"The Scrip"

February 2008

The official newsletter of the New Zealand Shareholders' Association Incorporated

MEET MR MARKET

The New Year has started on a sour note at least as far as share price movement is concerned.

Some investors become unsettled by prolonged periods of an adverse trend. I am sure you have all heard your brokers say to you, "the trend is your friend". For traders this is certainly true. For investor's, trends and market prices are of no relevance whatsoever.

They are just a voting card on a day, as to what the sum of human folly thinks about a particular situation.

Here are some quotes from Warren Buffett

"The market is there only as a reference point to see if anybody is offering to do anything foolish. When we invest in stocks we invest in businesses"

"John Maynard Keynes essentially said, don't try and figure out what the market is doing. Figure out a business you understand, and concentrate."

"The dumbest reason in the world to buy a stock is because it is going up" conversely the dumbest reason to sell a stock is because it is going down.

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Other pearls that I can't find exact quotes for…..

When a market rises, it rises too far, fuelled by excessive optimism, and when it falls, it falls too far fuelled by excessive pessimism. These are the characteristics of a manic depressive. Who would use a manic depressive as an investment advisor?

When markets fall it is more sentiment than reality, however market moves can drive outcomes When investors suddenly feel poorer and as a result stop investing, spending and trading, then the real economy contracts and profits fall, thus validating the sentiment. How long do such changes in wind direction take to reverse? Well, history shows, up to 10 years.

There is a belief that the US is heading into a recession. House construction is down, retail spending is down, bankruptcies and foreclosures are up. Corporate losses from sub prime lending, (stupid lending more to the point) all indicate that the sentiment of the US public is not quite as bullish and consumption lead as it was.

This might mean that the US businesses particularly domestic businesses will take a hit.

What however does it mean for the rest of the world? Most economists now think that what happens in the US will no longer affect the global economy, they call this decoupling. The reason for this is that China is now increasingly the economic dynamo driving world actively. China is however a net saver, they spend less than they produce and their trade surplus will run at over USD$500 billion! A good chunk of this is with the US. Just like us, the US is borrowing, and mostly from China. If the US slows down and imports into the US are reduced, China will be affected, and so will the rest of the world. The symbiotic relationship ship between the US as consumer and China as workshop will result in an inevitable domino affect. A recession in the US will ripple around the world. It will just take longer than in the past.

What does this mean for NZ? Falling commodity prices, rising trade deficit, rising unemployment, lower exchange rate, rising inflation - in short, real ugly.

What doe this mean investors should do? The simple answer is nothing different, buy businesses run by people you trust.

A final quote from Buffett on macro economics and his own tactics:

"We spend essentially no time thinking about macro economic factors. In other words, if somebody handed us a prediction by the most revered intellectual on the subject, with figures for unemployment or interest rates, or whatever it might be for the next two years, we would not pay any attention to it. We simply try to focus on businesses that we think we understand and where we like the price and management."

Bruce Sheppard

KEEPING A CHECK ON THE CHIEF'S PAY

Editors Note: Des Hunt contributed a similar article to last month's Scrip. An amended version was accepted for publication by Institute of Directors Newsletter, as representative of our concerns over this important issue. We have edited and reproduced the additional arguments in Des's IOD article for this edition – Well done, Des.

There is, widespread unrest amongst both institutional and retail shareholders across the Western World about CEO pay. It is no longer simply the traditional activists and militant trade unionists who seek to make this an issue. As our own NZX can testify, considerable investor and media scrutiny is now coming to bear on CEO remuneration, and boards should expect more of the same in the future.

In 1970, the remuneration of the top three executives in large US corporates was around 40 times the average wage. 35 years later this had risen 160 times, while the last two years have seen the multiple become 400 times! An Australian study shows CEO salaries in top 50 companies leaping from 27 times average earnings to 98 times in the decade to 2002. NZ data on CEO remuneration is somewhat thin on the ground but anecdotal evidence suggests that trends in other English speaking countries are being replicated here. Now while some CEOs undoubtedly warrant 27 times the average wage, a small number 98 times, and a very few perhaps even 400 times, such disparities are always going to be attention-grabbers.

Why do boards set fees at the same level for all directors and never ask themselves the question what is the individual worth? This tribal view that all directors are equal is nonsense and is an impediment to successful recruitment.

