



Many Investors, One Voice

**ANNUAL REPORT AND SUPPORTING DOCUMENTS FOR THE ANNUAL
GENERAL MEETING**

OF THE

NEW ZEALAND SHAREHOLDERS' ASSOCIATION INCORPORATED

FOR THE YEAR ENDED 31 MARCH 2012

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AGENDA FOR THE ANNUAL GENERAL MEETING
of the
New Zealand Shareholders Association Inc.

The Annual General Meeting will be held on the 11th of August 2012 in Auckland commencing 1130 hrs.

1. Apologies
2. Approval of the previous Annual General Meeting minutes.
3. Chairman's Report
4. Election of Board Members
5. Presentation and adoption of the Annual Report including Chairman's Report and Annual Accounts.
6. Appointment of the Members Accounts Review(ers) by members and/or the Board.
"The National Board of the NZSA proposes the Members Account Review(ers) be appointed by members of the Association at the AGM or the National Board or the Association"
7. General Business.

ASSOCIATION DIRECTORY

Organisation	New Zealand Shareholders' Association Incorporated	
Registered Office	4th Floor Smith and Caughey Building Wellesley Street Auckland, New Zealand	
Contact details	Phone number 0800-697-27478 Web site http://www.nzshareholders.co.nz PO Box 6310 Auckland 1141 New Zealand.	
Date Incorporated	7 May 2001	
IRD Number	80-281-811	
Banker	The National Bank of New Zealand Limited	
Directors	John Hawkins (Chairman) Alan Best Chris Curlett (Secretary and Treasurer) Des Hunt Gayatri Jaduram Grant Diggle Jacqueline Bensemann Lyn Lim	
Members' Annual Accounts Review Committee.	Bryan Pippen	(Retired 31/03/2012)

PREVIOUS MEETING MINUTES

Minutes of the Annual General meeting of the New Zealand Shareholders' Association held on 6th August 2011 at Tauranga commencing 1145 hours.

Attendance J Hawkins (Chairman), A Best, C Curlett, G Diggle, J Hawkins, D Hunt, Lyn Lym, G Jaduram, J Bensemman plus a total of 221 members and partners/spouses.

Apologies Eleven apologies were received.
Proposed and seconded apologies be adopted. *Passed unanimously*

Previous Minutes **Proposed and seconded these be adopted. *Passed unanimously.***

Chairman's Report Hawkins referred the meeting to the Chairman's Report which had been circulated and spoke briefly to it.

Election of Board members

The Chairman advised there were no existing Board Members requiring to stand for re-election by rotation however three new people had served on the board over the preceding twelve months and were seeking election. They were L Lym, G Jaduram and J Bensemman. Each was asked to address the meeting.

Proposed and seconded they be appointed to the Board. *Passed unanimously.*

Chairman's Overview and Annual Accounts

The Chairman referred the meeting to the Chairman's Overview and spoke briefly to this. Curlett spoke briefly to the Annual Accounts and observed the Administration costs had remained largely unchanged from the previous year however the effect of the Anniversary Billing was being seen in the prepayments

Proposed and seconded the Chairman's Overview and Financial Statements be accepted. *Passed unanimously*

Reappointment of Financial Review Committee.

The Chairman gave a brief history of the Committee's appointment and thanked B Pippen for his work on this. It was pointed out that B Pippen was now partially retired and worked alone on the review and good practice would be to have two people on the Review Committee. Pippen had offered to continue in this role for the next twelve months however the Board wished to co-opt an additional person to assist him.

It was proposed Pippen be re-appointed to the Financial Review Committee with the power of the Board to appoint an additional member if required. *Passed unanimously*

Meeting closure at 1245

Signed as a true and correct record on _____ 2012

Chairman

Secretary/Treasurer

ELECTION OF BOARD MEMBERS

Two board members have retired by rotation and offered themselves for re-election. The following synopses have been supplied by each.

John Hawkins:

I joined the NZSA board in 2008 and a little over two years ago had the honour to be elected Chairman of the NZSA following the resignation of Bruce Sheppard. This is both a challenging and rewarding role. It requires a very significant time commitment, but the outcomes that can be achieved really do make me believe that we I can make a positive difference.

