UK Shareholders' Association

The Private Investor Issue 166 · September 2013

Board Report – September Meeting

Chairman Chris Hulme

A delayed August meeting saw the Board meet on the 18th of September with some key tasks at hand - the first being to address volunteers to help and drive forward the current projects.

Despite requests and pleas in the last two editions of TPI, we haven't had a single volunteer to progress any of the projects aimed at increasing revenue, membership or improving technological application and the website as well as online versions of The Private Investor.

This has led the board to revise how best to use its limited resources with a key target being to address fund–raising, with other projects being held in abeyance for the time being.

I am pleased to tell members that ***Malcolm Howard FCA*** has joined the board in the capacity of Finance Director. Since Malcolm took over the finances, he has been able to take on the bank and has challenged them successfully to remove any future bank charges to UKSA as well as making better use of funds held for UKSA members and for the ***Northern Rock*** campaign. In addition, he has identified further cost saving measures.

UKSA still features highly in the media with coverage and comment in good quality publications with learned readership which further enhances the quality of our stated opinions - which reach far beyond simple bulletin boards or blogs. The work researched and compiled by our policy teams and the close connections with our European counterparts strengthens UKSA's position as *the* organisation for private shareholders and policy makers alike.

The board meeting closed with on a very positive note with plans to better the organisation even if these will take longer than initially desired.
We next meet in November.

Chris Hulme

UKSA - The independent voice of the private shareholder

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In this issue...

High Frequency Trading

Bill Johnston

Members are well aware of our intense opposition to high-frequency trading. We've long argued strongly that it greatly increases volatility, leading to price movements of such magnitude that could jerk shareholders out of shares unnecessarily, if, for example, they followed a stop-loss strategy.

Look at any 5-minute chart of the FTSE 100 and see what happens at around 8 a.m. every morning. Chances are you'll see it swinging erratically through a range of 50 points or more in a period of just five or ten minutes. That's the effect of high-frequency trading. The movements are, in essence, mini flash-crashes. Such movements never occurred before the arrival of the 'quanties' just the latest parasites to batten on to what ought to be both a key mechanism for the allocation of scarce resources as well as a means of allowing savers to exercise their judgement in the prudent handling of their financial affairs.

To my delight, the first cracks are beginning to appear, as regulators become increasingly alarmed. Last week, Italy became the first country in the world to impose a transaction tax on high frequency trades. Once trading of equities and derivatives exceeds a certain frequency threshold, traders will be taxed at the rate of 0.02% of the value of every trade that occurs within a time-frame shorter than half a second. The tax will apply regardless of where the transaction is executed or the country of residence of the counterparty.

In Germany, firms practicing HFT have to register with the authorities, and provide details of their algorithms and how they operate on demand.

In May, France unilaterally introduced a transaction tax, which supposedly hit HFT firms as well as conventional trades. However, the two largest practitioners of HFT in France, BNP Paribas and Société Generale, are covered by market making exemptions and are therefore unaffected. This was the culture which of course gave us the expression - *'plus ça change, plus c'est la même chose'* .

Meanwhile, an EU proposal to tax high-frequency traders has the support of eleven eurozone countries, albeit amid ferocious lobbying from markets.
So is this the beginning of the end for HFT? Probably not. The regulators are not (yet) seeking to ban HFT – only to moderate its worst abuses, and also to raise revenue on it. But it's a start.

Bill Johnston

The BIS Select Committee reviews Kay

Having rashly volunteered to write up the Committee's report for Private Investor, I was taken aback when a volume weighing in at 1¾ pounds arrived. However, it turned out that the actual report took up only the first 67 pages – and that in a type size almost qualifying for the Large Print section in the library. The rest of the book is given over to printing the full text of all the oral hearings and all the written evidence. Both our own original and supplementary written evidence appear and stand up well among all the others. It is also gratifying to see UKSA quoted three times in the report itself.

Early on the Committee showed that it had seen through the mist that Vince Cable was using to cover up his "hands-off and leave it to the industry" response to Professor Kay's report. They highlighted the fact that Paul Myners (now Lord Myners) produced a report 10 years before Kay covering very similar ground. Virtually nothing happened as a result. They see very clearly the risk, especially with the Government's current approach, that the recommendations will be ignored or diluted and, comparing the two reviews, say "It is therefore critical that they do not share a similar fate."

Fundamental to John Kay's report are the concepts of stewardship and fiduciary duty throughout the investment chain. Indeed it is arguable that if these principles were fully observed many of the other problems would be solved. The Government, however, thinks that the term 'fiduciary' may cause confusion and proposes its own principle, seemingly weaker. It has asked the FCA to see how far current regulation aligns with this principle but no timetable is set. Surprisingly, the Committee has failed to pick this one up.