Concerns are also raised when comparisons are made with shareholder returns, as typically, there is a significant gap between executive pay rises and returns to shareholders. For example Investors' study of CEO salaries in the top 100 listed companies showed that over a five year period there was a 73% increase in base pay and a 59% increase in bonuses, versus a Total Return increase of just 42%. It is hard to argue with the observation of Institutional Shareholders Service Australia director Dean Paatsch who states, "There's a disconnect between rises in cash pay and Total Return to Shareholders over the long term".

It is clear that attention is now focused on the remuneration packages being offered to new and existing CEOs as well as those being shown the door. In New Zealand this was evident in the swift reaction from institutional investors to the option package put forward by the NZX for CEO Mark Weldon, and just across the Tasman we have seen shareholder activism sweeping the boardroom, with shareholders voting against Sol Trujillo's A$11.7 million package at Telstra, Suncorp Metway's proposal for John Mulcahy and the remuneration report tabled by Babcock & Brown's board.

If boards fail to heed the messages that are being delivered loud and clear by mainstream shareholders, not just traditional activist groups, then they will have far bigger concerns to deal with. This is potentially a galvanising issue for workers, while expensive remuneration and PR consultants will be seen to have a conflict of interest if they stand out against a broader social opinion. Potentially worse still is the prospect that real and perceived corporate largess that benefits an elite group, regardless of performance, will bring increased government involvement in the business world.

Warren Buffett, quoted in the Economist in January 2007, has this to say - “In judging whether corporate America is serious about reforming itself, CEO pay remains the acid test…To-date the results aren’t encouraging”. That an icon of the investment world like Buffet treats the need for reform as beyond debate must carry weight with those at the head of our companies. As I have argued elsewhere, CEO remuneration and the communication and process around it is fundamental to shareholder perceptions of their boards’ competence and fairness. It is critical the CEO pay is linked to appropriate measures of their own and their company’s performance, and that this is transparently and willingly demonstrated in company reports.

Phil Spathis (Executive Officer of Australian Council of Superannuation Investors) identifies an “epidemic of short-termism” when it comes to the performance component of CEO remuneration packages. I agree that there is currently too much emphasis on short term incentives and would like to see medium to long term incentives represent at least 70% of any incentive scheme so managers focus on growing the business rather than focusing on short term gains that may not be in the company’s long-term interest.

Of course it is perfectly rational for CEOs to lean towards short-term incentives so this is an area where boards need to show increased backbone. It is also a problem that will not be solved simply by increasing the number of options issued to CEOs as many companies do in the name of longer-term alignment of CEO and shareholder interests. While sound in theory, in practice option schemes have been criticised for a number of reasons. A major bone of contention has been the lack of stretch in performance hurdles built into option schemes, i.e. exercise prices that result in options being in the money without shareholders being delivered excellent returns. Worse still are cases where exercise prices have been revised downwards after a share price fall to make it easier for CEOs to end up in the money. Generous options grants have also been associated with higher levels of fraud. For example, Jared Harris who is Assistant Professor of Business Administration at Brigham Young University, Minnesota and Phillip Bromiley, Assistant Professor at Brigham Young University, Minnesota studied hundreds of firms forced to restate earnings after accounting irregularities and found that companies that paid out most of their compensation in stock options were far more likely to end up restating earnings.

Options, if used in isolation or as too great a portion of a remuneration package, can also encourage undesirable risk-taking. A recent study of almost a thousand US companies by W. Gerald Sanders, Vice President of Research, Pennsylvania State University and Donald Hambrick , Professor of Management at Pennsylvania State University found that a CEO whose compensation was made up mostly of stock options tended to “swing for the fences”, making investments and acquisitions that were riskier than those made by other executives. Thus in spite of aiming to align CEO and shareholder interests, used without careful consideration, options actually have strong potential to increase the divergence of shareholder and CEO interests. As James Surowiecki puts it, “when you make it rational for people to bet the house, you may end up without a roof over your head.”

Options have their place, especially in young, cash poor companies where both shareholders and employees are on the same page in terms of the risks involved. However, when it comes to providing an equity-based driver for CEO pay, most boards should think very hard about why they are not simply requiring CEOs to invest a proportion of their overall salary and bonus package into ordinary shares.

