



*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 31st MARCH 2013**

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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 7<sup>th</sup> of September 2013 in Christchurch commencing 1145 hrs.

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1. Apologies
2. Approval of the previous Annual General Meeting minutes.
3. Chairman's Report.
4. Vote on the Board recommendation that:  
  

*"1. The existing rules of the Association be altered by replacing the existing rules with the draft rules enclosed with the annual report; and*  
*2. The draft rules enclosed with the annual report be adopted as the rules of the Association."*
5. Election of Board Members.
6. Presentation and adoption of the Annual Report incorporating the Chairman's Report and Annual Accounts.
7. Re-appointment of M.A. O'Meara (Chartered Accountant) as Accounts Reviewer for the year ended 2014.
8. 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      M.A. O'Meara  
Accounts Reviewer.    (Chartered Accountant)

## PREVIOUS MEETING MINUTES

Minutes of the Annual General meeting of the New Zealand Shareholders' Association held on 11th August 2012 at Auckland commencing at 11:30 hours.

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**Attendance** J Hawkins (Chairman), A Best, C Curlett, G Diggle, D Hunt, L Lym, G Jaduram, J Bensemann plus a total of 261 members and partners/spouses.

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

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

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

### **Election of Board members**

The Chairman (Hawkins) vacated the chair to Diggle

Diggle advised Hawkins was standing for re-election to the Board of the Association and accordingly to avoid any conflict of interest Diggle would conduct the meeting whilst Hawkins re-election was considered. As Hawkins had spoken to the Chairman's Report and was known it was suggested he did not need to address the meeting regarding his re-election. There was no contest to this

**It was proposed and seconded Hawkins be re-elected to the Board of the Association. *Passed by acclamation.***

Hawkins resumed the Chair

Curlett addressed the meeting and provided a brief outline of his vision for the Association.

**It was proposed and seconded Curlett be re-elected to the Board of the Association. *Passed by acclamation.***

### **Chairman's Overview and Annual Accounts**

The Chairman referred the meeting to the Chairman's Overview previously discussed and the Annual Accounts of the Association.

Curlett addressed the meeting and spoke to the Annual Accounts, noting the boards success in moving the annual operating loss into a small operating surplus over the previous year and the extraordinary items contained in the accounts and the notes covering these.

**It was proposed and seconded the Annual Report incorporating the Chairman's Overview and Financial Statements be accepted. *Passed unanimously***

### **Reappointment of Financial Review Committee.**

The Chairman gave a brief history of the Committees appointment and advised that due to ill health B Pippen had retired from this role. The Board had difficulty in finding a replacement for Pippen however had had discussions with M.A. O'Meara (Chartered Accountant) in respect of this. Accordingly to Board recommended the appointment of M.A. O'Meara..

**It was proposed and seconded M.A. O'Meara be appointed to undertake a Financial Review on behalf of members. *Passed unanimously***

There was a vote of thanks by acclamation for the work that had been undertaken on behalf of the members of the Association by B Pippen

**Meeting closure at 1245**

Signed as a true and correct record on \_\_\_\_\_ 2013

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Chairman

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Secretary/Treasurer

## ELECTION OF BOARD MEMBERS

One board member has retired by rotation and offered himself for re-election and three NZSA members have offered themselves as members of the Board. The following synopsis have been supplied by each.

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### **Retired by rotation.**

#### **GRANT DIGGLE:**



Grant joined the NZSA board in 2009 bringing a strong background in governance, finance, sales and marketing and general management. He has worked in the commercial sector in mineral mining and manufacturing and also in the motor industry having held senior executive roles at Honda New Zealand Ltd.

Grant was Chief Executive of Chartered Secretaries New Zealand, a Division of ICSA International for eight years and is a former President of the New Zealand Division.

His recent work has been in the voluntary sector as Board Secretary of The Royal New Zealand Foundation of the Blind. He has also held senior management roles at both Parkinson's Auckland and The Motor Neurone Disease Association of New Zealand.

Grant is a Chartered Accountant, Chartered Secretary and Associate Member of The New Zealand Institute of Management. He is also a Director of the British New Zealand Business Association.

### **Nominations for new Board Members**

#### **ANDREW REDING:**

Andrew has been the Auckland committee chairman for the last 3 years, and was co-opted on to the NZSA Board in June this year. Andrew has an MA from Oxford and an MBA from Cranfield School of Management.



Born in the UK, he held a succession of senior roles in Europe before relocating to New Zealand in 1995. Andrew held a range of positions at Fletcher Building culminating as CEO of the Building Products and Steel Group from 2001-2006. He subsequently held two senior CEO roles simultaneously at Rank Group. Andrew now does consulting work as well as pursuing his own private interests. Andrew is Auckland based.

## **MAX SMITH**



I am a long term supporter of the NZSA and founding member of the Canterbury branch, being on the committee for eight of the last nine years.

Coming from a business background having had a major interest in a chemicals and plastics manufacturing distributing company I will be able to bring a sound commercial background to the NZSA along with being able to present a branch perspective to the national board.

Max has been an active investor in shares for over 40 years.

## **MARTIN WATSON**



Martin Watson was co-opted on to the NZ Shareholders Association Board in July of this year.

Martin has a background in agricultural science and agribusiness. He was formerly employed with Dow AgroSciences, for 17 years, in a range of research, commercial and strategic management roles in New Zealand and Australia.

Martin started investing in equities in the 1980s and has been actively involved in company analysis and investment ever since. In 2000 Martin made the decision to follow his passion and become a full time investor. Subsequent to this he established MJW Funds Management Ltd, a boutique financial service provider, building portfolios for separately managed accounts, focussed on listed investments in New Zealand and Australia.

Martin is actively involved in a wide range of community activities including in recent times chairing Waipa Biodiversity Council and Pukerimu Preservation Society Inc. Martin has been activities coordinator/treasurer for Waikato Branch NZ Shareholders Association since 2010.

Based in Cambridge, Martin is married to Karin and has a 10 year old daughter, Emily.



## **CHAIRMAN'S OVERVIEW 2012 – 2013**

### **Introduction.**

The last 12 months have been a time of intense activity in some areas and consolidation in others. The Financial Markets Conduct Bill is now close to becoming law. We remain involved in developing the necessary regulations to put its requirements into effect. I said last year that we had concerns with part of the bill that automatically exempted some classes of investor from the disclosure regime. This was the area that caught out many Ross Asset management clients. After months of intensive lobbying on our part, a change has been made that will give the FMA powers to insist on proper disclosure if it has concerns, even though this would not normally be required. While this is less comprehensive than we wanted, it is an important concession that will make it much harder for promoters with a dubious history to dupe innocent investors and we consider it a reasonable outcome. Gayatri Jaduram deserves special mention for her work on this.

The winding down of the Finance company prosecutions brings an end to a very sorry chapter. A new multi layered approach including instant fines for companies and civil action against directors and promoters are the primary deterrents going forward. These emphasise restitution where possible. Financial penalties are, in most cases, higher than for criminal prosecution. Prison terms remain for serious fraud and deliberate offending. We understand that many people would like to chuck all offenders in jail and “throw away the key”. However, the board view is that there must be a careful balance between legitimate commercial risk taking (which can sometimes go wrong, but which is necessary to grow companies) and actions that are deliberate and wilful in attempting to defraud investors. This will always be an area of tension and there is no simple answer.

For managed funds and KiwiSaver the new rules mean you will be able get meaningful performance and fee comparisons between providers. 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 200+ page prospectuses of recent times will be replaced by much briefer and more user friendly Product Disclosure Statement. However internet access will be essential for those managing their own affairs who want to access more detailed information on an issuer. We are pleased to see that plain language is finally creeping into these documents and expect this to accelerate. We are actively assisting some companies to achieve this.

The work in the regulatory area seems never ending and we remain actively engaged on a range of matters including the consumer advisory panel and FMC regulatory working groups.