On the other hand the Government accepts Kay's contention that some trustees and intermediaries are interpreting fiduciary duties too narrowly and that the Law Commission should be asked to review the legal concept. Despite the Government telling us in November 2012 that it had already set this in motion, the Commission's consultative paper will not appear until October 2013 to be followed by a final report in June 2014. The Committee was too late to suggest changing the October date but wants June next year to be brought forward to the first quarter observing that good value should be sought for the public money that is being spent.

This approach of pushing for positive, prompt action runs right through the Committee's report. Overall they want the Government to publish clear, measurable and achievable targets for each of Kay's recommendations and to say what action they will take if these targets are not met. Unfortunately the press seems to have largely missed the report; the only comments I saw were on FT.com and in *The Actuary.* The only reported response from Vince Cable gives no sign of any change in his approach. One might have thought this could be a wonderful chance for a Lib Dem to show his effectiveness in Government. On the contrary he gives the impression of hoping that this can be someone else's problem once he has retired. It will indeed be tragic if, after all the effort that has gone into both Professor Kay's review and the committee's report, nothing significant results.

Roy Colbran

Still on topics close to Roy Colbran's heart, following the exchange of correspondence with the chairman of Edinburgh Investment Trust (see our July issue) members may like to know that George Miller went to its AGM where several people raised the matter of the performance fee. The answer from the chair, in brief, was that if they wanted Neil Woodford they had to pay for him (£17.5 million!) Subsequently both George Miller and Roy each wrote again independently to the chairman. George drew attention to the fact that City of London Trust had just dropped its performance fee and listed four other comparable trusts without such fees and with lower total fees than Edinburgh. Roy concentrated on Temple Bar, one of his favourite trusts, with a performance comparable to Edinburgh and much lower fees. Both said that they thought it unlikely that Invesco and Neil Woodford would walk away if the Edinburgh board made them come into line with the industry level.

Both men received a brief acknowledgment saying that their views will be put before the board but with no indication that any of the arguments are accepted. If any member holds Edinburgh IT shares could they please contact either George Miller or Roy Colbran (g.miller1010@btinternet.com or roy.colbran@zen.co.uk). It would be useful to get as many views as possible. Both of these long standing members feel strongly that the terms of the appointment of Invesco need to be substantially amended and it's very hard to disagree with their case.

Bill Johnston

Fiduciary Duty Project - More from Roy

The Law Commission is currently investigating what the law in relation to fiduciary duties requires financial intermediaries to consider in deciding investment strategy. They will publish a consultative paper in October. Among our members there are very likely some who have relevant experience as trustees or otherwise of the impact of the law as it is now understood in this area. If so could I suggest that you keep an eye open for the paper, as we on the Policy Committee will be doing, and either contribute your views direct or let us have them at policy@uksa.org.uk

Capita Registrars

Readers of our last issue will doubtless recall that at our July Conference, Capita Registrars' director ***Michael Kempe*** emphasised that a paper certificate (unless it is a bearer certificate, in use on the continent) is not itself the legal record of ownership and argued that what is needed is a new way of identifying the owner of a share to a broker when the time comes to sell. The favoured idea he said is to assign a key to each shareholding, in a common form across the industry, rather than a single number for each investor; but as there was some resistance to this at the conference in favour of a single number per shareholder, Mr.Kempe confirmed his readiness to think further on this element - and invited submissions on the point.

As a result of meeting Michael we asked him if he would organise an article telling UKSA members a bit more about his important organisation. And this is what he has authorised, with particular reference to private-shareholders.

'Capita Registrars recently changed its name to Capita Asset Services, but following its seventy years of service to the share-registration industry, quality service remains the priority for the dedicated members of the shareholder-solutions team.

Change is constant - whether it's our company's name, or options such as online self-service or dematerialisation. Regardless of which way change sends us it's important we never forget that we are here firstly to provide a first class service to shareholders. We set ourselves high standards, and monitor our success towards these through a range of controls including internal and external overseeing ,and feedback from shareholders. Through this broad range of checks we are able to assess the quality of our service and available solutions consistently and with objectivity.

We're proud of our results. For example, our ongoing shareholder survey shows 98% of shareholders said our response to their query met with their expectations, 96% thought our response was fair and 97% of shareholders thought our response was clear. Of those shareholders who have contacted us more than once, 97% felt they received a constant high level of service. However we are not complacent as we know that there is always room for improvement.

Our industry's own Capital Analytics survey placed our organisation first for overall service to shareholders and specifically for the service we provide by telephone from our UK-based call centres.

The telephone is still the biggest and the preferred channel for shareholder enquiries, and despite a continuing shift towards digital media, we ignore shareholder preference at our peril. When used well, digital channels such as email and our share portal are efficient means of providing consistent service to many shareholders right now, such as dividend details and AGM times. The share portal offers the kind of 24/7 go-anywhere access that many people expect these days but we know it's not for everyone; pretty-well all of us would admit to having forgotten our login details for an online account once or twice, or sometimes just preferring to talk something through with a living human being. Our policy is to run a programme of continuous improvements for these two channels in order to ensure shareholder choice and quality of service.