Last, but by no means least, is the matter of disclosure. At present those attending AGMs and reading annual reports in New Zealand could be forgiven for getting the impression that the board would rather visit the dentist en-masse than present and discuss transparent information about their CEOs’ remuneration packages. A lack of transparency around executive pay means that shareholders are often left wondering if the board really has a clearly articulated set of measures that genuinely reflect the key drivers of value for the company in question. Worse still it raises concerns about whether the board is being ridden roughshod over by the CEO they are supposed to manage, or even worse, colluding with the CEO at the expense of shareholders and other stakeholders.

In summary, I do not begrudge rewarding CEOs handsomely for sustained periods of good performance, providing shareholders have similar benefits.The way that a CEO’s package is structured is an integral part of the Board’s management of the CEO, and this, surely, is a strategic and company specific matter. There is something fundamentally flawed about a board seeking to comply religiously with “norms” of what and how other similar sized corporates do in such an important area. Excellent performance and shareholder returns seem more likely to accrue in companies that think for themselves in such critical areas, and that have CEOs who aren’t insistent on being treated identically to their peers.

Des Hunt

THE GLOB AND THE BEACON – A PICKWICKIAN ADVENTURE

Last year it was decided to award the Glob not to a person but to a Bank,- the bank which refused to release copies of client correspondence to the liquidator of Feltex.

The fact that the Liqidator became the client on appointment, and his authority derived from the High Court seemed to have escaped the attention of the ANZ Bank management and directors. By highlighting the actions of the ANZ Bank NZSA may well have hastened the eventual settlement.

In any event the executive and other eager members assembled outside the main Queen Street Branch followed by press and TV cameras. The charge was ably led by Bruce Sheppard, clad as usual in his Viking Helmet and bearing the Glob like a club. Small wonder that one excitable member of the public challenged us before we could set foot inside the bank. “Who do you think you are?” demanded a gypsy woman in long black dress and pendulant earings.

“Da-daa!” Bruce took up a positive pose and held up the Glob. “Grrr” went the gypsy and she violently head butted our chairman, who was barely save by his helmet and began to drip blood from the forehead.

After this charge, we entered the bank determined not to retreat. We each took tickets and presented our award citations to the confused tellers. We then set about all the financial consultants seated in the branch. The message got through and the manger arrived She said we must approach the Public Relations department, hidden as you would expect well away from the Queen Street action and the largest branch. “Don’t come here - Blame Wellington.” It is a familiar theme, but then, we have a mission to establish a property owning democracy, and it was good to acquaint some of the bank staff with the questionable actions of their employers.

The Beacon was a much happier occasion. Tony Gibbs was treated to a luncheon and a formal citation which praised him for his stand on principle in resigning from the Vector board, for his bold work in opposing the new tax regime instituted by the government, and for his astute direction of Tower Corporation which is operating positively and independently in both New Zealand and Australia. We will not always be on the same side as Tony, but he was recognised for a strong and successful year, and we all enjoyed his stories and affable companionship in true Pickwick style.

Action for February: The branch conference will consider the parameters and processes for nomination and decide on how the branches can contribute to the decision making and publicity for these annual awards.

Alan Best

2008 and all that.

Having retired from active participation in the affairs of the Association, I am unaware of what our Board have in mind for your bedside reading this month but I thought that some of you might like to receive a small piece of comfort having seen the New Zealand share market slide every working day of 2008 until 23 January. This is a long time to be confronted with a slide in wealth and I am quite sure that many members will be anxious about their portfolios. They may even be wondering what action they should take to stem what seems on the face of things to be a stampede. I am constrained by the fact that giving financial advice is from my own perspective and given recent and proposed legislative changes, a no go situation so I regret that you will have to suffer some general information. Everybody has different objectives and requires specific advice but I am also conscious that as an Association we do have a responsibility to ensure that our members are educated. My objective in this short piece is to try and instil into you that absolute panic is unnecessary and is no substitute for good advice.