The FMA continues to perform well and is now broadening its approach. The Association enjoys a very constructive relationship with FMA. We are disappointed that CEO Sean Hughes has announced he is leaving. Those who heard him at last year's conference can only have been impressed.

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 considerable effort from my fellow Legal and Regulatory subcommittee members, Gayatri Jaduram, Grant Diggle and Lyn Lim, this would not have been possible. Members should not underestimate just how important this work is, even though it may often be under your radar. Without good law, strong regulation and active enforcement we would quickly slide back to the "wild west" where retail investors were hugely disadvantaged.

### **The NZSA board.**

I wrote last year that I expected there would be some changes to board personal as part of the normal succession and refreshment process. At the AGM, we will have three members, Jacquie Bensemman, Des Hunt and Alan Best stepping down. All have given great service to members, some for many years, and all remain committed to assisting the Association to grow both in numbers and influence.

Fortunately, we have been able to co-opt three very able replacements in Max Smith (Canterbury), Andrew Reding (Auckland) and Martin Watson (Waikato). This also marks the start of a deliberate strategy to achieve broader input to board decisions by involving a wider geographic spread of members. All three are up for formal election at the AGM and all are unanimously commended to you by the Board.

Discussion and decision making remains both robust and constructive and we are increasingly using subcommittees to consider some matters in greater depth.

### **Membership**

After a number of years of flat membership, we are finally seeing a small increase. Based on feedback we receive, we believe the email pulsing of information and voting intentions has had a positive influence. This is very resource intensive however, and we do remain constrained in the number of issues we can actively pursue.

The board has been working on a significant membership initiative which we are hopeful of announcing at the AGM.

### **Finance and Administration**

In March we announced that Australian litigation funder IMF had agreed a significant sponsorship package with the Association. Other corporate sponsorships have continued and again this year, NZX has committed to partnering with us and provided significant

assistance toward the staging of our annual conference. We are conscious that sponsorship should not be seen as a way of “currying favour”. To that end we are exploring whether there are suitable ways to remove the direct link between sponsorship and the NZSA. This is a complex area and may take some time to resolve. I can assure members that any funds received are provided without strings, and if they were given as a way to influence us, we would not hesitate to walk away.

The end result is that with this funding and careful cost control we have been able to build our reserves. These are still below our ideal figure and the board is committed to increasing them sufficiently to resource a large campaign should the need arise.

We are also progressing an initiative which could provide an ongoing income stream under the leadership of Andrew Reding. Progress has been slower than we had hoped and while the potential is significant, the outcome remains uncertain at this stage.

### **Activity this year**

1. While the Association is legally unable to give financial advice, we have made a point of email pulsing members with our undirected proxy voting intentions where contentious issues have arisen. This service is very popular with members and we will continue to extend it as resourcing allows.
2. We have been refining our members only Key Performance Data graph system. We are aware that there were some problems with timeliness of updates and occasionally data accuracy. These have been addressed and work is proceeding on extending this to the top 100 companies. Currently some 60 are available. Alan Best and Chris Curlett are working on this.
3. There will be changes to our company advocacy team with the resignation of Des Hunt. While I will continue to lead this, Martin Watson, Andrew Reding and Grant Diggle, supported at times by all our other directors, will be taking an increasing role. If issues are particularly contentious we now form sub committees to advise the full NZSA board.
4. Some notable activity in the year included a number of complaints to NZX and FMA around perceived governance and disclosure failings. We are concerned at the long delays involved in bringing these to a conclusion. Until decisions are reached we have decided that it would be inappropriate to publicise the nature of these complaints. I can report that our concerns with the perpetual nature of the Opus JV related party transaction has been largely addressed by Opus voluntarily agreeing to consult with shareholders again if commitments exceed a particular level. This is an excellent negotiated outcome. Having Max Smith as a South island based director has been very helpful in increasing our influence on “Mainland” companies and Opus was a good example. We have expressed our concerns to Diligent about a raft of sloppy governance issues and are satisfied that corrective actions have been taken. Unfortunately, during a period of strong growth, systems were not properly addressed and it is always possible that further

problems of a similar nature could emerge before the changes are fully in effect. The Association had a high profile during the Mighty River float. Our survey of members was widely quoted and proved to be an accurate reflection of changing attitudes once the Labour/Greens policy was announced. We intend to conduct more surveys over the coming months. Behind the scenes, as always, there is a lot going on. The advent of electronic proxy appointment and voting has been a boon for many people, especially those with trusts and multiple signatories. We will be turning our attention to the unnecessary requirement to have all trust signatories sign paper documents (unless this is expressly in the trust constitution) and hope to eradicate this frustrating exercise over the next year. Similarly, the recent Property for Industry voting form was an exemplary model, which we will be encouraging all companies to copy. We have also been pushing for fairer fund raising options. Unless there are pressing or special reasons, we favour renounceable rights issues as the fairest option (rather than SPP's for example) and are pleased to report that Argosy Property was first cab off the rank in this regard.

5. CEO remuneration and directors fees increases remain on our radar. We continue to take a moderate view. Providing there is close correlation between pay and performance we will generally not intervene. In line with last year's negotiations, Sanford did not lift the director's pool because performance had not met our agreed performance targets. We again opposed Nuplex directors maintaining leading edge remuneration when shareholder returns had been modest. A 36% vote against their proposal has hopefully sent a clear signal. We were encouraged to see internal promotion to CEO at both Auckland Airport and The Warehouse. This year I spoke about remuneration at PWC seminars in both Auckland and Wellington and outlined the expectations of retail investors and the perils of ignoring accepted social norms in regard to pay.
6. We are concerned that a number of listed companies do not have "standard" governance arrangements. Some that are overseas registered are not subject to the NZ Companies Act or the Takeovers Code. Others have shareholding or director waivers that mean effectively the majority cannot control the minority. In some cases there are issues around audit requirements. We are in discussion with NZX to find a way that investors can be warned to factor these non standard arrangements into their risk analysis.
7. The NZSA is increasingly in demand as a speaker at conferences and seminars ranging from University student classes through to high level conferences such as the Securities Law Conference. We continue to push the views of retail shareholders and ensure that these are not lost in the "noise" from the funds management, broking and merchant banking ends of the markets. Our media profile is good through most of the country, but Auckland is a challenge at times. We post some media releases in full on the NZSA website as media coverage can be unbalanced and sensationalist – which is certainly not helpful.
8. Each NZSA Board meeting has a branch representative attend on a rotating basis. I recently spoke at the Bay of Plenty Branch AGM and certainly appreciated the

warm welcome. We will have another inter branch conference in the next few months. Strong branches are essential to the health of the Association and I remain indebted to the efforts of all committee members around the country.

9. Alan Best and Bruce Parkes produce the Scrip magazine. We have had many compliments about the professional layout and interactive electronic versions they have instituted. Alan will continue as Editor outside of the board when he steps down at the AGM. Thank you also to everyone who sends in reports and opinion pieces – the lifeblood of the magazine.
10. We continue to tweak our website and regularly add new information both in the public and members areas. 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.
11. Board Associate Jacquie Staley has again ably coordinated our proxy service. We achieved a record 90 AGM attendances last year. We are always on the lookout for volunteers to assist with the large number of AGM's held in Auckland.
12. The Secretarial and Treasury role continues to be well served by Chris Curlett. Chris also handles membership and institutes ongoing changes and improvements to the website. His time commitment is very considerable. We are lucky to have someone prepared to put in this effort year after year.

### **Future Directors and Board Diversity**

Future Directors was a major initiative launched during the year. It is a joint venture with the Institute of Directors and has been driven primarily by Des Hunt, Sir Stephen Tindall and Michael Stiassny. Over 400 applicants have applied and the calibre of many is simply stunning. This proves there is no shortage of top tier people willing to enter the director ranks, and we expect that over time the initiative will build a larger pool of experienced people from which to choose. Des has indicated he wishes to continue promoting this initiative from outside the board when he retires at the AGM and we are very pleased to accept that offer.