I continue to enjoy the confidence of the Board. I bring to the table a balance of professional approach, analytical ability and attention to detail. The changes in approach and governance I have initiated have resulted a very significant increase in our influence at all levels. In addition, better communication has heightened our relevance to the grassroots membership.

Much remains to be done particularly in the area of resourcing the NZSA. I would welcome the opportunity to continue to be part of the process going forward.

Chris Curlett:

Chris Curlett is a funding member of the NZSA and has served on the national board of the NZSA since that time.

He has undertaken a number of roles within the NZSA and is currently the Secretary / Treasurer of the Association.

He offers himself for re-election to the Board of the NZSA

CHAIRMAN'S OVERVIEW 2011 – 2012

Introduction.

The last 12 months have been a time of intense activity for the Association. The Financial Markets Conduct Bill has finally been introduced and is currently at Select committee stage. This will result in the biggest change in securities laws in a generation. As I indicated last year the NZSA has worked alongside other groups and the MED to ensure that the outcomes reflect your concerns and that a balance is achieved between the buy and sell sides of the capital markets. A key aim is to build confidence by removing regulatory risk. The new principles-based securities laws work on the simple premise that if something looks like a dog, wags its tail like a dog and barks like a dog, then it is a dog. It cannot be called a cat or an elephant to get around the regulations. We continue to have some concerns with part of the bill that automatically exempts some classes of investor from the disclosure regime. In our view, everyone should be covered unless they actively opt out. We have made strong representations to the Select Committee and will be interested to see the outcome.

One area that may concern members is the changes to the penalties regime. We considered this long and hard and came to the view that the multi layered approach proposed achieved the appropriate balance. While instant fines for companies and civil action are the primary deterrents, long prison terms remain for serious fraud and deliberate offending.

The new law also has a strong emphasis on increased accountability in the managed funds industry. The time is fast approaching when you will be able get meaningful performance and fee comparisons between suppliers, including in the Kiwisaver area. New licensing rules will be taking effect across previously unregulated areas and other changes will stop the ability of one management layer to pass the buck to another. The daunting prospectuses of recent times will be replaced by much briefer and more user friendly Product Disclosure Statement. However you will need internet access to conveniently view more detailed information.

We have also seen the first full year of FMA in action. The NZSA was virtually alone in calling for the early formation of this super regulator. Now it is established, not only have the outcomes been very positive for retail investors, but even the sceptics and naysayers have been converted. This says a lot about the efforts of the FMA establishment board (including our founder Bruce Sheppard), the current FMA Directors and Associates, and most particularly CEO Sean Hughes who, it seems, has broken the civil service mould to create a dynamic and focussed team. We are excited to have Sean speak to you at our conference this year – don't miss him!

Recently, FMA issued guidelines to ensure prospectuses (and eventually the new PDS document) will be written in plain language. You would be astonished at the howls of rage from many issuers and professional advisors. Despite that, some very large companies have begun to take the view that the time for resisting is gone and "they should just get on with it". You may remember we did an email member survey earlier in the year and it is notable that FMA used these results to support a number of the changes.

Of course we need to constructively engage based on sound principles and back it up with detailed research. This has stretched our limited resources, and without a huge effort from my fellow Legal and Regulatory subcommittee members, Gayatri, Grant and Lyn, this would not have been possible.

The NZSA board.

The last year has been one of stability with no changes. Discussion and decision making has been both robust and constructive. During this coming year I expect there may be some changes to board personal as part of the normal succession and refreshment process.

Membership.

Despite the economic headwinds and the resulting lack of confidence, we just might have turned the corner in regard to membership. The development of a more extensive “members only” area on our website, the Key Performance Data graphs and the email “pulsing” of information and voting intentions have all resulted in positive feedback.

Finance.

We remain in a sound financial position. Corporate sponsorships have continued and for the second year running, NZX has partnered with us and provided significant assistance toward the staging of our annual conference. Reserves are adequate for normal operations, but we do have limited resources available to mount a large campaign. To build these up, we have not yet replaced Patrick who retired at the end of 2011. The board is actively pursuing options to provide an ongoing income stream, but this will be some way in the future.

