

The Private Investor

Issue 121 · April/May 2008

Snouts in the Trough

I wonder how many members saw the BBC's documentary on 1st April entitled "Super Rich: the Greed Game". It talked about the asymmetric reward systems within the financial system, whereby certain players share in the upside but not in the downside. This situation is directly at odds with the principle of stewardship, where you look after other people's money as if it were your own. Consider how widely this principle is ignored:



Hedge funds and much private equity, where the downside participation (i.e. the potential loss of their own money) of the agents is trivial compared to their upside and to the downside participation (total) of the underlying investors.

Any fund management contract where there is a performance based fee, alongside a guaranteed income in the form of a percentage of the fund.

Commission-based financial advice including, most critically, trail commissions.

Huge bonuses to staff in industries which have lots of good years, the profitability of which they increase through gearing, and which then wipe out the shareholders. Look at the long term history of banking.

Any share options granted to managers of companies, of whatever nature.

We can all avoid most of these traps at least with our own money. But the last item is squarely in UKSA's agenda and something we really need to debate amongst ourselves, in order to arrive at a balanced and informed consensus. We were founded to represent the interest of the underlying shareholders and investors. And, by remaining independent there is nothing to stop us questioning accepted wisdom. In forming our policies and campaigns, we should always remember our shared objectives, which are about businesses being run in the long term interests of the owners and in financial services of all kinds which are a fair partnership amongst all involved. And running businesses in the long term interest of the owners certainly does not mean having Chief Executives who have a short time horizon, picking up large capital sums and leaving the next person to sort out the mess.

Martin White

Northern Rock Now

The battle has moved now to another phase. **See Page 5.**

May 15th-17th - InvestFest Annual Convention - See Page 11

UKSA Contacts

UK Shareholders' Association
BM UKSA
London WC1N 3XX

Tel: 0870 70 60 600

Email: uksa@uksa.org.uk

Website: www.uksa.org.uk

National Chairman: Martin White
chairman1@uksa.org.uk

National Secretary: Toby Keynes
020 8405 9816 membership@uksa.org.uk

Editor: Bill Johnston 00420 415 653169 johnston@ln.cz

Regional Contacts

London & SE: Stan Grierson 01628 522514
swgrierson@tiscali.co.uk

Midlands: Charles Breese 01280 703482
larpentnewton@btinternet.com

North East: Brian Peart 01388 488419
brian@peartb.freemove.co.uk

North West: Peter Raynes 01565 633487
peter@raynes89.fsnet.co.uk

South West: Peter Wilson 01453 834486 or
07712 591032 AXMQ08@dsl.pipex.com

Scotland: Don Mackinnon 0141 942 8328
donjohnmac@aol.com

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Directors: Stan Grierson, Toby Keynes, Roger Lawson,
Derek Miles, Martin Morton, Peter Raynes, Martin White

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FORTHCOMING EVENTS

Regional events are generally open to members from all regions, but many are subject to availability and require booking in advance.

Company visits and analyst-style meetings are usually limited to a small number of members, and should be booked early. Please note that events are subject to postponement, usually at the request of companies to meet regulatory requirements, so please watch out for changes to these schedules.

NATIONAL

May 15th-17th; Leeds Crowne Plaza, Leeds InvestFest, the UKSA Annual Convention. Booking required. For further information and to book, contact Nicola Rowbotham (n.rowbotham@redmayne.co.uk, tel. 0113 200 6507).

May 17th; Leeds Crowne Plaza, Leeds; 2pm UKSA Annual General Meeting
This takes place at the end of InvestFest, but of course entry to the AGM is free and booking is not required. Members only.

LONDON & SOUTH-EAST

Marylebone meetings: advance booking is not required; door charge is £2.00, and refreshments can be bought from the bar. The Cricketers Club (upstairs or downstairs), 71 Blandford Street, London W1. For more information, please contact Stan Grierson (swgrierson@tiscali.co.uk, tel. 01628 522514).