To maintain a high quality of staff in our Customer Service Centre we run a series of quality controls that have commenced long before an agent answers a call, and is rigorously maintained - even our board directors regularly listen to calls to ensure they are of the standard expected.

A call-agent's career starts with a bespoke recruitment day where a series of tests, scenarios and interviews determines who can or cannot qualify for our training programme.

From the very first call that a new agent responds to, he or she represents not only Capita but the principals we work for. This is quite a responsibility, and whilst complaints are rare we take each one seriously – senior management and our board are made aware of each case. 'In the last three years we have seen complaint levels fall by 13%; 'justified' complaints reduce by more than 50% to one in seven; and so far this year, shareholder complaints have accounted for only 0.0068% of service requests and transactions completed on behalf of shareholders.'

We've also been working smarter too. In the last year we've improved our turnaround times, with one in four complaints now resolved by the next business day. For example, when we received feedback that our bereavement service should offer more specialised assistance, we launched a new freephone bereavement helpline and mail pack. Those of us answering calls on this line are specially trained to take callers through the process, at what is of course a very difficult time for the caller.

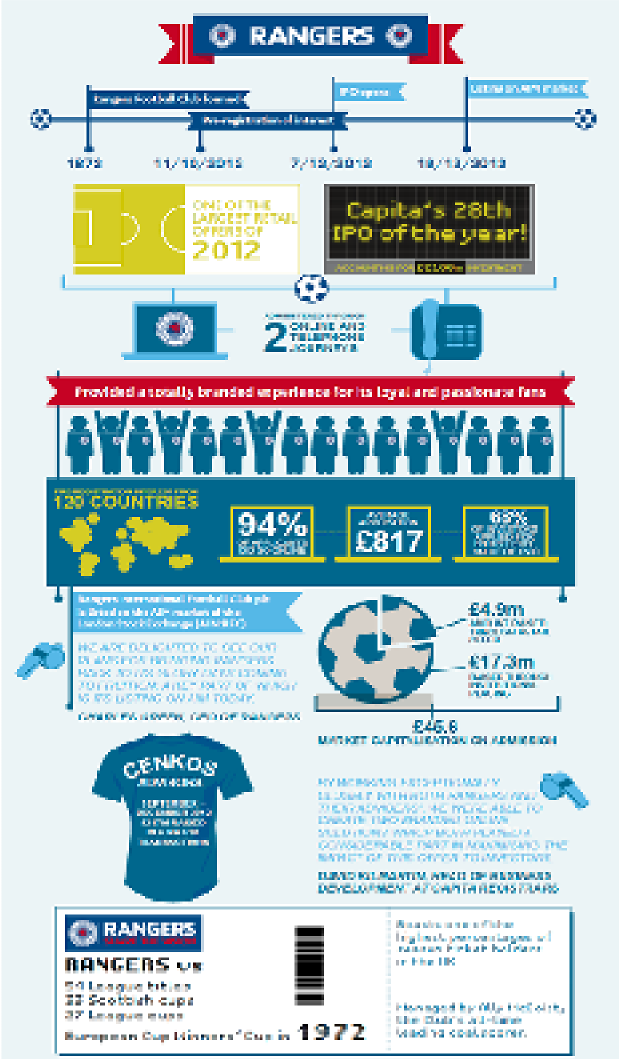
Our internal perspective is not enough though, to ensure we are servicing your needs in the right way. We have an external accreditation from the Customer Contact Association and run regular and varied shareholder-surveys to rate our performance. Most recently our results showed that agents' knowledge of the companies we work for received a 93% approval rating on knowledge, and a

95% approval rating on agent manner which is testament to this training process.

Our share portal serves a large number of shareholders, with activity tending to be infrequent but heavily centred around key events in an issuers' calendar. Surveys suggest that some shareholders would like to extend our internet capability to be more interactive and, consequently, we are in the process of trialling 'web chat' – an instant message box that pops up on your screen and enables you to 'chat' to an agent via typing. One use of this service surrounds those who may have forgotten their portal password, so the service will be presented on screen when we sense someone's having trouble remembering their details.

On a personal note, I'm looking forward to the changes the future will bring, and continuing to work with shareholders to provide the services you require.'

John Deane,
Head of shared services
Capita Asset Services



Bravo Mr Deane. As for his employer, any organisation which can range from dealing with the vexed question of share-ownership rights through the provision of services described in professional detail on the preceding pages, and still pop up in the context of Scottish Third Division football (above) is clearly a force to be reckoned with.