One disappointment has been our investment in FLOW Trust which the Board has resolved to write down to current asset value. As part of that process, we have taken ownership of the FLOW intellectual property and will be investigating options to try and extract some income from this.

Major activity this year

1. Although the Association is legally unable to give financial advice, we have made a point of email pulsing members with our voting intentions where contentious issues have arisen. We would like to do more but are obviously constrained by resources. Ultimately, we want to link this into our proxy service and provide clearer guidance for those of you who attend meetings on our behalf, as well as for investors who entrust their votes to us. This is a work in progress and may result in some members being shoulder tapped to assist.
2. We continue to refine our members only Key Performance Data graph system. The intention is to extend this from 50 to 100 companies over the next year.
3. Company advocacy continues to be lead by myself and Des Hunt with support from several other directors. It is a measure of market acceptance of the NZSA that it is difficult at times to handle all the requests to discuss issues. It is a nice problem to have!
4. Notable activity in the year included the Argosy management internalisation and corporatisation where we held sufficient proxies to determine the outcome. The Blue Star Bond changes caused a great deal of investor anger as the choices were very much a rock or a hard place. A completely different

problem was the 550 page Telecom demerger document. We managed to summarise the key points in less than six pages to make it easier for you.

We opposed director fee increases at Nuplex, Sanford and Sky City as performance did not merit these in our view - and won two out of the three. On the other hand, we supported changes in some cases, most notably Skellerup and Freightways as there was clear alignment with shareholder returns. Recent activity has been around Kermadec, NZ Refining and Metlifecare. Most recently the PGC/Perpetual issues have come to the fore. This particular issue still has a long way to run.

Behind the scenes there is always a lot going on and it is pleasing to see changes that we have promoted for a long time finally starting to be accepted. In the last month Methven have announced that their director fee increases will be linked to performance targets. This follows an earlier reduction in fees at Pumpkin Patch due to ongoing poor performance.

5. The NZSA remains in demand as a speaker at conferences and seminars, and we continue to have a high media profile. It can be challenging to obtain balanced coverage of our views at times, and for that reason a number of media releases are now appearing in full on the NZSA website.
6. Each NZSA Board meeting has a branch representative attend on a rotating basis. In addition, Gayatri, Jacqui Bensemann and I have all visited branches during the year. We are planning a formal branch conference in the next few months. Strong branches are essential to the health of the Association. I am indebted to the efforts of all committee members around the country.
7. Alan Best with great technical support from Bruce Parkes produces the Scrip magazine. We have had many compliments about the smart new layout they have instituted. They could not do this without the contributions by members from all over New Zealand. Thank you to everyone who sends in reports and opinion pieces.
8. We have introduced a raft of changes to our website which has resulted in a modern and much more user friendly interface. This remains an ongoing task and my thanks to Chris and the marketing team lead by Jacqui Bensemann. Those of you who do not have access to the internet or email are missing out on a wealth of opportunity in so many ways. You can now even send proxies via the internet in some cases. It is never too late to learn something new and I am sure your children and grand children would be happy to help demystify the process for you.
9. Board Associate Jacquie Hagberg has coordinated our proxy service. We continue to have representation at many meetings, but could certainly use more volunteers to assist with the large number of AGM's held in Auckland.

Awards

This year we gave the Beacon Award to Simon Challies, CEO of Ryman Healthcare. We also made a special merit award to Simon Power for the exceptional work he did as Commerce Minister. The Golden Glob award went to a particularly deserving winner in Rod Petricevic.

Litigation.

During the 2012 financial year the Association was named as one of the defendants in a

defamation action brought by Mark Hotchin and Eric Watson. The alleged defamatory allegations date back to 2009. The NZSA have advised their Professional

Indemnity Insurers of the action. The NZSA denies the claim and is defending the action. The latest amended claim sought \$3.5 million per plaintiff

Research Scholarships.