Company visits must be booked in advance. Members from other regions are very welcome. These are generally held at the companies' offices; places are limited and subject to availability. For "waiting list" events, all places are taken but there is a waiting list for cancellations. To book, and for more info (except where stated otherwise), contact David Lowe (djmlowe@btinternet.com, tel. 020 8398 4058).

* **Asterisked events:** these are not organised by UKSA, but UKSA members are welcome subject to places being available.

April 7th; London West End; 2.15 for 2.30pm * WAITING LIST *****

Shaftesbury plc: company visit. A guided tour of the estate, with **Jonathan Lane, Chief Executive.** Limited to 8 members/guests.

April 16th; City of London; 4.15 for 4.30pm Oxford Biomedica: company visit, with **Chief Executive Officer Professor Alan Kingsman** and **Senior Vice-President, Corporate Strategy, Nick Woolf.**

April 17th; London West End; 2.15 for 2.30pm

***** WAITING LIST *****

Shaftesbury plc: company visit. A guided tour of the estate, with **Jonathan Lane, Chief Executive**. Limited to 8 members/guests.

April 22nd; Central London; 10.30 for 11.00am

***** DATE CHANGED *****

Smith Group: company visit.

April 23rd; Marylebone; 6.30 for 7.00pm

Objective Capital: presentation by this company, which is sponsored by smaller companies to provide investment research on them.

May 28th; Marylebone; 6.30 for 7.00pm

Tate & Lyle plc: presentation by **Chairman Sir David Lees**.

June 19th; Central London; 11.00 for 11.30am

Diageo plc: company visit, with **Investor Relations Director Sarah Paul**.

June 25th; Marylebone; 6.30 for 7.00pm

UKSA South-East Annual General Meeting

July 8th; Central London; 10.30 for 11.00am

National Grid plc: company visit.

July 17th; Epsom; 10.30 for 10.45am

***** DATE CHANGED *****

W S Atkins plc: company visit, with **Group Finance Director Robert MacLeod**.

August 6th; City of London; 10.45 for 11.00am

Senior plc: company visit, with **Chief Executive Mark Rollins**.

September 10th; City of London; 3.00 for 3.30pm

British Land: company visit

*** November 12th; Eastbourne; 12.30pm**

Association of Investment Companies Roadshow.

Free investment trust roadshow for private investors. To book email eventsteam@theaic.co.uk or phone 020 7282 5564.

MIDLANDS

For general information, contact Charles Breese, tel. 01280 703482, or email larpentnewton@btinternet.com

Tewkesbury: events at Gupshill Manor, Tewkesbury, are organised jointly with the South-West and South Wales region. See the South-West & South Wales listings for more information.

SCOTLAND

For general information, contact Don MacKinnon, tel.0141 942 8328.

These events generally consist of a presentation and informal discussion with company directors plus a tour of the facilities, include a light lunch and must be booked in advance. Guests of members are also welcome. To book, please contact David Charles (0141 332 4141 or david.charles@citygategroup.co.uk).

May 29th; Central Edinburgh; 7.15pm

UKSA Scotland AGM, Royal Scots Club, 30 Abercrombie Place.

SOUTH-WEST AND SOUTH WALES

All South-West events must be booked in advance, and are open to all members and their guests subject to availability.

Tewkesbury: Gupshill Manor, Tewkesbury: cost is £20, including coffees and lunch. To book, contact Mark Pagliaro, 01594 516218.

Didmarton: The King's Arms, Didmarton: cost is £20, including coffees and lunch. To book, contact Keith Harrison, 029 2048 4399

Torquay: Orestone Manor Hotel, near Torquay: cost is £25, including coffees and lunch. To book, contact Tom Linton, 01752 344186.

Company visits: cost is £5. To book, contact David Small, 01454 261746

*** Asterisked events:** these are not organised by UKSA, but UKSA members are welcome subject to places being available.

April 30th; Tewkesbury; 10.00 for 10.30am

AM: Mears plc: presentation by **Andrew Smith, Finance Director**.

