April
Wednesday 19th June
Wednesday 18th September
Wednesday 20th November

Waikato

Waikato branch plans 10 meetings per year from February to November.

In 2012, members enjoyed the following programme:

Feb: Mark Lister, Craigs Investment Partners

Mar: Ross George and Gavin Lonergan, Direct Capital

April: John Dakin, Goodman NZ, CEO, Goodman Property Trust)

May: Matthew Washington and Dave Foster, Pumpkin Patch

June: Dinner event, Brian Gaynor, Chairman of Milford Asset Management

July: John Fellet, CEO, Sky Network Television

Aug: Grant Baker, The Business Bakery

Sept: Frank Jasper, Funds Manager - Australian Portfolios, Fisher Funds Ltd

Oct: Philip King, General Manager Investor Relations, Fletcher Building

Nov: Christmas Dinner and Presentation by Simon Botherway

For the first 6 months of 2013, we are planning:

Tuesday, 26 February, 2013

Mark Lister, Head of Private Wealth Research Craigs Investment Partners, and popular speaker a year ago

Tuesday, 19 March, 2013

Michael Daniell, Managing Director, Fisher and Paykel Healthcare

Tuesday, 23 April, 2013

Don Braid, Group Managing Director, Mainfreight

Tuesday, 21 May, 2013

Norah Barlow, Managing Director, Summerset Group Holdings

Tuesday, 25 June,

2013 Mid Year AGM and Dinner, Fiona Mackenzie, Head of Investments, NZ Super Fund with over $20 billion assets.

Joe Carson

Bay of Plenty

Although the branch has yet to conduct its first committee meeting for 2013 we are well advanced with our annual plan.

We have several company briefings in the pipeline namely a visit to Trust Power and a visit to the branch from Albano.

Our monthly meetings are most important with members keen to hear from those making presentations on “My Portfolio.” This gives an interesting perspective on the philosophy that investors have in relation to their attitudes about wealth management, record keeping, weeding investments and that difficult decision, when to sell.

As the market continues to improve the topic of IPOs will be to the fore and whether to participate or not will make for interesting debate. Similarly thoughts enter the minds of members as to the value of custodial services and their costs. With the markets continuing to be buoyant the question of value of purchases enters the mind - when is enough, enough.

The popular Pick 5 competition will continue during 2013 under the capable stewardship of Helen McDonald.

Our annual general meeting is set down for Friday evening 24th May at Daniels In The Park.

The branch is optimistic about the year ahead as there will be sufficient issues before all membership to test yet again their investing skills

Allen Smith

Wellington

Welcome to a sunny 2013 – we had the hottest day here since the 1930's on Christmas Day.

We hold our meetings on the second Tuesday of each month and will have nine meetings this year with a guest speaker presenting at each meeting, the first meeting is on Tuesday 12th March.

This year we will be holding our meetings at the new Royal Society rooms at 11 Turnbull Street, Thorndon, just opposite New World on Murphy Street – not to be confused with our old venue at Turnbull House, which was on Bowen Street! The brand new Royal Society rooms are a 5 - 10 minute walk from the main bus and railway station and there is good parking after 5pm onsite or on Murphy Street.

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

We would also like to farewell committee member Ashley Chan who is relocating back to Auckland for a while after a stint in Wellington. Thanks for your efforts and support over the many years of your involvement with the Wellington branch committee

Martin Dowse

Canterbury

Our End-of-Year function was held on 6th December at the Fendalton Croquet Club. This year's theme was giving a "Dividend to Members"; with Branch Secretary, Peter Heffernan, running a light hearted quiz with "dividends" as rewards for the knowledgeable or lucky. Plus there were a few video clips to add to the amusement and edification of all. Seasonal food and refreshments concluded the evening with a ample opportunities to socialize.

The talk from Mr Ron Boskell, former CEO of Postie Plus, planned for November had to be postponed at relatively short notice and will now take place later in February (time and date to be announced). He will be talking about the NZ retail sector and the place of Postie Plus within it.

Our first company General Meeting of the year will be Syft Technologies to be held on Tuesday, 19th February. NZSA to be represented at this Special General Meeting as, although it is not a "listed company" we have a number of local investors; so shareholders may wish to assign their proxy votes to the Association.

The Branch Committee are planning the coming year's schedule of events which will include hosting the Annual Conference here in Christchurch.

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

Robin Harrison

Members' Issues

Who will effect change at Northland Port?

Some retail shareholders have been questioning the management and structure of Northland Port. Listed NTH (commonly incorrectly called Northport) is owned over 50% by Northland Regional Council, with a further 20% held by Ports of Auckland, leaving less than 30% to be owned by retail investors. It has a hefty 8 directors, who hold limited parcels of shares. The casual observer would assume that NTH is simply the operator of the port at Marsden Point, but that is not the case.

Northland Port listed in 1992 after the development of the Marsden Point port in joint venture with the Port of Tauranga. The port (Northport), which generates most of Northland Port's earnings, is actually managed by its joint venture Board of 4 and an independent management team. NTH owns only 50% of the port, and is something of a passive investor. Northland Port also owns part of three other joint ventures: North Tugs – 50% with Ports of Auckland, which has its own management; Northland Stevadoring 50% with SSAIV holdings; and North Coolstores with NPC Investments. That leaves the land development - the legacy from Port of Whangarei in town and the land adjacent to Marsden Point. Why NTH shareholders need 8 directors to govern that, is difficult to see. Oh, Northland Regional Council! Jobs for the boys?

Directors, Messrs Mitten, Blackmore and Walker, have all disclosed payments from Northland Regional Council and Keyes is also closely associated with the council. The politics of Northland, Auckland and Tauranga are all at play in this one. In last year's AGM, Chairman Mitten was asked about the decision to relocate Northland Ports' offices to the new building being developed on adjacent land. The answer was, "If we are asking tenants to move to our new building, we should really be there ourselves." The question surely deserved a better economic justification than this.

Northland Port has increased dividends, continues to generate cash and its share price has steadily improved, but it shows signs of taking minority shareholders for granted. They feel there is more value than is being realised. Recently Sir John Goulter has taken over the chair, and invested in the company's shares. Retail shareholders would like to see a more determined effort to curb overheads and develop the idle property.

Alan Best

Quarterly Dividends Please

David Odlin has recommended that the NZSA push companies for quarterly dividend payments. He points out that in a low-interest-rate environment more retirees are using share investments to provide income. He also believes that today's companies control and predict cash flow better than ever, and that the costs of dividend distribution have come down with direct crediting and email statements.

There is some division of opinion amongst investors here. Some believe that quarterly dividends would unduly increase the cost to companies, that it may occasion more frequent accounting reconciliations under IFRS, and that the impact on a company's cash flow may occasion lower, more conservative distributions. Others believe that it reduces the Manhattan skyline effect on the individuals' cash flow, reminds them of their investment frequently and therefore encourages their interest in the company, reduces the sale of small parcels and the fees for this, and may ultimately encourage younger investors and families into the sharemarket as an alternative to savings deposits.

What do members think?

Nostalgia?

Allen Smith says senior members will be interested in this month's North and South's article on the sharemarket in the late 80s. Warning: It may be painful to those who lost their shirts.

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Editor Alan Best

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