Pritchard Stockbrokers

A special administrator was appointed last March after the FSA suspended Pritchard's permissions due to concerns about the way it handled client assets and monies. On the same day, structured product provider Merchant Capital said it would transfer all £350 million of clients' non-cash assets from Pritchard to new custodian - but cash assets were frozen by the regulator. As a result of the Pritchard suspension, Merchant Capital admitted that some income payments to clients may be delayed. Merchant House Group, once AIM-quoted was the parent company of Merchant Capital.

A subsequent creditor report said the administrator had identified £23.7 million of client cash against £27.1 million of client claims, creating a shortfall of £3.4 million. Pritchard had a total of 11,100 clients, including direct and Merchant Capital clients.

Now the indications are that about 850 clients have been affected with 18 stocks subject to shortfalls. **The point is that the bulk of the missing securities seem to have been affected by inputting errors on nominee accounts - just the very danger which we have been highlighting in our campaign.**

The Financial Services Compensation Scheme says it treats stockbroking as an investment activity and would pay a maximum of £50,000 to clients if the firm is declared in default. But as Eric Chalker says, it directly underlines the risks he has been highlighting, but says nothing about the inconvenience and potentially worse suffered by those who wanted somewhat speedier access to their investments for cash or the purchase of other stocks.

There is a curious footnote to this. One Craig Whyte was company secretary of Pritchard and is also director of Liberty Capital, a British Virgin Islands-based company which owns 10.8 per cent of Merchant House Group. As it happens, in order to demonstrate the range of activities of Capita Asset Management (which we had invited to tell us about its activities) we happened upon the prospectus for Glasgow Rangers Football Club (see facing page). Mr. Whyte had nothing to do with the financial difficulties encountered by that great Scottish institution but his involvement in what was meant to be its rescue has generated both employment and career opportunities for lawyers, members of The Insolvency Service and a fair number of similarly-employed individuals; and all without incurring the gratitude of either the fans or the new board. Perhaps being unlucky should cause the FCA (Financial Conduct Authority as it now is) to consider withholding regulatory approval as well as for more traditional personal shortcomings.

Bill Johnston

The Financial Reporting Council

The Financial Reporting Council (FRC) exists to promote high quality corporate governance and reporting, in order to foster investment. Under the chairmanship of Baroness Hogg and chief executive Stephen Haddrill, it has become increasingly assertive, especially in matters of audit accountability (which, let's face it, has been woefully lacking).

Earlier this month it held its annual open meeting. Roy Colbran and I attended and we both spoke. Roy pressed the case for a more vigorous response to the Kay Review's proposals, which might be thought fundamental to what the FRC is trying to achieve, but the FRC apparently feels this is beyond its remit. I drew attention to statistics quoted by Professor Kay, showing that although the beneficial ownership of equities by individuals has been in decline, shares held by insurance companies and pension funds have declined more; by 2010, individuals were the dominant group with 11.5% and only 8.6% and 5.1% respectively for insurance companies and pension funds.

Despite the statistics, the FRC focuses almost exclusively on institutional shareholders in its efforts to secure better governance. It does this through its Stewardship Code, but John Hunter's investigation of the Persimmon LTIP (long term incentive plan), previously reported, showed this to be ineffectual. The FRC virtually acknowledges this in its annual report: *"The Stewardship Code.... is still a rather fragile success; the pace of signature was encouraging, the extent to which signatories have fulfilled their commitments is patchy."*

The principal defect, as John Hunter has consistently pointed out (and did so again at a recent round table breakfast meeting with Baroness Hogg) is the 'agency problem'. Institutional investors are merely competing agents for other people's money. For competitive reasons they will always shy away from avoidable costs, such as those required by active stewardship. They also tend to be closer to the companies in which they invest than those on whose behalf they are investing and this discourages challenge. This is why the FRC should be giving much greater time and attention to private investors, whose interests are naturally aligned to those of the FRC.

At the FRC open meeting, I said the time had come for serious consideration to be given to supporting the efforts of private investors to achieve better corporate governance. This was met with a *"Sorry, we have no funds,"* response, but whether this is true or not there is much that could be achieved if FRC staff were to be allocated to work with representatives of private shareholders on generic issues which concern us. I will be pursuing this.

It is surprising that the FRC, despite repeated representations made to it, will not itself engage with issues associated with nominee accounts. When investors in companies are denied a place on their share registers, this reduces the pool of those who could, and in many cases probably would, seek to exert an influence on the directors of those companies. The more that individuals are driven into nominee accounts (Charles Stanley being the latest broker to do this, increasing its charge for a sponsored Crest account from £24 to £420), the fewer there will be able to retain legal ownership of their investments and able to pay for the privilege. Common sense would suggest that the FRC should be concerned about this, but apparently not.

Furthermore, although a representative from the FRC attended our conference on dematerialisation, it has not attempted to engage with this issue and its potential consequences. Since our conference, while there has been only limited mention in the press, work has continued behind the scenes to secure support for the 'industry model' to replace certificates and UKSA is involved in this. We may not like the idea of what seems to be coming, but as Jonathan Eley wrote in *FTMoney* (7/8 September), adoption of the proposed unique electronic record for each investor would solve a number of problems.