As a background, our share market has been favoured with a long period of growth in share prices. However this rise, which over a five year period has been around 100%, must be put in perspective. Those of you with long memories will recall that in 1986 our share market Index was called the Barclays Industrial Index and was at one stage close to 3900. It was later changed to the NZSE Gross Index and on 31 December 2003 changed again to the NZX 50 Index. Do not forget that the 1984 Index fell dramatically in 1987 to the point where the Index, at the time of writing, is still only 3607. So, 20 years later, we still have only just caught up. In between we have had a short recession and a 9/11 crisis. There is another pointer that you should remember and that is we have had a decade of uninterrupted low inflation. In 1987 the Inflation rate was at a peak of 18% and had hit 18% in 1976 and 1980. This is the factor that in my view did the greatest damage to the value of your portfolios. We are now in the rather fortunate position of experiencing for some years a positive return in our investments, a situation that we have rarely had in the past. We should all thank Don Brash for that. But even more impelling, we should resist any effort that may be placed on the Reserve Bank to dilute the importance of inflation as a target in the control of interest rates. There are many reasons for changes in the market but there is one word that neatly sums up the view that is prevalent when investing - greed.

Now I would like to turn to the last point that I believe is relevant to your investment process; the worth of your holdings. In the last couple of decades, we have seen many companies being taken over or moving off the exchange for one reason or another and the number of holdings has rapidly reduced on the Exchange. Fortunately, what is left is considerably better managed (with some exceptions) than has been the case in the past. Profitability of companies is more certain and, thanks to the regulatory bodies (and our Association has played a not insignificant part), the governance of listed companies is markedly superior. Whilst there will be a few companies that may see a drop in profits given the recession overseas, these will be minimal. I believe our economy is in reasonably good shape.

My thought to you is that you should not be too worried. Your dividend yield will, after tax, be considerably better than the rate of inflation a situation that was far from the case in 1987. At least your growth in return will be positive. If you have invested wisely then your future dividends will continue to increase albeit at perhaps on average a slower rate than in the past. Do not panic. Take good advice.

COMPANY MEETINGS

2007 Report by Proxy Co-Ordinator

During 2007 there were 54 Annual General Meetings and Special Meetings attended by proxy representatives of the Association.

Breakdown by region:

Auckland	38
Te Puke	1
Christchurch	7
Tauranga	1
Dunedin	1
Wellington	4

This was a good achievement, and we hope to cover even more meetings in 2008.

Thank you to all those Board and Branch members who acted as a proxy representative for the Association.

Oliver handed over his proxy role and responsibilities mid-2007 and the Association is extremely grateful for his many years of researching, attending, questioning and voting on behalf of shareholders.

We would ask that if you cannot attend a shareholders meeting yourself that you appoint the NZSA as your proxy.

Jacquie Staley

Hellaby AGM November 2007

I should have prepared this report in time for our December newsletter, my apologies.

Obviously HBY had a lousy year to June 2007, operating profits down in just about every division and continuing losses from the BBQ factory, which finally resulted in the board writing the BBQ factory down to its net asset and taking an impairment loss on the chin.

The new CEO John Williamson presented himself to the shareholders for the first time; he has been on the board as an independent director for 2 years.

Falconer was apologetic and moderately humble rather than defensive. He announced that Hugh Green will be resigning as soon as a replacement has been found and that a process to find such a replacement was underway. So far the process has not found anyone, except the “usual suspects” Falconer wants some young blood with relevant experience. Good on him for resisting old boy appointments.

He announced that henceforth the dividend policy would be 50% of profits and on questioning it was clear that this would be without the benefit of any imputation credits.

Williamson’s address to the meeting was refreshing in that he did not seek to lay blame or unnecessarily re litigate the failure of the past; he simply laid out his plan for the coming year, which may be summarized as:

- Cut the bleeding on the BBQ from $2m pa to a break even as fast as possible.
- Improve margins in the core business of packaging and industrials, while defending the retail patch.
- Significantly reduce debtors and stock using the proceeds to reduce bank debt.
- Sell non core assets.

He advised the meeting in response to questioning that he was comfortable with the broker’s forecasts for the 2008 year and confirmed that the company was tracking to budget. What this means is a full year EBITDA of $43m up from $37m and a likely fully year profit of $13m to $14m.

In general questioning I suggested that paying dividend without ICA credits exposes the underlying profits of the company to double taxation which effectively means that out of each dollar of company earnings 58c finds its way to the government with company taxes of 30% and individual taxes of 39%. With a 30% take at each level 51c goes to Helengrad. This makes no sense at all, and I suggested to the meeting that it would be better to not pay dividends at all, accelerating the balance sheet rebuild and the resultant earnings increase (hopefully) and wait for up to three year to receive increased dividends with ICA credits. I asked the Chairman to have a show of hands from the meeting. He clearly anticipated that most shareholders would prefer some cash regardless of the inefficiency. He was surprised it was down the middle. I asked him to send all shareholders a paper on the matter and ask shareholder for a postal vote on dividend policy. He agreed, but has subsequently accused me (good naturedly) of ambushing him. He is however proceeding with the plan for a shareholder poll on dividend policy.