This is part of our broader strategy to encourage greater diversity in the boardroom. We have developed policy and made submissions on this through the year. Gender diversity are the buzzwords, but our views are much broader than that. Although Jacqui Bensemann is stepping down, her important contribution to this topic remains.

### **Awards**

This year we gave the Beacon Award to John Parker, Chairman of Port of Tauranga. The Golden Glob was not awarded. Although it is popular with the press and a good number of our members, the board is concerned at the potential for litigation and is reviewing whether we should continue with this award in the future.

### **Litigation.**

Members will be aware that during the year a settlement was reached in regard to the defamation action brought by Hotchin and Watson. Lyn Lim was a great asset to the board as we worked through the very complex issues involved. The settlement is subject to a confidentiality agreement imposed on us and we are unable to comment beyond what has already been sent to you. Members will note that there has been no funding provided directly from the Association towards this settlement over the last financial year. However, one collateral effect has been a significant increase in the Associations insurance cost. We have no option over maintaining our cover. The personal risk to our directors and branch officers would potentially result in many, if not all, stepping down if it was discontinued.

### **Research Scholarships.**

Last year I wrote that Auckland University was committed to finding a suitable person for the one remaining PhD scholarship. This has now occurred. Going forward, we will provide more information via the Scrip. An important advantage for the NZSA is that we will gain some valuable research time ourselves as part of the arrangement.

### **Education.**

We have continued to run courses on a regular basis in Auckland. On its own the NZSA can only scratch the surface, however in the last year the Commission for Financial Literacy and Retirement Income has emerged as the National Coordinator of Financial Literacy education. It has published material for both schools and Sorted Coordinators. It is working with the FMA on investor education and the FMA website supplements the Sorted website as a resource for private investors. In our opinion the whole area remains insufficiently funded at Community College level, but on a positive note, Sorted seminar presenters are being contacted and trained nationally. Financial literacy should be an essential part of the school curriculum, and the CFLRI is pursuing this. However, it remains a voluntary option currently. Perhaps surprisingly, research shows that we are superior to most OECD countries in basic financial literacy, but the standard is still far to low. We expect that Kiwisaver will stimulate more NZers to take an interest in how their savings are invested.

### **Summary.**

This has been a year of consolidation and steady progress. Our emphasis remains on making sure investors concerns are heard, promoting best practise and obtaining a fair deal for all shareholders. We continue to try to find ways of adding value to your membership.

This year we have changed the Conference and AGM name to the 2013 Investor Conference. This more truly reflects what a terrific event it has become and anyone who

can possibly attend should make the effort. On its own, the conference will repay 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, ACCOUNTS REVIEW REPORT AND NOTES**





O'Meara & Co

Chartered Accountants

409 Dominion Road, Mt Eden

Auckland 1446, New Zealand

P O Box 56 565, Auckland 1446

## Accountant's Report To

### The Members of

### New Zealand Shareholders' Association Inc.

I have reviewed the financial statements of New Zealand Shareholders' Association Inc. on pages 18 to 22 for the year ended 31 March 2013, in accordance with the Review Engagement Standards issued by the New Zealand Institute of Chartered Accountants.

A review is limited primarily to enquiries of company personnel and analytical review procedures applied to financial data, and thus provides less assurance than an audit. I have not performed an audit and, accordingly, I do not express an audit opinion.

Based on my review, nothing has come to my attention that causes me to believe that the accompanying financial statements on pages 18 to 22 do not give a true fair view.

7<sup>th</sup> August 2013

**M A O'Meara**  
**O'Meara & Co**  
**Chartered Accountant**  
**Auckland**  
**New Zealand**



New Zealand Shareholders' Association Inc.  
Balance Sheet  
As at 31 March 2013

<u>2012</u> NZ\$	Note	<u>2013</u> NZ\$
<b><u>ACCUMULATED MEMBERS FUNDS</u></b>		
52,944	Equity at the start of the year	\$21,033
-	Unrealised Share Investments 7	\$ 2,418
(31,911)	Years Operating Surplus/ Deficit	\$14,212
<b><u>21,033</u></b>	<b>TOTAL MEMBERS FUNDS</b>	<b><u>\$ 37,663</u></b>
This is represented by:-		
<b><u>NON-CURRENT ASSETS</u></b>		
2,917	Investments (Shares) 7	\$ 15,062
7,500	FLOW Charitable Trust (Education) 6	\$ -
23,427	Fixed Assets at book value	\$ 19,378
33,844	<b>TOTAL NON-CURRENT ASSETS</b>	<b>\$ 34,440</b>
<b><u>CURRENT ASSETS</u></b>		
	Bank	
1,848	Cheque account	\$ 8,919
12,875	Other accounts	\$ 10,585
1,176	GST refund due	\$ -
4,322	Accounts receivable	\$ 24,921
20,221	<b>TOTAL CURRENT ASSETS</b>	<b>\$ 44,425</b>
<b><u>54,065</u></b>	<b>TOTAL ASSETS</b>	<b>\$78,865</b>
<b><u>LESS CURRENT LIABILITIES</u></b>		
4,765	Accounts Payable	\$ 5,825
27,961	Prepayments	\$ 32,064
-	GST Payable	\$ 837
306	Branch accounts Balance	\$ 2,476
<b><u>33,032</u></b>	<b>TOTAL NET CURRENT LIABILITIES</b>	<b><u>\$41,202</u></b>
<b><u>21,033</u></b>	<b>TOTAL NET ASSETS</b>	<b><u>\$37,663</u></b>

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 2013**

<u>2012</u> NZ\$		Note	<u>2013</u> NZ\$
<b><u>INCOME</u></b>			
\$ 692	Bank Interest		\$ 702
\$ 71	Dividends received		\$ 362
\$ 4,107	Donations		\$ 2,356
\$ 1,099	Education income		\$ 836
\$ 76,288	Subscriptions		\$ 78,138
\$ 30,000	Sponsorships received		\$ 31,666
-	Other income		\$ 600
<u>\$ 112,257</u>	Total Income		<u>\$ 114,660</u>
<b><u>EXPENSES</u></b>			
\$ 58,350	Administration costs	1	\$ 30,688
\$ 9,628	Advocacy Action		\$ 4,665
\$ 10,003	AGM costs		\$ 5,757
\$ 1,956	Awards Presentation Costs		\$ 3,175
\$ 3,962	Branch Subsidies		\$ 4,040
\$ 74	Branch and Conference Expenses		\$ 2,788
\$ 514	Computer software		\$ -
\$ 2,364	Credit card fees		\$ 2,789
\$ 2,022	Directors meeting costs		\$ 3,927
\$ 3,564	Education expenses		\$ 2,262
-	Insurance (2012 This was included in Administration)	1	\$ 4,188
\$ 1,379	Membership promotion costs		\$ 3,463
\$ 7,000	Newsletters		\$ 7,346
\$ 3,150	NZSA Financial Accounts annual review costs	2	\$ 4,125
\$ 4,065	Webb site maintenance		\$ 6,526
\$ 160	Other expenses		\$ 72
<u>\$ 108,191</u>	Total Expenses		<u>\$ 85,809</u>
<u>\$ 4,066</u>	Operating Result before Depreciation and Extraordinary items		<u>\$ 28,851</u>
<b><u>LESS NON CASH EXPENSES and EXTRAORDINARY ITEMS</u></b>			
\$ 14,495	Depreciation as calculated		\$ 14,639
\$ 2,467	Fixed Asset write offs	5	\$ -
\$ 19,015	FLOW write off	6	\$ -
			<u>\$ 14,639</u>
<u><u>-\$ 31,911</u></u>	Operating Surplus / (Deficit)		<u><u>\$ 14,212</u></u>

Chairman

7 August 2013

Secretary/Treasurer

7 August 2013

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

## **NOTES TO THE ACCOUNTS OF THE NEW ZEALAND SHAREHOLDERS' ASSN INC**

### **Statement of Accounting Policies**

#### **Financial Reporting Period**

The financial statements are for the year ending 31 March 2013.