Last year we made a decision to discontinue the scholarship programme as it had proven impossible to get student uptake. Auckland University were disappointed and asked us to agree to vary the terms, which they believe will get some action. The other two scholarships are no longer offered.

Education.

We have continued to run courses on a regular basis in Auckland. On its own the NZSA can only scratch the surface. Financial literacy education remains a mess in New Zealand. We believe that until a comprehensive program is introduced from the beginning of school, financial literacy will remain appallingly low. Our discussions with Minister Craig Foss have not given us any confidence that the government will move on this anytime soon. That is a disgrace and may become apparent during the SOE float process where many people will have no idea of what they are buying into.

Summary.

This has been a busy and at occasionally stressful year for everyone on your Board. Our emphasis remains on making sure investors concerns are heard, promoting best practise and obtaining a fair deal for all shareholders. At the same time we are working to add extra value for our membership through exclusive offers and preferential access to information. The line up of speakers at this year's annual conference is second to none, and on its own this repays your membership fee several times over. We continue to gain momentum and respect among all participants and as a result are achieving steady change in both actions and mindset that a few years ago would have been unimaginable.

John Hawkins
Chairman.

ANNUAL ACCOUNTS AND ACCOUNTS REVIEW REPORT

NEW ZEALAND SHAREHOLDERS' ASSOCIATION INC.

Report from the Members' Annual Financial Statements Review Committee
concerning the 2011/12 Annual Financial Statements

As has been customary since the 2005 Annual General Meeting, an arms length review has been conducted of the Annual Financial Statements covering the financial result for the year ended 31st March 2012 and the financial position arising as at year ended 31st March 2012.

As in previous years, this task was not intended as an audit, but a review, (as per dictionary definition) from the appraisal work done, leading to a comment arising as to the fairness of the Treasurers' Report submitted.

Accordingly, the review has encompassed the bank account records and supporting ledger account details arising, together with the Annual Financial Statements which they support, in conjunction with appropriate balance date accruals for moneys receivable or payable as at the year ended 31st March 2012.

Asset book values, including equipment at depreciated cost, have been shown with intended fair presentation.

As a member requested to provide this report on a fair arm's length based on the financial position arising, I am able to do so, and confirm that I have been satisfied with all the explanations and answers received and can accordingly respond positively in the manner requested.

Bryan Pippen



As Appointed Reviewer
August 2012

New Zealand Shareholders' Association Inc.
Balance Sheet
As at 31 March 2012

<u>2011</u> NZ\$		Note		<u>2012</u> NZ\$
<u>ACCUMULATED MEMBERS FUNDS</u>				
66,088	Equity at the start of the year			52,944
(13,144)	Years Operating Deficit	9		(31,911)
<u>52,944</u>	TOTAL MEMBERS FUNDS			<u>21,033</u>
This is represented by:-				
<u>NON-CURRENT ASSETS</u>				
2,917	Investments (shares at cost)	4	2,917	
26,515	FLOW Charitable Trust (Education)	5	7,500	
20,916	Fixed Assets at book value		23,427	
50,348	TOTAL NON-CURRENT ASSETS		<u>33,844</u>	
<u>CURRENT ASSETS</u>				
	Bank			
6,807	Cheque account		1,848	
30,191	Other accounts		<u>12,875</u>	14,723
2,278	GST refund due			1,176
1,830	Accounts receivable		<u>4,322</u>	
41,106	TOTAL CURRENT ASSETS		<u>20,221</u>	54,065
<u>91,454</u>	TOTAL ASSETS			
<u>LESS CURRENT LIABILITIES</u>				
11,214	Accounts Payable		4,765	
26,806	Prepayments		27,961	
490	Branch accounts Balance		<u>306</u>	
<u>38,510</u>	TOTAL NET CURRENT LIABILITIES		<u>33,032</u>	
<u>52,944</u>	TOTAL NET ASSETS			<u>21,033</u>

Chairman

Secretary/Treasurer

These accounts must be read in conjunction with the Notes to the Accounts

New Zealand Shareholders' Association Inc.
Statement of Income and Expenditure
For the year ended 31 March 2012