My latest information is that the EU-mandated end to paper share certificates is still expected but not quite as quickly. There is more time to consider the details and it may be possible for a few UKSA members to become involved in this, so if you would like to be considered please send your contact details to policy.coordinator@uksa.org.uk (subject: dematerialisation proposals) or to the office by letter addressed to me. Following our conference and members' supportive response to what they heard there, I do believe UKSA has the opportunity to take a lead in forming opinion on this important matter.

In the mean time, we have turned our attention to the 'information rights' provisions of the 2006 Companies Act (Part 9, sections 146-150). These have been held out by some as the answer to what I have described as 'nominee account penalties'; UKSA has never accepted this, but nor have we given any serious consideration to them. I now know that while many brokers are prepared to arrange for company information to be provided to their clients (often only at a cost), only two brokers actually *"nominate"* clients to be given information rights by companies as prescribed by the Act.

One might have thought this to be another matter with which the FRC would have concerned itself, but again, apparently not. This needs to be challenged.

Eric Chalker, Policy Co-ordinator

Europe Securities and Markets Authority (ESMA)

ESMA's mission is to enhance the protection of investors and reinforce stable and well functioning financial markets in the European Union. As an independent institution ESMA achieves this mission by building a single rule book for EU financial markets and ensuring its consistent application and supervision across the EU.

The three regulations establishing the European Supervisory Authorities (ESAs) request the European Commission in Article 81 to subject the three Authorities to a general review every three years (the first one will be published by January 2nd, 2014).

Among other things the review should also examine whether:

(a) it is appropriate to continue separate supervision of banking, insurance, occupational pensions, securities and financial markets;
(b) it is appropriate to undertake prudential supervision and supervise the conduct of business separately or by the same supervisor;
(c) it is appropriate to simplify and reinforce the architecture of the European System of Financial Supervision (ESFS) in order to increase the coherence between the macro and the micro levels and between the ESAs;
(d) the evolution of the ESFS is consistent with that of the global evolution. structure of the ESAs. The document is structured as follows:

Short-Term Objectives

1. Scope of ESMA activities: Regulatory and Implementing Technical Standards (RTS and ITS), breach of Union law and settlement of disagreements
2. ESMA's powers with respect to investor and consumer protection
3. The peer review
4. Emergency situations
5. Fiscal safeguard clauses
6. ESMA support to SMSG (Securities and Markets Stakeholder Group)

There are also longer-term objectives in contemplation. Someplace within this thicket there are things which will directly affect you and you family. Not the least of UKSA's responsibilities is to be vigilant in reporting these and through membership of ultra-national organisations make the private investors' interests clear, and do everything in our power to ensure that they are equitably addressed.

Bill Johnston

Still no free lunch - but a better one?

Alistair Blair wrote the No Free Lunch column in The Investors Chronicle for 15 years. Now he's got a really interesting job. We asked him to write about The Fish Society.

'I set The Fish Society up as a hobby business 20 years ago. It started out as a mail order fishmonger. I wanted to pursue this because I am really keen on fish but was disappointed by what was available in supermarkets. A decent Dover sole is a joy to eat, but it is impossible to buy one in Tesco, Sainsbury or even Waitrose. Dover sole, turbot, true king prawns and so on... these are simply too expensive: a supermarket wouldn't sell enough to make stocking them worthwhile.

'We launched our first website in March 2000 . Touch wood, our fifth generation website will launch this autumn. "Allelujah!" was the cry when we realised we did not need to send out thousands of catalogues every year. Today, The Fish Society is a purely an internet fishmonger. We do have a smart catalogue, but it's a business card, not a mass selling device. The internet – with nil listing costs - allows us to sell an incredibly wide range of high fish including many low volume items that would never justify space in a printed catalogue. So we sell about 400 kinds - you would not find a wider range anywhere, even in Harrods Fish Hall.

'We are pure retailers. We sell fish to people who want to eat it at home. We don't sell to restaurants or catering accounts. That market is well served already. All our fish is frozen. Delivering small parcels of frozen fish to people's doors – still frozen when it arrives – is a very challenging proposition. It requires special focus. I don't think we could achieve that focus if we were also running a parallel business, such as selling fish to restaurants.

Ten years ago, this hobby business had become quite a burden. Our sales had always gone satisfactorily upwards but it was still sink or swim. As I saw it, we needed some marketing fuel in the tank. I embarked on the first of four rounds of angel financing which collectively introduced £1m of outside funds to the business from friends and ex-colleagues who read my business plans and today, The Fish Society employs seven people and our sales are on the way to £1 million. If you're keen on fish and you would like to eat a nice piece of halibut or wild salmon or black cod at home, you will certainly find our website (www.thefishsociety.co.uk). And if you used the code UKSA when you placed your order you'd get a 10% discount. Bon appétit!