PM: member-to-member educational forum.

May 7th; Bristol; 11am

DCD Media plc: company visit.

May 20th; Torquay; 10.00 for 10.30am

AM: T.Clarke plc: presentation by **Mark Lawrence, MD London Operations**, and **Victoria French, Finance Director**.

PM: Primary Health Properties REIT (subject to confirmation)

May 27th; Devizes, Wiltshire; 2pm
Smallbone of Devizes plc: company visit

June 11th; Tewkesbury; 10.00 for 10.30am
AM: Europa Oil & Gas plc: presentation by **Paul Barrett, Managing Director.**
PM: member-to-member educational forum.
June 27th; Swindon; 10.15am
Intelek plc: company visit.

July 2nd; Didmorton; 10.00 for 10.30am
AM: Sumus plc: analyst-style presentation by **Group Chief Executive Allan Rosengren** and **Group Operations Director Julian Telling.**
PM: member-to-member educational forum.

July 15th; Torquay; 10.00 for 10.30am
AM: May Gurney Integrated Service Ltd: presentation by **Mike Dunn, Group Finance Director.**
PM: Avon Rubber plc: presentation by **Terry Stead, Chief Executive.**

* **September 17th, Bristol City Football Club, Bristol; 12.30pm**
* **Association of Investment Companies Roadshow.** Free investment trust roadshow for private investors. To book, email eventsteam@theaic.co.uk or phone 020 7282 5564

October 8th; Malvern; time to be announced
Tricorn Group plc: company visit.

November 5th; Tewkesbury; 10.00 for 10.30am
AM: Surface Transforms plc: presentation by **Dr Kevin Johnson, Managing Director.**
PM: member-to-member educational forum.

Further Didmorton seminars are planned for **4th June, 23rd September, 20th October, 20th November and 9th December.**

NORTH-EAST

Advance notice is required for all company visits and lunches.

For more information (except where stated otherwise), please contact Brian Peart, 01388 488419.

April 15th; Knaresborough; 2pm
Rolls Royce: analyst-style meeting, with **Mark Alflatt, Director of Financial Communications.**

NORTH-WEST & NORTH WALES

These events are open to members from all regions, and their guests, unless otherwise indi-

cated. For "waiting list" events, all places are taken but there is a waiting list for cancellations. For more details, please contact June Mabon (north-west@uksa.org.uk), tel. 0161 928 3437.

April 17th; Hartford, near Northwich; 11.30am
Chesnara: talk by the CEO of this closed life assurance company.

May 15th; Stoke on Trent; 10.30am
***** WAITING LIST *****
Churchill China (UK) Ltd: company visit, with talks by **CEO Andrew Roper** and **Finance Director David Taylor.** Factory tour and light refreshments. Advance booking essential.

June 19th; Hartford, near Northwich; 11:30am
AMEC plc: Talk by **Neil Jamieson, Director of Investor Relations** of the £2.2bn revenue engineering consultancy and project management company.

New Company Secretary

In the last issue - too early as it happens - we were congratulating ourselves on the appointment of a new Company Secretary - Robin Healey. Now alas it transpires that he has been unable to take over, due to an unexpected major family commitment; so we again need to find a replacement for Toby Keynes. This is now urgent, as Toby steps down at the forthcoming AGM.

Is this something that you could do?

You would need to be willing and able to attend board meetings which are held every two months in central London. If you might be interested, please contact Toby on 020 8405 9816

Northern Rock - Why UKSA Continues to Campaign

Members have asked me why we continue to fight on behalf of the former shareholders of Northern Rock (former because their shares have been confiscated in the nationalisation). Members seem worried about the board spending membership subscriptions on a campaign that might be expensive and involve substantial legal costs (and the normal risks associated with legal action). Also some members feel that as taxpayers that they are happy for the Government to pay nothing to such shareholders.



Roger Lawson, Chairman of the Action Group, and David Greene, of Lawyers Edwin Coe LLP.