#### **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
Web s/w	\$ 80,672	\$ 22,617	\$ 10,590	\$ -	\$ 14,436	\$ 18,771	48%
Stands	\$ 1,264	\$ 810	\$ -	\$ -	\$ 203	\$ 607	25%
	\$ 81,936	\$ 23,427	\$ 10,590	\$ -	\$ 14,639	\$ 19,378	

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, Accounts Payable and Share Investments all of which include GST and the GST ledger account balance.

#### **Events since Balance Date**

Here have been no significant events since balance date.

### **Changes in Financial Policy**

Subsequent to the 2012 financial year the investments in Shares as stated are at their potential realisable value at Balance Date. The NZSA has also undertaken a policy to establish a reserve by investing in the share market. This has an intrinsic risk due to the unknown realisable value of these investments however this has been mitigated by a policy of investing in the New Zealand market and

having a wide diversity of companies in whom the investments are made. (See also Note 7).

## **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;

	<b>2012-13</b>	<b>2011-12</b>
Administration costs	\$ 5,025	\$ 28,892
Accommodation	\$ 1,500	\$ 3,619
Accounting	\$ 18,000	\$ 18,000
R and M	\$ 853	\$ 679
Parking	\$ 1,525	\$ 1,285
Postage	\$ 329	\$ 599
Stationery and Printing	\$ 1,130	\$ 1,614
Telephone	\$ 2,326	\$ 1,220
	<hr/>	<hr/>
	\$ 30,688	\$ 55,909
Insurance	See also Legal Action note 4	\$ 2,441
Total Administration	<hr/>	<hr/>
	\$ 30,688	\$ 58,350

### **2 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. Subsequently in 2012 upon the retirement of the last Reviewer (Pippen) this role has been undertaken by M.A. O'Meara who was appointed at the 2012 Annual General Meeting. Members should note this is a Review and **not** an Audit.

The Review report, concerning the Financial Statements for the 2012/13 year, is attached as part of the 2012/13 Annual Report.

The cost of the report is accrued as \$4,125 and has been included in the Statement of Income and Expenditure (2012: \$3,120).

### **3 Donations received in kind**

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

### **4 Legal Action**

During the year a settlement was reached in regard to the defamation action brought by Hotchin and Watson. The settlement is subject to a confidentiality agreement. One of the unfortunate effects has been a significant increase in the Associations insurance cost.

## **5 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 (2013 Nil). These were:

	<b><u>2011-12</u></b>
FLOW write off (see also note 6)	19,015
Fixed Asset write offs	<u>2,467</u>
	<u><u>21,482</u></u>

## **6 FLOW**

FLOW was a Charitable Trust established to deliver Education Programs in the Work Place. The NZSA agreed to advance FLOW seed funds to enable it to be established and develop interactive teaching programs.

During the 2011-12 financial year the Trustees advised they had experienced difficulties acquiring sponsorship and as a result the education activities of FLOW had stopped. FLOW have re-paid the balance funds advanced.

## **7 Investments**

The Investments are valued in the 2012-13 accounts at their potential realisable value at balance date (\$15,062). Previously they were shown at their historical cost (2012 - \$2,917). See also Changes in Financial Policy. There is a fundamental uncertainty over the possible realisable value of these assets.

## **8 Payments**

Over the year Directors, Officers and Members have undertaken work on behalf of the Association and payments have been made for this at market rates.

## **PROPOSED DRAFT RULES**



## Commentary on the Proposed Draft Rules

Members will note that we are proposing a number of changes to the Associations rules at the AGM. The Rules are a living document that should be periodically reviewed.

It is six years since we last went through this exercise and in that time there has been a move towards the use of more plain English in documents where possible, along with setting out principles to be adhered to rather than being too prescriptive. The difficulty with prescription is that sometimes unforeseen circumstances arise, and unless these are specifically addressed in the rules, we may not be able to react in the members best interests.

A subcommittee of the national board has spent a great deal of time on this task. **We have been very careful to avoid making alterations that would change the nature or activities of the Association as these are clearly what attracted you as members in the first place.**

Key changes include:

- We have made the Objects of the Association much easier to read and understand. We have included some the specific tasks from the previous rules (as examples) without having an exhaustive prescriptive list. There are some changes to the wording around subscriptions that simplify administration. There is now no upper limit on the number of co-opted board members.
- We have included provision for Board Associates and clarified their role.
- The role of the board has been simplified.
- We set out generally the powers of the Association which the board can exercise.
- Roles for the chairperson, secretary and treasurer have been included.
- We have clarified how the income and property of the Association is to be used.
- We have added a specific provision on the review or audit of the Associations' annual financial accounts.
- There are some changes to the indemnity provisions – past directors, branch committee and employees included are in this. The indemnity

provision in the branch rules has been deleted as this is now covered in the main rules.

- A conflict clause has been added so that, for example, if a bylaw is introduced the bylaw is subject to the rules.

Branch rules are effectively unchanged except where alignment with the main rules (which take precedence) was necessary. Also we now refer to a closure of a branch rather than to its “liquidation” and as mentioned above the indemnity clause has been removed as it is now covered in the main rules. We have also removed the old “Cessation of membership” as most of this is now in the main rules.

The rest of the changes, (which is the great majority), simply tidy up, formatting, clarification in various areas, re-ordering, and adding definitions or removing superfluous ones.

The board has considered the suggested amendments to the Rules of the Association and unanimously supports their adoption.

# Proposed Draft Rules – full version

## RULES OF THE NEW ZEALAND SHAREHOLDERS' ASSOCIATION INC

### 1. Rules of the Association

The following are the rules ("Rules") of the New Zealand Shareholders' Association Incorporated ("Association" and "NZSA").

### 2. Definitions and Interpretation

#### 2.1. In this Agreement defined terms have the following meanings:

"Annual General Meeting" means the annual general meeting of the Association referred to in Rule 20.

"Association Meeting" is either an Annual General Meeting or a Special General Meeting.

"Board Associate" means an associate appointed under Rule 12.5.

"Board" means the board of the Association.

"Branch" means any Branch of the NZSA established pursuant to these Rules and which is subject to the Branch Rules.

"Branch Committee" means the committee of a Branch.

"Branch Rules" means the branch rules as set out in the schedule.

"Bylaw" includes rules, regulations, protocols and Board determinations.

"Chairperson" means the chairperson of the Association appointed by the Board from time to time.

"Group Member" means an Organisation who is a Member.

"Investment Products" means those investment products which the board from time to time decides will be investment products for the purpose of the objects of the Association.

"Joint Membership" means Members holding a joint membership under Rule 5.3.

"Member" means any person who becomes a member of the Association under Rule 5.

“Objects” means the objects of the Association referred to in Rule 3.

“Organisation” includes a company, trust and partnership whether incorporated or unincorporated.

“Secretary” means the secretary of the Association appointed by the Board from time to time.

“Special General Meeting” means a special general meeting of the Association referred to in Rule 20.

“Treasurer” means the treasurer of the Association appointed by the Board from time to time.

“Written Notice”, “in writing” and “written” means communication by post, facsimile or other electronic means (including email) and in relation to Rule 20 includes notice in the Association’s publication titled The Scrip and the Association’s website or a combination of these methods.

- 2.2 Headings are for information only and do not form part of these Rules
- 2.3 A reference to any gender includes all genders.
- 2.4 A reference to the singular refers also to the plural.
- 2.5 A reference to a person means and includes natural persons and Organisations.
- 2.6 It is assumed that matters not covered in these Rules may be decided upon by the Board.