<u>2011</u> NZ\$		Note	<u>2012</u> NZ\$
	<u>INCOME</u>		
1,211	Bank Interest		692
803	Dividends received		71
1,822	Donations		4,107
1,531	Education income		1,099
74,911	Subscriptions		76,288
20,056	Sponsorships received		30,000
-	Other income		-
<u>100,334</u>	Total Income		<u>112,257</u>
	<u>EXPENSES</u>		
64,798	Administration costs	1	58,350
3,336	Advocacy Action	2	9,628
5,259	AGM costs - 2011		10,003
3,631	Awards Presentation Costs		1,956
5,338	Branch Subsidies		3,962
301	Branch and Conference Expenses		74
305	Computer software		514
2,627	Credit card fees		2,364
1,408	Directors meeting costs		2,022
2,857	Education expenses		3,564
990	Membership promotion costs		1,379
6,487	Newsletters		7,000
3,927	NZSA Financial Accounts annual review costs	3	3,150
1,515	Webb site maintenance		4,065
-	Other expenses		160
<u>102,779</u>	Total Expenses		<u>108,191</u>
<u>(2,445)</u>	Operating Result before Depreciation and Extraordinary items		<u>4,066</u>
	<u>LESS NON CASH EXPENSES and EXTRAORDINARY ITEMS</u>		
10,699	Depreciation as calculated		14,495
-	Fixed Asset write offs	9	2,467
-	FLOW write off	5	<u>19,015</u>
<u>(13,144)</u>	Operating Deficit		<u>(31,911)</u>

Chairman

Secretary/Treasurer

These accounts must be read in conjunction with the Notes to the Accounts

Notes to the Accounts of the New Zealand Shareholders' Association Inc.

Statement of Accounting Policies

Financial Reporting Period

The financial statements are for the year ending 31 March 2012.

Statutory Base.

The New Zealand Shareholders' Association Inc is a non-profit making Incorporated Society registered as such with the Inland Revenue Department.

Measurement Base.

These financial statements have been prepared on a historical cost basis with accruals for amounts receivable and payable at year end.

Equipment Summary including Depreciation Data.

Asset Class	Cost	Opening Book value	Additions	Disposal	Depreciation	Closing Book value	Depreciation Rate used
Operating s/w	1,069	469	-	469	-	-	48%
Web s/w	61,874	17,551	19,474	183	14,224	22,618	48%
Stands	3,870	2,545	-	1,465	271	809	25%
Awards	623	350	-	350	-	-	25%
	67436	20915	19474	2467	14495	23427	

Whilst NZSA has been, and remains, operating as a going concern the closing book values above may not be realisable for the amounts stated.

Goods and Services.

All amounts stated in the financial statements exclude Goods and Services Tax other than in respect of Accounts Receivable and Accounts Payable items which include GST and the GST ledger account balance.

Events since Balance Date

Here have been no significant events since balance date.

Notes to the Financial Statements

1 Administration Costs.

A number of Expense items have been combined into this category. A comparison of the most significant items between the two years is;

	<u>2011-12</u>	<u>2010-11</u>
Administration costs	27,000	36,000
Accommodation	3,619	3,500
Accounting	18,000	18,000
Insurance	2,441	1,550
R and M	679	703
Parking	1,285	592
Postage	599	1,632
Stationery and Printing	1,514	1,809
Telephone	1,220	1,012
	56,357	64,798

2 Advocacy Action over \$1,000

	<u>2011-12</u>	<u>2010-11</u>
Financial Markets Authority		1,560
Argosy	4,052	
Hotchins and Watson (PI Insurance excess)	2,000	

3 NZSA Financial Accounts annual review costs

A Members Committee (originally consisting of two members) was instituted in 2005/06 to report to members concerning the Annual Financial Statements produced by the Secretary / Treasurer.

Their report, concerning the Financial Statements for the 2011/12 year, is attached as part of the 2011/12 Annual Report. This review was undertaken by one member (B Pippen) who has retired from this role as at 31/03/2012.

The cost of the report is accrued as \$3,120 and has been included in the Statement of Income and Expenditure (2011: \$3,927).