Firstly let me reassure members that their subscriptions are not being used to subsidise this campaign. In fact Northern Rock shareholders have subscribed about £50,000 in donations at the time of writing (6th April) which is well in excess of the costs expended. The board has also laid down strict limits on the level of expenses that can be incurred and on what and it is not intended to involve UKSA directly in legal action. At present if legal action is pursued then it is likely to be in the form of an application for a judicial review in the names of a few representative shareholders as plaintiffs (not in the name of UKSA). Any such action will also be in parallel with and in practice jointly with major institu-

tional investors. There is no risk to UKSA and UKSA will not be at risk of expenses in excess of the funds raised by Northern Rock shareholders.

As regards the issue of the merit of the legal action, we are not challenging the nationalisation per se, or demanding specific compensation. All we are asking for is justice in determination of the compensation payable by the Government (if any). We want a fair and independent valuation of the company without the rigged terms of reference set in the existing Compensation Order. If a truly independent valuer was appointed, with open terms of reference, then the Government is welcome to argue its claim that the company was worthless when it was nationalised to that valuer. Of course we do not believe that it was of negligible value, but all we demand is a fair hearing.

It is also worth pointing out that UKSA's constitution lays down that we exist to promote the interests of shareholders, and not those of taxpayers. We are campaigning for the rights of Northern Rock shareholders - their case has merit and they have asked us to do so (we now have about 8,000 people, growing rapidly, who support us).

Members should bear in mind that this case creates enormously bad precedents for the rights of shareholders in public companies, and if you are not aware of it, the Act of Parliament that was used to nationalise Northern Rock was a general bill that can be used in the same way to acquire other banks.

More explanation of what is wrong with the Government's actions over Northern Rock is of course present on our website as follows - www.uksa.org.uk/NorthernRock.htm - or information can be sent by to interested members post - call 020-8467-2686.

Roger W. Lawson

The author of this article was a shareholder in Northern Rock as were two regional Chairmen and other long-standing UKSA members.

As we go to press there are reports that Legal & General is joining in the legal action over Northern Rock as an 'interested party'. Editor

Democracy Begins at Home - UKSA's AGM

Here is an extract from a letter I received recently from a member, Eric Chalker.

"This member would like to see a great deal more in future directors' reports than it was thought right to include last year. Your chairman's report was interesting and informative, but there are surely policy matters to which the whole board should put its name, especially those to which it allocates resources. I would like to see some agreed board objectives spelled out, with indications of what the board intends, or wants to do, to achieve them. Good, informative and consistent reporting is, after all, what we private investors expect from company directors."

We have a draft report of the Working Party with its members, and we certainly hope to make a version and a brief summary available on request to all UKSA members, at least in electronic form, and perhaps on the web site, before the forthcoming AGM. Members wanting a hard copy before the AGM should phone me on 020-8546-2781, leaving their name and phone number and I will do my best.

As a company limited by guarantee, we have to operate our affairs within the provisions of the various Companies Acts and our own Memorandum and Articles. But we are also a voluntary organisation, and so the role of the Board has to be quite different in many ways to its role in a company limited by shares. Everything we achieve is as a result of members' efforts, and it is inappropriate for members to be "told" what to do by the board, or by anyone else. Volunteers will not do what does not interest them, and there is also a limit to what any individual can contribute.

Two questions will keep arising: what should we be doing, and how should we be organised? And it's healthy to question these matters from time to time, always providing that it doesn't take so much of our energy that we get nothing else done. The plan in relation to the output of the

working party was to have an informal discussion of its conclusions and some unresolved questions at the forthcoming AGM, but to leave putting questions formally to the membership until there had been time for the membership throughout the country to consider them. That gives an opportunity for an informed and constructive discussion. There will be more information in the AGM notice.