Bruce Sheppard

Hallenstein Glasson Holdings

The meeting was held on 11 December and only a small bunch of shareholders attended, a number of whom would likely have been staff. The Board and management really are reclusive and the only reason for mentioning this meeting as being of any value to shareholders and members unable to attend, is to stress that some benefits can be achieved when several shareholders join in the debate for more information. The former CEO had resigned abruptly in May and by the date of the meeting the Chairman clearly expected that there would be no comment from shareholders. The comment that the process was well on track seemed disingenuous in the extreme. We managed to glean from the exchange of comment that a second executive search team had been engaged during the process but despite persistent prodding there was no indication that the Board had given any deadline to the consultants nor did there seem to be urgency in the matter. The Herald the following week had referred to the fact that the chairman was in Australia interviewing prospective candidates. This surely could have been revealed to shareholders on 11 December, it might have avoided the clear feeling that discussion on this topic was not welcome. Having been to several meetings in November where chairmen had given lucid and exciting indications of their visions for their companies the request to spell out the Hallenstein vision was met with little excitement. For the record the objective is to be an Australasian retail company with dual listing; when was not spelt out.

Finally a poll was taken on the resolution to change the constitution and a miserable 16.1 million out of 59.6 million votes were cast (27%). Of the votes cast, 1% voted against this resolution and 1% abstained. Apathy seems to have won the day. True to form the Board had embraced the Stock Exchange autopilot clause; your representative voted against this.

Oliver Saint

Extraordinary Meeting with Vector Board. 11th December, 2007

There has been a great deal of criticism and commentary on Vector for the sudden exit of 3 board members, and CEO, its censure by the Commerce Commission, and the suspected input behind the scenes of the Auckland Regional Services Trust. NZSA, after collecting comments from members and other interested parties, asked for a chance to meet with the board . Des Hunt led the charge with a prepared set of issues, and was supported in the meeting by Alan. Michael Stiassny who is often viewed critically as a strong, uncompromising Chairman, in this case sat back and let other directors address the issues, only chiming in when he felt we needed to push on.

The following issues were raised, not necessarily in this order:

1. Breadth and range of skills in Directorate: We noted the need for engineering and market planning. Bob Thomson said the major issue in Utilities is management of assets. (refer to NZ Rail's lack of maintenance) The previous board had been satisfied with this but the major shareholders and engineers on the board had not. This was being addressed.
2. Recent staff reductions: Were these forced on the company because of its "high" gearing and lenders? Alison Paterson and Tony Carter said that the gearing was not high for a utility, and that previous management had been too slow to rationalise.
3. Did they pay too much for Natural Gas? Michael said that it was always seen that rationalisations were necessary to achieve the forecast synergies. The previous board was too slow, and now that the rationalisations were being made the benefits were beginning to flow.

4. Independence of Directors: Des said we no problem with the Trust having 2 directors as long as those nominees were appropriate to the Vector business, but we did not want to see a Contact Energy situation were the independence of the board could be questioned. Tony Carter felt that the Trust directors were the right ones for Vector.
5. Succession planning: We criticised the sudden and unplanned rejuvenation, and said that long standing board members should perhaps be subject to annual re-election. Alison felt that the appointment of the acting CEO, and new nominees from the Trust had covered the situation.
6. Strategic Direction: Does it include diversification or simply lines management? Tony said that NZ Utilities are hemmed in by regulation and market constraints, and so to increase shareholder returns Vector would continue to research value-adding opportunities, accepting the implication that a different type of CEO is required for this.
7. Communications with regulators: Tony said that the relationship with the people was good but “they are still going to sit on us” He compared the situation with Australia where independent utilities structured as companies have a much tougher time than when assets were directly owned by tax-payers. The implication was that a more visible Trust presence on the board would improve the situation.
8. Transparent communications at the AGM. Alison said that they had to limit attendance at the AGM because of one non-shareholder’s irrational antagonism towards the Chair.
9. CEO pay and company incentives. Des put forward NZSA views, particulary on appointment of a new CEO. Bob said that incentive schemes were now implemented throughout the company, but not geared to shareholder returns because utilities business did not lend itself easily to this.