4 Investments.

The book value of these investments at 31 March 2012 was \$2,917 (2011: \$2,917). Shares in listed companies held by the Association are historical and may not be realisable for the amounts stated in the accounts.

5 FLOW.

FLOW is a Charitable Trust established to deliver Education Programs in the Work Place. The NZSA agreed to advance FLOW \$28,515 in seed funds to enable it to be established and develop interactive teaching programs. The Trustees of FLOW have acknowledged the Trusts responsibility to repay the seed funds advanced by the NZSA as cash flow allows. The seed funds were

not secured by any Guarantees from the Trust or Trustees, although the NZSA retains rights over the interactive teaching programs developed until the seed funds are repaid. There is no interest payable on the seed funds advanced.

During the 2010-11 financial year FLOW paid \$2,000 off the funds advanced. In that year the NZSA was also advised by the trustees of FLOW, that they had experienced difficulties acquiring sponsorship, and accordingly the education activities of FLOW had stopped. The trustees indicated they were looking at other options however any repayment of this advance would be delayed and/or could be impaired.

During the 2011-12 financial year the FLOW trustees advised the NZSA they had been unsuccessful in acquiring additional sponsorship for FLOW and so had elected to cease to trade and return the assets (mainly intellectual property) along with a small cash surplus estimated at \$7,500 to the NZSA in settlement of the financial obligations of FLOW to the NZSA.

The 2011-12 financial year the NZSA recognized the write off of the FLOW asset to \$7,500 with the balance (\$19,015) forming a part of the Extraordinary Expenses in the Income and Expense Statement. At the time of completing the Notes to the Accounts the balance of \$7,500 had not been received by the NZSA however Trustees of FLOW remained confident this would be paid in the 2012-13 financial Year

At the time of the decision to return the FLOW assets to the NZSA the Trustees were Ross Dillon and Kevin McCaffrey (both previous NZSA Board Members) and Alan Best (current NZSA Board Member who declared his interest in the decision)

6 Donations received in kind

Telecom paid the costs associated with the 0800 phone number used by the NZSA during the year.

7 Declaration of interest

NZSA National office Directors had the following interests in transactions over \$1,000

Chris Curlett.	Administration via secretarial work undertaken by his family.
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8 Legal Action

During the 2012 financial year the NZSA was named as one of the defendants in a defamation case issued by Messrs Hotchins and Watson. The plaintiffs alleged they were defamed by the NZSA and/or its officers in 2009. The latest amended statement of claim sought \$3.5 million per plaintiff. The NZSA have advised their Professional Indemnity Insurers of the action. The NZSA denies the claim and is defending the action.

9 Extraordinary Items

During the 2012 financial year significant one off extraordinary items were included in the Statement of Income and Expenditure of the NZSA which influenced the annual results. These were:

FLOW write off as detailed in note 5 above	19,015
Fixed Asset write offs	<u>2,467</u>
	<u>21,482</u>

PROXY FORM

The Secretary
New Zealand Shareholders Association Inc.
C/- PO Box 42-139
Orakei
Auckland. 1745
NEW ZEALAND

OR FAX TO +64-9-3095260

**NOTE TO BE A VALID PROXY IT MUST BE RECEIVED BY THE ASSOCIATION
NO LATER THAN 48 HOURS PRIOR TO THE MEETING**

Dear Sir

I _____ of _____

(Please print your name)

being a member of the New Zealand Shareholders' Association Incorporated hereby
appoint _____ of _____

(Please print their name)

or failing them

_____ of _____
(Please print their name)

as my proxy to vote for me on my behalf at the Annual General Meeting of the
Association to be held on the 11th August 2012 and at any adjournment thereof. My
proxy holder is instructed to vote as follows

For. Against. Proxy holder

Abstain.

to decide.

A Appointment of Board members

John Hawkins

☐☐☐☐

Chris Curlett

☐☐☐☐

C Adoption of the Annual Report
Including Chairman's Report and
Annual Accounts.

☐☐☐☐

D Appointment of Accounts
Review(ers) by members at the
AGM or the National Board.

☐☐☐☐

Signed by the member of the Association _____

Please PRINT your name here _____