To make the maximum impact next year, and to give us all as much focus and purpose as possible, as an organisation we need to adopt certain matters to work on and/or to campaign about. So I would like to put forward the following issues as being worth discussing and potentially working on:

- 1. CGT changes: the unfairness of removing the indexation of purchase cost to reflect inflation. With taper relief gone, the system is now clearly unfair.**
- 2. General awareness campaign on the importance of investment management expenses.**
- 3. For those of us interested in small companies, a concern about the difficulties (massive bid-offer spreads and small bargain size) arising from there frequently being only one market-maker for each company. Some of us are already trying to persuade some companies to pay a small amount each year (in the region of £5,000) also to be quoted on Sharemark, a matched bargain facility run by The Share Centre, and which is currently little used.**
- 4. Remuneration should be designed to encourage the right behaviour, not simply to make executives rich! So: develop a position on share options. Would probably be deeply unpopular with company boards, but that is not any reason to hold back.**
- 5. Education. Have to be careful to be specific about what we want to achieve in a given period. The work developed by John Hunter, which can be seen in trial form at <http://www.honestmoneynow.co.uk/UKSAGFA/Index.html> is now well advanced. Please have a look and feed back your thoughts.**

Martin White

CGT - Our Stance

UKSA opposes a 'Wealth Tax'

The proposals for CGT give the strong impression that the Government does not know how to design a fairer system. We submit that a fairer system will have at least the following elements:

- An acceptance that it is wrong to tax capital without adjusting for the impact of inflation of the real cost of living.
- An overall structure which has cross-party support, which is not subject to radical changes. We are increasingly encouraged to save and to plan for our financial futures – without the that the system is going to stay unchanged, how are individuals to do this? If investments are encouraged, for example in high risk or developing business on the understanding that a certain tax regime will apply, any changes in that regime should be prospective, not retrospective.

There appears to be a wide consensus on the desirability of encouraging long-term investment, and we understand that taper relief was introduced to meet that objective and to compensate for the discontinuation of indexation. Not only will taper relief be removed, but also past indexation relief. We are urged to provide for ourselves as the proportion of aging dependents rises. What conclusions are we to draw from the latest announcements?

For people living on their savings income, their priority must be to maintain the value of their income and assets against the ravages of inflation. The ordinary saver, with investments in managed funds, does well even to stand still in real terms, after taking a small income from those investments.

To illustrate the problem with inflation, over the last 10 years, the retail price index, which is a reasonable reflection of

the cost of living (unlike indices which ignore the cost of housing), has risen by about 30%. So for an investment of £100,000 in 1998 to keep pace with inflation, it needs to have risen to £130,000. Let's assume that it has done precisely this and see what the Chancellor's proposal means.

- True gain = current value – indexed cost = £130,000 – £130,000 = nil
- Nominal gain = current value – nominal original cost = £30,000
- Tax payable = 18% of £30,000 = £5,400, which is 4.1% of the current value.
- The investor has made zero real gain, but has suffered a tax of 4.1%. As a result, his / her future income will suffer a real fall by 4.1%, other things being equal.

This amounts to a wealth tax, powered by inflation. We believe the long term inflationary threat is very serious. Inflation at 5% for 20 years requires an initial sum of £100 to grow to £265 to stay level in real terms. At the end of that period, the current proposals would result in £165, which represents 62% of the fund, being subject to tax. At a rate of 18%, the effect of CGT would be a tax bill of about £30. This amounts to a wealth tax of over 11% ($30/265=11\%$). The impact is even more extreme if we consider higher rates of inflation or longer periods. And there can be no assurance that the tax rate will stay at 18%. The Institute of Chartered Accountants of Scotland express their view in uncharacteristically strong terms viz.:

"..Chancellor's announcement concealed the true impact of the proposed scrapping of longstanding reliefs aimed at keeping inflationary gains out of tax"...."hiding vast stealth increases in effective CGT rates"... "astonished to find the Government favouring short term speculation".... "We would urge the Chancellor to think again" .

We emphatically concur.