Alistair Blair

Forthcoming Presentations

Innovation Group

On 4th November there is a presentation at Whitely, Hants on **Innovation Group**, by no less than its chief executive and finance director - Andy Roberts and Jane Hall respectively.

The company was founded at the end of 1998 by Rob Terry, and floated in June 2000 at 265p. Once upon a time, it was a developer and distributor of claims-management software for the insurance industry. Its software covered the entire claims process from notification through to resolution. It still does that, but now that's just one part of its business. It's now a global provider of all sorts of business process outsourcing and software solutions to the insurance, automotive fleet and property industries. Those services include:

Policy management services – handling communications with customers, including policy quotations, new business processing, policy renewals and amendments.

Product warranties – including arranging service or maintenance.

Risk and fraud management – detecting insurance fraud; anything from false or inflated claims through to deliberate destruction of property.

Subsidence management – investigating, diagnosing and remedying subsidence damage to domestic and commercial properties, and risk modelling.

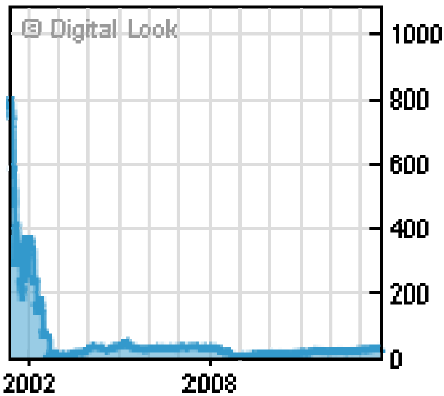
Fleet management – servicing, repair and incident management services to organisations with large vehicle fleets.

Incident reporting and claims handling – dealing with (often upset) customers from first report of an incident or claim through to final resolution.

Since 2000, it has grown rapidly, helped by around 20 acquisitions. It has over 800 global clients including AXA, RSA, American Modern Insurance Group, LeasePlan, The Ford Motor Company, Toyota, Zurich and Aviva (which was once known as the Protestant Dissenters' and General Life and Fire Assurance Company – but you probably knew that already). If you contact these companies, you'll probably assume that you're speaking to their staff. In reality, you'll most probably be talking to Innovation's staff.

The group processes more than 4 million claims per year. Ernst & Young estimates that claims handling represents about 80% of a general insurer's costs. Innovation saves its clients around 20% of those direct claims costs. It has a global alliance with IBM (the dominant hardware supplier to the insurance industry) to distribute its products globally. Its 2,300 staff are located in the UK, Australia, Belgium, Canada, France, Germany, Japan, India, Pakistan, South Africa, Spain and United States.

For anyone who invested in this company at the height of the tech stock bubble, when the shares were worth over 1000p, Innovation has been an unmitigated disaster. By August 2003, the shares were down to 5p – not just because the tech stock bubble had burst, but because the management's record was appalling. The shares recovered somewhat for a while, then plunged back to 5p again as recently as the autumn of 2008 after a string of profit warnings, not helped by a Canadian insurance company, AllState Canada, slapping a £40 million lawsuit onto it in a dispute over its software.



That seems to be all in the past now. The latest information from the company (the interim management statement) is as follows:

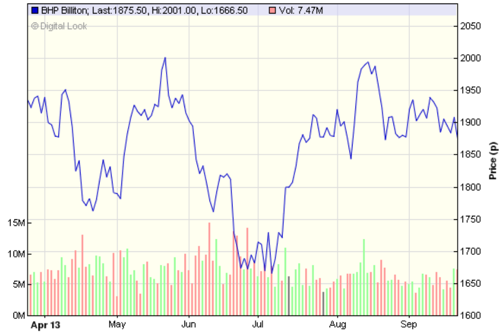
'The Group has continued to build on the strong performance delivered in the first half of the financial year, driven by successful sales of both its software and BPS solutions, across all geographies. It continues to generate good levels of cash from its operations, and the conversion rate of EBITDA to operating cash flow remains strong.

During the period, the Group achieved some notable customer wins and renewals, highlighting the fact that insurers are increasingly looking for long term value from technology and services that enable them to be future-ready and provide an increased quality of service to their customers. We continue to build substantial shareholder value for the Group into the future.'

By general City agreement, the present chief executive is the man who has restored credibility. Going and meeting him is a must for anyone with the remotest prospect of doing so. **For details please contact Alan Cane** (alan@canefamily.freeserve.co.uk).

Forthcoming Presentations

BHP Billiton



BHP Billiton - 6-month price graph

On 26th September there is a presentation in London on this £40 billion resources giant.

BHP Billiton's strategy of owning and operating large, long life, low cost, expandable, upstream assets diversified by commodity, geography and market remains the foundation for its impressive shareholder returns. To extend the track record and create a more productive and capital efficient organisation, it has concentrated its efforts on world class basins which can generate economies of scale and thus a competitive advantage. Here in outline is the most recent key information.