### **3 Objects of the Association**

- 3.1 The objects of the Association are to:
  - a. Represent, protect and promote the interests of investors in shares and other Investment Products; and
  - b. To promote and encourage an active, efficient, fair and transparent market for raising capital and trading in shares and other Investment Products.
- 3.2 For the avoidance of any doubt, the Association can do all such things as are incidental or conducive to the attainment of its Objects or any of them and to promote any other activity not repugnant to its Objects, including without limitation:
  - a. Influencing through the policy of Government.
  - b. Making submissions to Parliament and regulatory bodies on laws.
  - c. Performing and encouraging research.
  - d. Providing an advocacy role.

- e. Providing a proxy service.
- f. Encouraging good governance within Organisations.
- g. Organising meetings and functions for members, often with keynote speakers from finance, industry, journalism, politics and other relevant sectors.
- h. Undertaking educational activities and working with other organisations in relation to investor education.
- i. Establishing and maintaining branches throughout New Zealand.

#### **4. Registered Office**

- 4.1 The Registered Office of the Association will be at a place in New Zealand as the Board may from time to time determine.

#### **5. How to become a Member**

- 5.1 To become a Member, a person ("Applicant") must:
  - a. Complete an application form, if the Board requires this; and
  - b. Supply any other information the Board requires.
- 5.2 The Board has complete discretion when it decides whether or not to allow an Applicant become a Member.
- 5.3 A person who is married to, in a de-facto relationship with or joined by civil union with a Member who pays the annual subscription can also be accepted as a member under a joint membership without paying any additional subscription. That person is deemed a Member for the purposes of these Rules provided that Members under a joint membership have only one vote combined and if they cannot agree how to vote then they are deemed to have abstained from voting.

#### **6 The Register of Members**

- 6.1 The Association will keep a register of Members which will contain the names of Members and such other information as the Board may from time to time require.

#### **7. What are the Privileges and Obligations of Membership**

- 7.1 All Members will abide by these Rules and any Bylaw.
- 7.2 If any of a Member's contact details change, that Member will give the new contact details to the Association.

- 7.3 Each Member will provide such other details as the Association may from time to time reasonably require.
- 7.4 Different rights, privileges and categories of Members may be determined from time to time by the Board as it sees fit.
- 7.5 No Member or Applicant will bring any legal action against the Association, its Board, or any Member regarding consideration for membership of or the expulsion of membership from the Association.
- 7.6 A Member will not make any public statement on behalf of the Association or appear to be doing so without the express written authority of the Board, or in case of urgency, of the Chairperson. The Board may however designate in advance and in writing any Member to be an authorised spokesman in any particular area of activity on behalf of the Association and that person is authorised to make statements subject to such conditions as may be set out by the authorisation.

## **8. What Subscriptions do Members pay**

- 8.1 Every Member will pay a subscription to the Association at a rate and for a period determined from time to time by the Board. The subscriptions are due and payable in advance on such date as the Board may from time to time prescribe.
- 8.2 Any Member who fails to pay any subscription within three months of the date it is due for payment will at the discretion of the Board be excluded from membership and if excluded the Member's name will be removed from the membership register. The Member still remains liable to the Association for any amount due.

## **9. When does Membership End**

- 9.1 If a Member wishes to resign as a Member, that Member will give notice in writing to the Secretary of his or her resignation.
- 9.2 The Association has the power to remove a Member from membership of the Association if:
  - a. The Member breaches any obligation, for example if the Member breaches these Rules or any Bylaw;
  - b. The Member does any act to bring the Association into disrepute; or
  - c. It believes, in its absolute discretion that it is in the best interests of the Association to remove the Member.
- 9.3 A Member who has resigned or has been removed or excluded as a Member will return to the Secretary any documents, papers and pamphlets which that Member may have as a right or privilege of Membership.

## **10. Representatives and Associates of a Member**

- 10.1 A Group Member who is a Member will appoint (and notify in writing to the Secretary the appointment and any changes to the appointment) a person as its representative to attend all Association Meetings (including the annual conference) and to exercise all voting and other rights vested in such Group Member.

A Group Member may invite any employee or associate of the Group Member or any other interested person to attend Association Meetings (including the annual conference) provided however that the invited person does not have any voting right or right of audience at any such meeting.

## **11. Who is the Board**

- 11.1 The Board comprises nine elected Board members.
- 11.2 The Board may co-opt further members to the Board during the year as the Board deems fit (including filling any casual vacancy).
12. How are Members nominated and elected to the Board & how does Board membership end
- 12.1 Subject to Rule 12.3, the Board members are elected at the Annual General Meeting, and each Board member is elected for a three year term.
- 12.2 All persons on the Board must be Members.
- 12.3 The process for nomination to the Board is as follows:
- a. A retiring Board member who is eligible for re-election to the Board is deemed to be nominated for re-election unless the Member has indicated in writing to the Board that the Member is not available for re-election.
  - b. Any Board member who has been co-opted under Rule 11.2 holds office until and including the Board meeting preceding the next Annual General Meeting following the date of co-option. That Board member is not automatically nominated under Rule 12.3 a.
  - c. A Member can be nominated for election to the Board if a nomination paper signed by the Member and supported by 2 other Members is lodged with the Secretary at least 44 days before the Annual General Meeting. A candidate may withdraw by giving the Board notice in writing to that effect before the date of the Annual General Meeting.
- 12.4 If there are more nominations than places available on the Board, a ballot will be held at the annual general meeting. The procedure for a ballot is as follows:
- a. The Chairperson (or the Chairperson's nominee) will, from among the Members of the Association present at the annual general meeting appoint two scrutineers, neither of whom will be Board members or candidates for election.

- b. The Secretary will provide a voting paper to every Member present in person who shall complete and return the voting paper to the scrutineers, together with any proxy voting forms held by that Member provided that in the case of Members holding a Joint Membership only one Member under that membership will be entitled to a voting paper and vote.
  - c. The voting paper will have provision for the membership number of the Member and the number of proxies held.
  - d. The scrutineers will count the votes cast. In the case of proxy votes, the scrutineers will satisfy themselves in such manner as they deem fit that any proxy votes have been validly cast. Their decision shall be final.
- 12.5 The Board may from time to time appoint one or more Board Associate. A Board Associate has none of the roles and powers associated with Rule 13.1 except where the Board has appointed the Board Associate for a specific purpose or role. However (and for the avoidance of doubt) a Board Associate will not have any voting or decision making rights but will have speaking rights.
- 12.6 A Member's Board membership (including that of a Board Associate), will end immediately and without notice, if he or she:
- a. Ceases to be a Member for any reason.
  - b. Resigns from the Board.
  - c. Is absent from 3 consecutive meetings without prior approval of the Board.
  - d. Becomes of unsound mind or infirm.
  - e. Becomes insolvent or makes an assignment for the benefit of creditors or takes or attempts to take the benefit of any statutory provision to dissolve his or her affairs and fails to satisfy the Board when required that the inability to pay debts arose from misfortune and that no discreditable conduct can be imputed.
  - f. If at a meeting of the Board, specially convened for the purpose, and of which not less than 14 days prior notice in writing has been given to all Board members, at which not less than 5 Board members are present, a resolution is passed by a majority of not less than 4 of those present and voting, declaring the office of such Board member vacated.
  - g. Is convicted by a competent tribunal of an offence which, in the opinion of the Board, renders him or her unfit to be a Board member.

### **13. What is the Role of the Board**

- 13.1 Subject to these Rules the role of the Board is to:
- a. Administer, manage, and control the Association.