Letters to the Editor

Capital Gains Tax

Congratulations on this UKSA initiative. CGT is a punitive tax on those wishing to save for retirement or whatever. "Old oak chest" investors, as long-term shareholders used to be called, are particularly badly affected.

Successive governments of whatever political persuasion never seem to grasp the fact that encouraging savings by whatever means reduces the need for state pensions and other benefits. This simple fact eludes them and, where every effort and incentive should be made to encourage share investment, instead, with stamp duty, tax on dividends and CGT, all they seem to be interested in is milking savers. Governments talk a great deal about the need for people to save for their future but do nothing to assist.

Industry, too, benefits from the stability of long term shareholdings. Private equity company buy-outs with forced cash or Loan Notes all contribute to the juggling necessary by shareholders to minimise the tax burden. The ISA limit is scandalously low, as were its predecessors, and at the end of the day we have Inheritance Tax.

I think that CGT and IHT are splendid UKSA long-term platforms to encourage membership, as I can't think that any investor would disagree with these points.

As an ex-member of the Stock Exchange, I was in charge of one of the very first Employee Share plans introduced by the Lib/Lab pact in 1979 where real, heritable and saleable shares in the employing company were given each year to all employees, who satisfied certain minor criteria, and this was hugely successful. After a takeover of the company concerned I was writing cheques to employees for sums that they could otherwise scarcely have imagined. It taught thousands who would never otherwise have considered equity investment, the benefits, dividend income

and the mechanisms involved. The redoubtable Mrs Thatcher put paid to this type of scheme (not invented here!) much to her discredit, introducing in its place the paid-for Share Option plans and the much-abused Executive Share Option schemes.

Congratulations and all success to UKSA for the future.

Nigel Dewar Gibb

A point that does not seem to have been highlighted in the recent debates about changes to Capital Gains Tax is the effect on those who are retiring or retired. For most people it seems to be sensible that one should invest from an early age for one's retirement. Conventional wisdom is that one should invest in growth stocks and then when retirement comes change the portfolio to income bearing stocks.

Under the new CGT regime on effecting this change one pays CGT at 18% on the sterling value change of the investments. Many older people have investments originally purchased many years ago (I have some dating back to 1964). The sterling value of these at the current time is largely made up of the effects of inflation. Therefore merely swapping these for income bearing stocks will give rise to what will effectively be a (nearly) 18% wealth tax and in addition considerably reduce my retirement income from these long term investments.

Inflation arises from the mismanagement of the economy by governments (of any political persuasion) so we are being penalised for the incompetence of the people exacting the tax.

Underlying this is of course the whole tenor of government attitude to investment which seems to be to encourage short term traders and penalise people who invest. The distinction between trading and investment is important. The country needs investment; trading is merely a by-product of investment.

John Busby

IFAs – Your Opinions Counted

Last June the Financial Services Authority (FSA) published a Discussion Paper called 'A Review of Retail Distribution'. This addressed the whole system of selling investment products in the UK including the effect of the commission-driven system of remuneration. UKSA had been told that hard evidence (in the form of a member survey) was likely to carry more weight with the FSA than just putting forward unsupported opinions. Altogether 544 members were e-mailed and 151 responded; apparently this level of replies is regarded as good for such surveys.

About half of those that responded did not use IFAs but there was little evidence of respect for the public image of the profession. Over 40% of those respondents who had used IFAs were entirely satisfied with the outcome; among these were several who had clearly gone to an IFA for a specific purpose and had made sure that they got good advice. However, there were some who gave enough information to create doubts as to whether the advice was as good as they thought; a key concern about the whole commission-driven system is that savers are steered into high-charging products and that investors are disturbingly unaware of these.

Another near 40% of respondents who had used IFAs expressed satisfaction but with a range of reservations sufficient to show that they were less than 100% happy. Some complained that it was difficult to get information. Others said the adviser was determined to sell a particular contract or type of contract. Yet others were uncomfortable about the adviser's remuneration.