Petroleum production increased by 6% in the 2013 financial year to 236 million barrels of oil equivalent (BHP Billiton share) and included strong performance from Onshore US, which delivered 99 million barrels of oil equivalent (BHP Billiton share). The liquids rich Eagle Ford contributed 33% of total Onshore US production to become Petroleum's largest producing field at the end of the period.

Copper production increased by 10% in the 2013 financial year to 1.2 million tonnes (BHP Billiton share). Escondida copper production increased by 28% to 1.1 million tonnes (100% basis) as the average copper grade mined rose to 1.4% and milling rates improved. Record annual copper production at Antamina (Peru) also contributed to the strong result having benefited from a full year contribution from the recently expanded concentrator.

Iron ore production increased by 7% in the 2013 financial year to 170 million tonnes (BHP Billiton share). WAIO production of 187 million tonnes (100% basis) represented a thirteenth consecutive annual production record. The delivery of WAIO's capital efficient growth program and continued strong operating performance across the supply chain contributed to this record result. Samarco's three pellet plants continued to operate at capacity during the period.

Metallurgical coal production increased by 13% in the 2013 financial year to 38 million tonnes. A 19% (100% basis) increase in production at Queensland Coal was underpinned by record annual performance at both Peak Downs and South Walker Creek and this was achieved despite the indefinite closure of Norwich Park and Gregory. In addition, Illawarra Coal (Australia) achieved record annual production in the period.

Alumina production increased by 18% in the 2013 financial year to a record 4.9 million tonnes (BHP Billiton share), underpinned by the ramp up of the Efficiency and Growth project at Worsley. Aluminium production increased by 2% to 1.2 million tonnes (BHP Billiton share) with improved performance at our Southern African smelters. The table gives an interesting breakdown of revenue. And this is the latest apercu from the company;

Year to June $billion	2013	2012
Petroleum and Potash	13,213	12,937
Copper	11,991	11,596
Iron ore	20,215	22,601
Coal	10,723	13,598
Aluminium, Manganese and Nickel	9,278	9,911
Total	65,968	72,226

'We achieved a thirteenth consecutive annual production record at Western Australia Iron Ore (WAIO) and a 28 per cent increase in copper production at Escondida (Chile) in the 2013 financial year. In addition, liquids production at our Onshore US business increased by 76 per cent and our Queensland Coal Australia) operations returned to full supply chain capacity during the period.

Strong momentum at our operations is expected to be maintained in the medium term, with compound annual production growth of eight per cent, in copper equivalent terms, anticipated over the next two years. This high margin volume growth and the Group's determination to reduce operating costs is expected to underpin robust operating margins, even in the absence of higher prices.'

If you are interested in attending a detailed rundown on this massively important operation contact Nick Steiner on n.steiner@btinternet.com .

Forthcoming Presentations

Cranswick

On 2nd October there is a presentation in Sherburn-in-Elmer North Yorkshire on this most interesting enterprise.

Cranswick's activities are focused within the UK and include the processing and supply of fresh pork, sausage, bacon, cooked meats, charcuterie, pastry products and sandwiches. Products are primarily supplied into the UK food retail, food service and food manufacturing sectors. Results for the year to 31 March 2013 showed sales of £875 million and profit before tax of £47 million.

Cranswick - 6-month price graph

Underlying turnover in the three months to 30 June 2013 was 10% ahead of the same period last year reflecting strong growth across most product categories. Total sales for the three months were 12% higher after taking into account the contribution from Kingston Foods which was acquired on 29th June 2012 and modest third party sales made by Wayland Farms Limited ("Wayland Farms"), formerly East Anglian Pigs Limited, which was acquired in 2013.

Operating margins in the first quarter were below those achieved during the previous financial year as a whole, reflecting higher input costs and, as was anticipated, start-up costs at the new pastry facility.

As expected, pig prices increased during the first quarter of the financial year and have increased further during July to a new record high. The impact has been absorbed through on-going efficiency improvements and by the strong volumes processed through the group's facilities.

The gourmet pastry facility at Malton, North Yorkshire was completed during the period. The factory is now commissioned, enabling the group to further develop its existing business by offering a broad range of premium savoury pastry products.

For what should be a first-class visit **contact John Hillman on** hillman37@btinternet.com

Forthcoming Presentations

Rexam

On 23rd October there is a full presentation on this large but sometimes surprisingly subfusc company.

Rexam is a global consumer packaging manufacturer – a classic business-to-business company. It is a leading global beverage can maker and one of the global leaders in rigid plastic packaging for healthcare applications. The job is to make high quality packaging as efficiently, profitably and sustainably as possible. The customers include many of the world's favourite and most famous brands.