- b. Carry out the Objects, and use income or other property of the Association to do that.
  - c. Manage the Association's financial affairs, including approving the annual financial statements for presentation to the Members at Annual General Meetings.
  - d. Set accounting policies in line with generally accepted accounting practice.
  - e. Delegate responsibility and co-opt members where necessary.
  - f. Ensure that all Members are aware of the Rules and any Bylaw.
  - g. Determine the eligibility for membership.
  - h. Decide the times and dates for Meetings, and set the agenda for Meetings.
  - i. Decide the procedures for dealing with complaints.
  - j. Set membership fees, including subscriptions and levies.
  - k. Make Bylaws.
  - l. Determine the establishment and set up of Branches.
  - m. Do anything else the Board from time to time determines to be a role of the Board.
- 13.2 The Board has all of the powers of the Association, unless the Board's power is limited by these Rules or by a majority decision of the Association.

#### **14. The Roles of the Chairperson and Secretary/Treasurer**

- 14.1 The Chairperson is responsible for:
- a. Ensuring that the Rules are followed;
  - b. Convening Board meetings and establishing whether or not a quorum (half of the Board) is present;
  - c. Chairing meetings, deciding who may speak and when;
  - d. Overseeing the operation of the Association;
  - e. Providing a report on the Association at each Annual General Meeting; and
  - f. Doing anything else the Board from time to time determines.

The Chairperson may delegate to any of his or her roles to any other Board member subject to the approval of the Board and upon any conditions the Board may decide.

- 14.2 The Secretary/Treasurer is responsible for:
- a. Recording the minutes of Board meetings and Association Meetings;
  - b. Keeping the register of Members;
  - c. Holding the Association's records, documents, and books except those required for the Treasurer's function;

- d. Receiving and replying to correspondence as required by the Committee;
- e. Forwarding the annual financial statements for the Association to the Registrar of Incorporated Societies upon their approval by the Members at an Annual General Meeting;
- f. Advising the Registrar of Incorporated Societies of any rule changes;
- g. Keeping proper accounting records of the Association's financial transactions to allow the Association's financial position to be readily ascertained;
- h. Preparing annual financial statements for presentation at each Annual General Meeting. These statements should be prepared in accordance with the Association's accounting policies;
- i. Providing a financial report at each Annual General Meeting;
- j. Providing financial information to the Board as the Board determines; and
- k. Doing anything else the Board from time to time determines.

The Secretary/Treasurer may delegate to any of his or her roles to any other Board member subject to the approval of the Board and upon any conditions the Board may decide.

## **15. Board Meetings and Subcommittees**

- 15.1 The Board will meet, adjourn and otherwise regulate its meetings as the Board decides. The Board will meet personally or by any other format the Board decides (for example, by telephone, by teleconference or by email) at least twice each year.
- 15.2 A meeting of the Board can be convened at any time at the request of the Chairperson, Secretary or three Board members.
- 15.3 The quorum for any Board meeting is five Board members or the remaining Board members if there are less than five Board members in office at the relevant time. No business will be done at a meeting unless a quorum is present and the quorum must be present at all times during the meeting.
- 15.4 Any questions or matters arising at any meetings of the Board will be decided by the majority of the votes recorded and each Board member present personally or by proxy will have one vote. A Board member voting by proxy will only nominate as a proxy a person who is a Board member. The Chairperson will not have a casting vote. Where there are an equal number of votes the motion will be lost. If there is no record in the minutes of the votes cast, the resolution will be deemed to have been unanimous.
- 15.5 At all meetings of the Board the Chairperson will preside as Chairperson, and in his or her absence the Secretary will preside as chairperson. In the absence of the Chairperson and Secretary or if the Secretary is otherwise unable to chair the meeting, a chairperson will be elected from among the Board members present at the meeting.

- 15.6 A meeting of the Board for the time being at which a quorum is present can exercise all or any of the authorities, powers and discretions vested in the Board by any means whatsoever.
- 15.7 The Board may pass a resolution without a meeting being held if the majority of the Board members who are entitled to vote on the resolution so vote on the resolution. The resolution must be in writing (which includes email) and is valid and effective as if it had been passed at a meeting of the Board duly called and constituted. A copy of the resolution will be forwarded to each Board member as soon as practicable.
- 15.8 Decisions of the Board bind the Association, unless the Board's power is limited by these Rules or by a majority decision of the Association.
- 15.9 The Board may appoint subcommittees as the Board may from time to time determine from among Board members or from among other Members. The Board may delegate any of its powers to a subcommittee and may make rules for regulating the proceedings of a subcommittee. The following provisions will also apply to a subcommittee:
- a. The Chairperson of the Board will be ex-officio a member of the subcommittee.
  - b. The Board will appoint a chairperson and determine the quorum for meetings of the subcommittee.
  - c. A person who is a member of a subcommittee but not a Board member has a right to speak but not vote at any subcommittee meeting.

## **16. Use of Income and Property of the Association**

- 16.1 The income and property of the Association will be applied solely towards the promotion of its Objects (including such things as are incidental or conducive to the attainment of its Objects or any of them and other activity not repugnant to its Objects) and the costs and expenses of the Association (including third party costs such as costs of solicitors and accountants for work relating to the Association).
- 16.2 All legacies, endowments, donations, gifts of money or other real or personal property will be dealt with as set out in Rule 16.1.

## **17. Additional Powers**

- 17.1 The Association may exercise any power a person holding a position of a trustee ("trustee") might exercise including without limitation:
- a. Employ, engage or remove people for the purposes of the Association;
  - b. Invest in any investment;
  - c. Borrow money and provide security;
  - d. Acquire, lease, hold, furnish or dispose of any building or land for use by the Association;

- e. Institute, conduct, defend, compound or abandon any legal proceedings by or against the Association, its officers or otherwise relating to the affairs of the Association; and
- f. Exercise any other power a trustee might exercise.

## **18. Financial Year**

- 18.1 The financial year of the Association begins on 1 April of every year and ends on 31 March of the next year.

## **19. Assurance on the Financial Statements**

- 19.1 The Association may at each Annual General Meeting determine whether the annual financial accounts for the following financial year should be reviewed or audited. The following provisions will apply depending on whether the accounts are to be reviewed or audited:
  - a. The Association will appoint a person to review the annual financial statements of the Association ("the Reviewer"). The Reviewer must be a suitably qualified person, preferably a member of the New Zealand Institute of Chartered Accountants, and must not be a member of the Board, or an employee of the Association. If the Association appoints a Reviewer who is unable to act for some reason, the Board shall appoint another Reviewer as a replacement.
  - b. The Association will appoint an auditor ("Auditor") to audit the annual financial statements of the Association. The Auditor must be a suitably qualified person and preferably a member of the New Zealand Institute of Chartered Accountants, and must not be a member of the Board, or an employee of the Association. If the Association appoints an Auditor who is unable to act for some reason, the Board shall appoint another Auditor as a replacement.

## **20. Association Meetings and Voting**

- 20.1 An Association meeting ("Association Meeting") is either an Annual General Meeting or a Special General Meeting.
- 20.2 The Annual General Meeting will be held between 1 April and 30 September (inclusive) in each year. The following will apply to Annual General Meetings:
  - a. At least 60 days Written Notice of the day, hour and place of the Annual General Meeting will be given to Members.  
In calculating the 60 day Written Notice, the date of posting (whether by mail, email or website posting or notice in The Scrip) of the notice and the date of holding the meeting will be excluded.