Then we come to the 21% of those respondents who had used IFAs who were dissatisfied with the advice. Examples of those include. "So far we have lost £18,000 on this one piece of advice alone." "Advice was so poor I have never followed it up - would only consider a managed

fund." "Very dissatisfied indeed bordering to being scandalised" - this last is from an accountant who shopped around and went to five different advisers.

Bearing in mind that the clients were sophisticated enough to be members of UKSA, this level of dissatisfaction indicates a significant level of poor advice in the community at large. Previous research conducted by Which? and others in the form of mystery shopping exercises gave similar results, with 20-40% of participants receiving advice that was demonstrably bad. It is these statistics that caused UKSA to say in its submission to the FSA that *"the Review once again fails to face up to the scandal of a system where product salesmen on commission are allowed to describe themselves as Independent Financial Advisers"*

Our thanks go to all those of you who responded to the survey. This is available on the UKSA website, as is our press release and our response to the closely-related Thoresen Review of Generic Financial Advice.

Note on the Effect of Costs:

The FSA's measure of annual expense is the TER (total expense ratio). Unit trusts and similar products usually have TERs close to, or in excess of, 1.5% and, in addition, there is normally an initial charge of between 4.5% and 5.5%. Charges at this level will reduce the accumulated fund by 30% over a 20-year period. In contrast there are available several large investment trusts with TERs of around 0.5% and by on-line dealing they may be bought with very little initial expense. These are seldom recommended by IFAs. Equity funds actually named by members had TERs ranging from 1.42% to 1.69% and some of these were ethical funds. Regarding the latter we said in the course of our response to the Thoresen Review *"They may be ethical in their choice of investments but certainly not in their treatment of their customers."*

Roy Colbran

Join UKSA and See the World

In company with fellow UKSA board member Stan Grierson I attended the February meeting at its Brussels headquarters of the pan-European organisation, *Euroshareholders*, to which we are affiliated. 34 representatives from 19 countries were present.

A senior Commission official brought us up to date on some aspects of company law policy including the debate on one share one vote. Two obviously interested commercial organisations discussed the possible need for class action legislation in the EU modelled on the US example. Another suggested that with the US domination of the corporate rating agencies there was a real need for one to be established that was more Euro-centred.

Members also considered guidelines for a code of practice identifying the aims and objects of national Shareholders Associations. There was a review of the work of the work of the Legal Committee and the extent to which the organisation was being successful in using the media in getting its message across in defence of the interests of the small shareholders - especially within the EU where much of new or revised company law now emanated. The usual exchange of national activities exposed a range of educational and training work, attending company AGMs., and the promotion of effective legislation especially by the newer Eastern European organisations.

Discussions were held with the retiring Director of the Danish Shareholders to see if he would be willing to give a number of training sessions in the UK later in the year. This idea is now being put to the Regions.

The next Euroshareholders meeting will be in Ljubljana, Slovenia in June. Any UKSA member who would like to participate should contact me. The only snag is that no expenses can be paid!

Martin Morton

.....And Sup with the Highest in the Land

As an UKSA man I diffidently took my place at a recent gathering of the 'great and the good' in the House of Lords at an event concerning the All-Party Parliamentary Corporate Government Group.

There was a reception of about half an hour before we sat down and I talked to a number of people. Most were aware of UKSA but not quite clear about its objectives. Then that lunch - complete with House of Lords wine!

At lunch I sat next to Baroness Howe (wife of he who stuck the knife into Margaret T). She is of course a life peer in her own right and her special interest is women's issues. We agreed on equal pay and opportunities but she was also advocating flexible working time for everybody - with which I could not agree.

Clara Furse of LSE was the speaker and gave a very interesting address; she warned that competition was intense and the vibes she was receiving from foreign investors using the LSE that they were beginning to be concerned about the signals which the Chancellor was sending out (Northern Rock, Non Doms etc).

Peter Edwards

.....Or Join Them

InvestFest, UKSA Annual Convention for 2008 will be held in Leeds with the help of Stockbrokers Redmayne-Bentley.