We believe that the fact that this meeting occurred is a good sign that the NZSA is more widely accepted as a reference point for shareholder opinion and that its views are carrying more weight with boards of directors.

NEW RULES FOR INVESTMENT ADVISERS.

Members should be aware that they have, starting on 1 March 2008, new rights in relation to their dealings with brokers and investment advisers.

It is now compulsory for brokers and investment advisers to provide all their (potential) customers with a disclosure statement showing the following types of information: experience and qualifications (including continuous education if belonging to a professional body); criminal convictions, previous bankruptcy, fees (including the potential receipt of trail fees), other interests and relationships, and type of advice offered. Further matters such as dispute procedures, indemnity insurance, audit and whether client funds are held in a Trust account must also be disclosed.

A booklet headed: *New SecuritiesLaw for Investment Advisers and Market Participants 2008* is available from the Securities Commission, P O Box 1179, Wellington or may be downloaded on the Securities Commission website www.seccom.govt.nz.

Several of our members operate as investment advisers, and by the way, offer their opinions at branch meetings. Because the legislation will include "presentations at seminars" among means of advertising, concern has been expressed that our association may be restricted by the new legislation.

It is NZSA policy not to be investment advisers. This is clearly stated in the disclaimer at the end of each edition of The Scrip. We are an association of investors who swap notes freely, and offer our opinions on all subjects associated with investment in publicly listed companies. Where we invite speakers to our meetings these speakers have the same freedom as our members, and must never be held liable for any advice they give at this time, whether they are perceived as investment advisers or not. Each member accepts responsibility for his own investment decisions and will take independent advice or not as he chooses. The board will consider this subject and suggest the wording of a "meeting disclaimer" to branch chairs.

BRANCHES

Auckland

Our first branch meeting is on Wednesday 20th February, and this will be followed by a discussion forum in which members will suggest issues we can pursue in the remainder of the year. The guest speaker is Craig Norgate, Chairman of PGG Wrightson, Director Of NZ Farming Systems Uruguay, Aotearoa Fisheries, Sealord, Dexcel, and the Government Growth and Innovation Advisory Board. A report of this meeting will be in our next issue of The Scrip.

Ken Cook – Chairman

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Bay of Plenty

Our committee is considering an active, varied and interesting programme for 2008 that will reflect the new market climate in which we are operating.

First up will be a Discussion Group meeting at 3pm on the 29th of February in the Gate Pa Bowling Club rooms. The guest speaker will be Hamish Colman of ABN AMRO Craigs who will "Comment on ABN AMRO Craigs' top five picks for 2008" and "Outlook 2008 with an investing strategy for a bear market should one eventuate."

The portfolio growth competition will be repeated in 2008. Entries are to be with Howard Zingel by 1st of March. Entrants are required to select a

portfolio of five companies that they think will perform best in 2008.
two prizes of one bottle of wine have been donated. Also, two bottles of wine have been donated for the persons who can guess where 1. the nzx 50 and 2. the asx 200 indices will be at the end of the year. The winners will be announced before dinner at our annual Christmas function.
May the market be your friend, (whether it goes up or down).

Lloyd Christie - Chairman.

Canterbury

Now that all the Holiday Festivities are over it is time to get the nose back to the grindstone and get routine life back on the road again. Our first committee meeting of the year will be on Tuesday 19th February at Max Smith's residence at which we hope to progress further on arranging our Guest Speakers programme over the next few months. We are still trying to pin down our new Mayor, Bob Parker, for a guest spot but he may be having problems getting the "old Daimler" to start. Jim Anderton is another speaker in our sights. A company visit to Ebos Group is another possibility.

The Branch Conference on 8th February is usually a day of stimulating discussion a report on which will no doubt appear in the April issue of "The Scrip".

Incidentally, I often hear our newsletter being referred to as "The Script". This is incorrect and misses the point of the nomenclature of our newsletter. Scrip according to my dictionary is a provisional certificate of money subscribed to a company entitling the holder to a formal certificate and dividends. It is derived from the abbreviation of subscription. "Script" on the other hand means handwriting or type imitating handwriting. So as can be seen there is a wide difference in the meaning of these two short words. As a young Banker I can remember every 6 months or so having to get out of safe custody in the bank strongroom these pages of bearer scrip with their attached interest/dividend coupons to be sent off for collection from the various companies on behalf of the bank customers. Computers and share certificates have made this task obsolete with the result that younger people may not have come across the word scrip in daily usage.