- b. The Written Notice will call for nominations to the Board in accordance with Rule 12.3.C.
- c. The Written Notice will call for notice to be given of any motion ("Motion") which it is intended be put to the Annual General Meeting. The Motion must be received by the Secretary in writing at least 44 days before the Annual General Meeting.
- d. The business of the Annual General Meeting will be:
  - i. Receiving any minutes of the previous Annual General Meeting.
  - ii. The Chairperson's report on the affairs of the Association for the past financial year.
  - iii. The accounts made up to the previous 31 March (which will be signed by the Chairperson and the Treasurer).
  - iv. The accounts made up to the previous 31 March (which will be signed by the Chairperson and the Treasurer).
  - v. The annual election of Board Members.
  - vi. Motions to be considered.
  - vii. Any other business deemed by the Chairperson or Members present to be appropriate for consideration by the meeting.
- e. Special General Meetings may be called by the Board. The following will apply to Special General Meetings:
  - i. The Board must call a Special General Meeting if the Secretary receives a written request ("requisition") signed by at least 30 of the Members for a meeting. The requisition must specify the purpose for meeting. No other business shall be considered at such meeting.
  - ii. The Secretary will within 30 days of the receipt of the requisition proceed to convene a Special General Meeting to be held within 60 days of the date of receipt of the requisition.
  - iii. The requisition and Written Notice must specify the purpose for the meeting.
  - iv. The Secretary will give at least 14 days Written Notice to the Members of the Special General Meeting, the day, hour and place of the meeting and the general nature of the business to be dealt with. In calculating the 14 day Written Notice, the date of posting (whether by mail, email or website posting or notice in The Scrip) of the notice and the date of holding the meeting will be excluded.

- 20.3 At every Association Meeting fifteen Members personally present (not by proxy) and entitled to vote will constitute the quorum but in the case of Members holding a Joint Membership only one Member will be counted for quorum purposes.
- 20.4 If at any Association Meeting a quorum is not present within half an hour of the time appointed for holding the meeting, a meeting convened upon the requisition of Members shall be dissolved. In any other case the meeting will be adjourned to the same day in the next week at the same time and place or to such other day not being more than 14 days after the original meeting date at such time and place as the Chairperson of the meeting may appoint. If at the adjourned meeting a quorum is still not present, then Members who are present will constitute a quorum and transact the business for which the meeting was called.
- 20.5 The Chairperson, or in that person's absence the Secretary, will chair every Association Meeting. If the Chairperson or Secretary is not present, or if the Secretary is otherwise unable to chair the meeting, a chairperson will be elected from among the Board members present at the meeting. If at the meeting there is no-one entitled, willing and present to chair the meeting within 15 minutes after the time appointed for holding the meeting, then Members present will choose one of them to be chairperson.
- 20.6 The chairperson at an Association Meeting may adjourn the meeting if necessary to another time and place but only unfinished business at the meeting will be transacted at the adjourned meeting.
- 20.7 On any given Motion at an Association Meeting, the chairperson will in good faith determine whether to vote by one or more of the following:
- a. Voices;
  - b. Show of hands; or
  - c. Secret ballot.
- However, if five Members demand a secret ballot before a vote by voices or show of hands has begun, voting must be by secret ballot.
- If the votes are equal both on a show of hands and for a secret ballot the chairperson will not have a casting vote. Where there are an equal number of votes the Motion will be lost. .
- 20.9 All Members may attend and have one vote (including by proxy) at Association Meetings provided that in the case of Members holding a Joint Membership only one Member under that membership will be entitled to vote.
- 20.10 Votes may be given by a Member personally or by proxy. The proxy does need to be a Member. The instrument appointing a proxy will be in a form approved by the Board from time to time.

- 20.11 Unless otherwise instructed by the Member appointing the proxy, the proxy may vote as the proxy thinks fit. An incorrectly completed proxy shall be deemed an abstention, unless a contrary intention is clear.

The proxy form must be lodged with the Secretary no less than 48 hours before the relevant Association Meeting.

- 20.12 A declaration by the chairperson of the Association Meeting that a resolution has been carried by a particular majority or lost or not carried by a particular majority and an entry to that effect in the books of the Association is conclusive evidence in favour of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

## **21 Notices**

- 21.1 A notice may be served by the Association on any Member in writing.
- 21.2 Any notice sent by the Association to a Member is deemed to have been received on the day following that on which the notice was posted or sent. In proving service of the notice it is sufficient to prove that the notice was properly addressed and posted or sent, a certificate in writing signed by the Secretary or other officer of the Association that notice was posted or sent is conclusive evidence of receipt by the Member.

## **22. Privileged Communications and Indemnity**

- 22.1 All Board communications, correspondence, reports, minutes and other papers and documents, is privileged and confidential and the contents of the same cannot be disclosed outside the Board except on the express authority of the Board.
- 22.2 The Association indemnifies and keeps indemnified each current and past Board member, Branch Committee member, employees and other officer of the Association from and against all actions, claims, costs (including legal, costs and expenses on a solicitor and client basis) losses, proceedings, damages, liabilities, or demands suffered or incurred by them in the discharge of their duties except when losses occur through dishonesty or wilful misconduct.
- 22.3 No Board member, Branch Committee member or other officer of the Association is liable for:
- a. the acts or defaults of any other Board Member, Branch Committee member, employee or other officer; or
  - b. for any loss or expense happening to the Association or Branch,
- unless the same happens from that person's dishonesty or wilful misconduct.

## **23. Alteration of Rules**

- 23.1 The Association may alter or replace these Rules at an Annual General Meeting or a Special General Meeting by a resolution passed by a two-thirds majority of those Members present and voting provided that no alteration or replacement of the Rules can be approved if it affects the personal benefit Rule or the winding up Rule (Rules 26 and 27) unless the Board certifies that the proposed amendment is consistent with the true purpose and intent of these Rules.
- 23.2 At least 14 days before the Annual General Meeting or Special General Meeting the Secretary will give to all Members written notice of the proposed motion to alter or replace the Rules, the reasons for the proposal, and any recommendations the Board has.
- 23.3 When a Rule alteration or replacement is approved by an Annual General Meeting or a Special General Meeting the Rule alteration or replacement will not take effect until the Secretary has filed the alteration or replacement with the Registrar of Incorporated Societies.

## **24. Seal**

- 24.1 The Association will have a common seal which will be in the custody of the Secretary or at such other secure location as is approved by the Board from time to time and which will only be used by the authority of the Board. Every document to which the common seal is affixed will be signed by of such members of the Board as the Board may direct.

## **25. Bylaws to govern the Association**

- 25.1 The Board may from time-to-time make, alter or rescind Bylaws for the general management of the Association, so long as these are not repugnant to or in conflict with these Rules or to any law. Bylaws will be binding on Members where relevant. A copy of any current Bylaw will be available for inspection by any Member on request to the Secretary.

## **26. Winding Up**

- 26.1 If the Association is wound up:
  - a. The Association's debts, costs and liabilities will be paid out of the Association's money and other assets. For avoidance of any doubt the Association's money and other assets includes money and other assets sitting with the Branches;
  - b. No distribution of the Association's money and other assets may be made to any Member;
  - c. Money and other assets of the Association which may be left over after payment the amounts under a. may be given or transferred to some other association having objects similar to the Objects and having in its constitution a similar prohibition on the distribution of surplus assets or income among its Members. If a suitable association cannot be found the proceeds shall be donated to a charity at the discretion of the Board.



## **27. Payment to Members**

- 27.1 No Member or any person associated with a Member may participate in or materially influence any decision made by the Association in respect of the payment to or on behalf of that Member or associated person of any income, benefit or advantage whatsoever.
- 27.2 Any such income paid shall be reasonable and relative to that which would be paid in an arms-length transaction (being the open market value). The provisions and effect of this Rule shall not be removed from these Rules and shall be included or deemed implied in any rules replacing these Rules.

## **28. Conflict between Rules and Bylaws**

- 28.1 These Rules are to be read in conjunction the Branch Rules and any Bylaws. If there is any conflict between these Rules, the Branch Rules and any Bylaw, then:
  - a. the Branch Rules and any Bylaw will be read subject to these Rules so that the Rules prevail; and
  - b. the Bylaw will then be read subject to the Branch Rules so that the Branch Rules prevail.