Following two successful years in Banbury, this year we are going to the Crowne Plaza in Leeds, which will allow us to take a larger number of delegates and provide a wider choice of accommodation.

InvestFest is a superb event for keen investors, replete with quality speakers. See Page 11 for details. **We recommend that you book without delay.**



I N V E S T F E S T 2 0 0 8

The UK Shareholders Association
Annual Convention

FOR FURTHER INFORMATION OR TO BOOK YOUR PLACE(S),
PLEASE CONTACT:

Nicola Rowbotham on **0113 200 6507**

E-mail: n.rowbotham@redmayne.co.uk • Fax: 0113 242 7735

Write to: Redmayne-Bentley Stockbrokers, Merton House,
84 Albion Street, Leeds LS1 6AG

Thursday 15th – Saturday 17th May 2008

Company Visits

Smiths Group

On April 22nd members are invited to trundle up the Finchley Road and visit **Smith's Group** where a newly-appointed Chief Executive has been rooting around of late to see if there is anything left there in the wake of the disposal of the company's aerospace and marine businesses, and the return of £2 billion to shareholders. You will not be surprised to hear that the answer is in the affirmative - a strong set of technology-based businesses moreover, well-positioned in growth markets and with the averred capacity to demonstrate resilience in an economic downturn - in advanced security equipment, medical devices and mechanical seals.

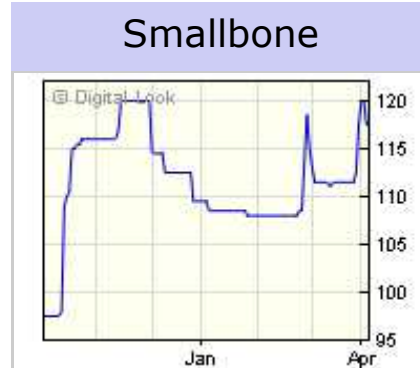


The company thinks that there are clear opportunities to improve performance by enhancing margins in all divisions through a combination of improved data, cost control and top line growth - especially in developing markets such as India and China. But this will require investment in additional manufacturing capacity - and the working capital requirement is likely to grow as well. Reporting for the six-month period to the end of January, pre-tax profits were £165 million, 21% ahead of the comparable period; this meant earnings-per share of 34p. The forecast is for full-year earnings of 70 and a 35p dividend. This would give a price: earnings ratio of 13.7 and a forward yield of 3.7%. Can growth be added to stability here?

There is no substitute for meeting the principals face-to-face as every institutional investor knows - so members should relish the chance to pick from the rich menu of opportunity which our successful endeavours to put UKSA on the map generate. We preview two such forthcoming visits here. Please note that the graphs are printed courtesy of leading investment website Digital Look www.digitallook.com

Smallbone

In May in the South West 10 members will be visiting this company (once Smallbone of Devides) another name that investors of a mature mien (ie - old) will remember.



Mr Smallbone who created the famous fitted-kitchen brand eventually sold out, and it was but little surprise that his showroom network failed to prosper when transferred from the personal to profes-

sional-management sphere. Well, he bought it back again in 2003, along with a US company, Paris Ceramics, which supplies high-quality stone flooring and tiles.

2005 saw the capture of Mark Wilkinson another kitchen furniture maker for £3.7 million. Wilkinson was a profitable business. But in neither in England or America (where the Smallbone brand is being run out) did reports of advances on the ground find any answering response in the financial outcome - until 2006 when earnings per share tipped the scales at 1.6p. But in the year to December last

the company tabled an impressive 8p per share, and with the brokers looking for 10p this year and 14.5p the year after that, It looks as though Mr. Smallbone has done it again. But to what degree is the business sensitive to deterioration in the housing market in the United Kingdom and the United States? Go along and ask. The anticipated earnings ratio is 11, and the yield a smidgeon under 2%. A most interesting visit is in prospect and the chance to gain insight from a front-liner into the questions of the hour.

Bill Johnston