For those members who are gravely concerned at the decline in the Sharemarket recently just remember that this happens regularly every so often but that invariably the market comes back stronger than ever if given time. The worst thing one can do is to sell off cheaply those shares in good solid companies who will be able to ride out the stormy waters and sail smoothly once the waves have subsided. So be patient and hang in there for the most part.

Ritchie Mein,
Chairman, Canterbury Branch

Waikato

Salutations for a prosperous New Year might have been a bit premature, but we hope members portfolios haven't taken too much of a pounding.

The Waikato branch looks forward to an active year, building on previous years programs. The committee and Bronwyn in particular are working on arranging guest speakers and activities such as workshops and company visits.

The members competing in the sharegroup competition continue to meet monthly on a Sunday. Our portfolio consists of CEN 18.47%, RAK 15.93%, POT 14.06, MZY 13.64%, IFT 12.03%, NTH 5.07%, NZO4.72%, KFL 4.55% FPH 4.17% CTL 1.86%, the balance in cash. Our CEN holding is our most recent purchase. After several months of indecision, (or patiently biding our time,) plus funds accumulated over our summer recess we had a nice kitty to make a larger purchase than usual.

The group finds the competition a very worthwhile opportunity to discuss investment ideas and gather a range of investment strategies and viewpoints. Many brains at the table certainly bring a breadth of knowledge and experience. Getting to know fellow members/ investors better is also personally rewarding.

We would like to ask other branches to consider joining the competition and enliven proceedings.

Lets hope the financial and credit mess overseas can be sorted out and that markets return to a more positive outlook.

Wellington

This year we will be holding our branch meetings on the second Tuesday of each month. Once again First NZ Capital has kindly offered us the use of their meeting rooms in Caltex Towers and we hope to get one or two of their analysts along to talk to us from time to time.

However our first meeting this year won't be at FNZC – instead it will be a site visit to Xero where co-founder and CEO Rod Drury will brief us on the Xero story to date and plans for the future. Xero was founded in 2006, listed on the NZX in 2007 (XRO) and has built a very slick online accounting system that is being provided using a "software as service" model, initially for the New Zealand market but with plans for international versions . You can find out more about them at their web site www.xero.com.

Martin Dowse - Secretary Wellington Branch

MEMBERS ISSUES

AGMs Irrelevent?

In the December newsletter Oliver Saint wrote an article about whether the AGM was in danger of becoming irrelevant. I thought I might pass on my experience with PPK Ltd in Australia.

Prior to the AGM they allowed shareholders to write in with questions that ‘if time permitted’ would be answered at the meeting. I contacted PPK and posed a question then pointed out that I would be unable to attend the AGM personally and even if I did attend, my question might be answered. I suggested that as they had a shareholders section on their website that following the AGM, all questions asked and answers to them could be posted into this section of their website.

I’m pleased to report that they took this suggestion to heart and within 7 days of the AGM had posted the questions and answers. I know from experience that many companies do accept questions in writing before an AGM and that time constraints often mean they are not answered at the meeting and even when they are that not all shareholders attend the AGM. Most public companies have a website which usually incorporates a section for shareholders and perhaps the Association could push for publication of all questions asked by shareholders with a reply on the company websites.

Donald Charleston

Tax Time Again

For those members who make their own tax declarations, the recent changes in investment tax have made the process more challenging. ABN Amro have published Investment Tax Facts a 54 page book at $29.95, which includes chapters on Fixed Income, Local Shares, Overseas shares, Residential and commercial property, Futures and Options, Portfolio Investment Entities (PIE), Kiwisaver, Capital and Revenue Account investing, Non resident, transitional resident and trust investments, and Deductability of fees. This is a useful and concise summary. Simply ring ABN Amro if you wish to purchase a copy.

Jim Mansell writes:

Many companies pay their dividends on a Friday and shareholders receive them into their accounts on a Monday. Over a large number of companies’ total dividend payouts, that’s a lot of interest forgone, and a lot of unearned income for the banks. We should get our companies to pay on a Thursday, and arrange for our dividends to be credited to our interest bearing accounts.

Good advice, Jim, and worth mentioning to the Company Secretary at the end of a meeting, over the cup of tea!

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