# Schedule

## BRANCH RULES

### 1. Name of Branch

Whenever the Board of the New Zealand Shareholders' Association Incorporated ("NZSA") wishes to establish a Branch in a geographical area identified by NZSA, that Branch will be known as the "[location]" Branch of the New Zealand Shareholders' Association Incorporated". NZSA may establish a Branch by appointing the initial committee of the Branch.

### 2. Purpose of a Branch

The purpose of a Branch is to assist with the implementation of objects of the NZSA within its geographical area but subject to the Branch Rules. The activities of the Branch will be as prescribed from time to time by NZSA.

### 3. Branch Membership

Every person who is a Member of NZSA and applies for and is accepted as a branch member by the Branch will be a Branch member ("Branch Member") unless they elect not to be. If a person becomes a Branch Member that person will be identified as a Branch member of the relevant Branch.

### 4. Rules

All Branch Members will also be subject to these branch rules ("Branch Rules") and Bylaws.

### 5. When does membership end

A Branch Member, who ceases to be a Member of NZSA for any reason, ceases to be a Branch Member.

### 6. Committee

6.1 The Branch will be managed by a committee ("Branch Committee) of not less than 4 and no more than 12 duly elected or appointed Branch Committee members ("Committee Members") and includes any retiring Branch Chairperson referred to in (and subject to) Rule 7.2 below.

6.2 Casual vacancies of Committee Members may be filled by the Branch Committee.

6.3 All Members of the Branch are eligible for appointment to the Branch Committee.

## **7. Officers**

- 7.1 At the first meeting of the Branch Committee, after initial appointment and after each Annual General Meeting of the Branch Committee, the Branch Committee will elect from among their numbers a chairperson ("Branch Chairperson") and if they wish, a vice chairperson ("Branch Vice Chairperson). A Branch Chairperson must not serve as chair for more than three consecutive years unless otherwise approved in writing by the NZSA Board.
- 7.2 A retiring Branch Chairperson will remain a member of the Branch Committee for the next succeeding year, unless he or she chooses not to remain a member, is removed as a member of the Branch or ceases to be a Member of NZSA.

## **8. Secretary**

The Branch Secretary is appointed annually by the Branch Committee from its membership.

## **9. Treasurer**

The Treasurer is appointed annually by the Branch Committee from its membership, and may also be the Branch Secretary.

## **10. Financial year**

The financial year of the Branch begins on 1 April of every year and ends on 31 March of each year.

## **11. Annual report and accounts**

A copy of the accounts of the Branch ("Branch Accounts") will be provided to NZSA when asked to do so by NZSA and in any event the Branch Accounts and the Annual Report of the Branch for the year will be forwarded to Branch Members and to NZSA, at the same time as the notice is sent for the convening the annual general meeting of the Branch.

## **12. Annual General Meeting**

On a date to be fixed by the Branch Committee, but not later than 31 July in each year, the Branch will hold an annual general meeting of the Branch, for the purposes of:

- a. receiving the Annual Report of the Committee and the Branch Accounts;
- b. selecting a Branch Committee; and
- c. transacting other business normally done at annual general meetings.

## **13. Special general meetings**

A special general meeting of Branch Members will be held in any of the following circumstances:

- 13.1 If a majority present at a meeting of the Branch Committee, of which fourteen days' notice has been given, decide to hold a special general meeting for a particular purpose or purposes.
- 13.2 On a request in writing to the Chairperson signed by not less than twenty Branch Members or one-tenth of the Members of the Branch, whichever is the less. The requisition must specify the purpose for the meeting. No other business shall be considered at such meeting.
- 13.3 If NZSA directs that a special general meeting be held.

#### **14. Notice of meetings**

Fourteen days' notice of all annual and special general meetings ("Branch General Meetings") will be given to all Branch Members and to NZSA. The notice of meeting must set out sufficient detail to inform Members of the matters to be considered by the meeting. Notice of meeting may be given by post, email, or such other method as the Branch Committee decides.

#### **15. Quorum**

- 15.1 Five Branch Members, or at least 5% of Branch Members (whichever is the greater) personally present, at commencement of and throughout the meeting, shall constitute a quorum at all Branch General Meetings") but in the case of Branch Members holding a Joint Membership only one Member will be counted for quorum purposes.
- 15.2 If within half an hour from the time appointed for the meeting a quorum is not present, the meeting stands adjourned to the same day in the next week at the same time and if at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting, the Members present constitute a quorum.

#### **16. Voting**

Every Branch Member personally present at any meeting has one vote but in the case of Branch Members holding a Joint Membership only one member will be entitled to vote. In case of equality of voting, the Branch Chairperson may exercise a second or casting vote to preserve the status quo. Minutes shall be kept of all resolutions and proceedings of the Branch General Meetings.

#### **17. Meetings chairperson**

The Branch Chairperson shall preside at all Branch General Meetings and committee meetings ("Branch Committee Meetings") of the Branch. In his or her absence the Branch Vice Chairperson will preside if there is one. If neither is present within ten minutes of the scheduled time for the start of the meeting, then those present shall elect a chairperson.

#### **18. Committee meetings**

The Branch Committee will meet at least quarterly on dates to be decided by the Branch Committee or failing a decision by the Committee, by the Branch Chairperson. Notice of Branch Committee meetings shall be given to all Committee Members. Three

Committee Members present at any Committee meeting constitute a quorum. Minutes will be kept of all resolutions and proceedings of the Branch Committee.

**19. Branch funds**

- 19.1 The income of the Branch includes any allocation made by NZSA.
- 19.2 All funds shall be lodged to the credit of an account to be opened in a trading bank under the name of the Branch. Withdrawals shall be made under signatures authorised for that purpose by the Branch Committee being:
  - a. any two Committee Members; or
  - b. the Branch Secretary and any Committee Member.
- 19.3 All reasonable travelling and other out of pocket expenses of any Committee Member will be reimbursed by the Branch.
- 19.4 All accounts for payment will be scheduled for ratification by the Committee and minuted.

**20. Borrowing and Credit**

- 20.1 The Branch must not:
  - a. Borrow or raise money from bankers or other persons with or without security.
  - b. Enter into any contract which would obligate the Branch to expend funds in excess of its annual net income,  
  
without first obtaining the approval in writing of NZSA.

**21. Closure of Branch**

- 21.1 If NZSA's Board resolves to so do:
  - a. The Branch may be closed;
  - b. Recognition of the Branch may be withdrawn temporarily or for certain purposes subject to such conditions as NZSA's Board determines.
- 21.2 In the event of closure, the Branch will cease to exist and its assets and property will revert to NZSA. For avoidance of doubt if NZSA wound up then the Branch is deemed closed.

**22. Matters not contained in these rules**

Any matters not covered by these Branch Rules will be referred to the Board of NZSA for a ruling and the matter actioned accordingly.

## **25. Alteration to Branch rules**

These rules cannot be added to, altered or amended at any Branch General Meeting or at Branch Committee meetings. They can only be added to, altered or amended by NZSA at its Annual General Meeting.

## PROXY FORM

The Secretary  
New Zealand Shareholders Association Inc.  
C/- 40 Tidey Road  
Mr Wellington  
Auckland. 1072  
**NEW ZEALAND**

**OR FAX TO +64-9-3095260**

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

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 7<sup>th</sup> September 2013 and at any adjournment thereof. My proxy holder is instructed to vote as follows

		For.	Against.	Proxy holder to decide.	Abstain.
A	To adopt the new rules as sent to Members in the Annual Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
B	Appointment of Board members				
	Grant Diggle	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Andrew Reding	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Max Smith	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Martin Watson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
C	Adoption of the Annual Report Including Chairman's Report and Annual Accounts.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
D	Re-appointment of M.A. O'Meara as Accounts Review(ers)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Signed by the member of the Association \_\_\_\_\_

Please PRINT your name here \_\_\_\_\_

Member Number \_\_\_\_\_ (Failure to supply your member number will NOT render this Proxy invalid)