There are 67 manufacturing plants in 24 countries and the company employs around 11,000 people. Reported sales from continuing operations in 2012 were in the region of £4.3 billion. Rexam is a member of the FTSE 100 and its ordinary shares are listed with the UK Listing Authority and trade on the London Stock Exchange under the symbol REX.

Commenting, Graham Chipchase, Rexam's chief executive, said:

'It has been a challenging first half against a difficult macroeconomic backdrop. However, we have responded swiftly by accelerating our cost mitigation measures and maintaining our capital discipline. We continue to expect our full year performance to show improvement over 2012.

'Operationally the business is performing well and the consistent delivery of our efficiency targets demonstrates our commitment to operational excellence. We are continuing to invest for the future and, in addition to a strong innovation pipeline, are seeking to expand our existing footprint in emerging markets to support the sustainable growth of the business.

'We continue with our proven strategy of optimising cash, managing costs and driving return on capital employed. Our ROCE target remains 15%, and we are committed to maintaining returns around that level as we take advantage of the opportunities to grow the business and maximise shareholder value.'

Those wishing to attend should contact **Harry Braund on 020 7731 5942, 0787 644 3648** or harrybraund@yahoo.co.uk .

Forthcoming Presentations

Wolseley

A chance to see how plumbing specialist Wolseley ticks is open to those who wish to go to Reading on 12th November. This is what the company says:

'Wolseley is a relationship business. So we want to make sure that we're meeting the needs of our customers better than the competition. This means delivering the right products, at the right price, at the right time, on every occasion people do business with us. It also means developing long-term relationships with our customers, the majority of which are professional contractors.

Wolseley -
6-month price graph

'We supply over 1 million customers with around 500,000 products, carefully sourced from over 100,000 trade vendors. Product availability is vitally important to our business so a highly efficient distribution network is key to delivering on our customers' needs.

'Regular customer feedback in all our businesses helps us keep on top of our game, both nationally and at our branches.

'With around 3,100 branches, we're very definitely an international business. But we're a local business too – the majority of our customers operate in a region around 20 miles from a branch. We therefore look to build long-term relationships with our customers by providing a great branch experience, rooted in exceptional service.

'Relationships with our vendors are also key to our success. Strong vendor relationships help us to grow our business while, in return, we can provide them with cost-effective access to over 1 million customers, large and small. Our scale allows us to purchase in bulk from suppliers and provide a better service to our customers through reduced delivery times, increased fill rates and improved product availability.'

For details please contact Alan Cane (alan@canefamily.freeserve.co.uk).

Pittards

Peter Wilson went to Addis Abeba to see the Pittards' factory in that country some time ago. Now he is in Ethiopia again to visit the establishment afresh.

Cathedral 'Saviour of the World'

He was fairly bullish about Pittards' prospects and so far things are looking quite good. The latest news from the company is that turnover in the period of £18.4 million was only marginally ahead of 2012 but produced a profit from operations before finance costs of £1.1 million compared to £100,000 in 2012. This was due in part to a better mix of products sold with a lower concentration of more commodity style leathers and partly due to some easing in skin prices in Ethiopia which remained at the level experienced in the second half of 2012. The company also benefitted from a stronger dollar compared to 2012 as a whole.

Distribution and administrative expenses were in line with the prior year and there were no further restructuring costs in 2013. Net finance costs were also very similar in the period. The improved dollar rate led to an increase in the birr/sterling rate at 30 June compared to December 2012 therefore there was an unrealised exchange gain on translation of £330,000.

The revenue included an increased proportion of finished goods as the glove making factory (Pittards Products Manufacturing or PPM) in Ethiopia became more experienced and efficient. Dress glove making is growing alongside the industrial glove production and the company has plans to expand this further in 2013 and beyond.

A new aviation product offering has been reported as being well received at the Aircraft Interiors Expo in Hamburg and Pittards now has in place most of the capital equipment required to take this to bulk production. in the next few months.

Pittards - 6-month price graph

Regional Information

These events are open to members from all regions, and their guests, unless otherwise indicated. For 'waiting list' events all places are taken but there is a waiting list for cancellations.

LONDON & SOUTH-EAST

All events must be booked in advance via the specific organiser. Future events are shown in this magazine and on the UKSA website. Members from other regions are very welcome. For more information please contact Harry Braund on 020 7731 5942 or email harrybraund@yahoo.co.uk

Within this region there is a separate Croydon and Purley Group which meets in Croydon, usually on the second Monday of each month, at the Spread Eagle pub, next to the Town Hall. Please contact Tony Birks on 01322 669 120 or by email ahbirks@btinternet.com ,who will confirm actual dates. There is no charge and no booking necessary.

MIDLANDS

For general information, contact Peter Wilson 01453 834486 or 07712 591032 or petertwilson@dsl.pipex.com

At the present time no meetings are being arranged specifically for the region, but members are cordially invited to attend meetings in the North or South West regions where they will be made very welcome; or indeed London if that is more convenient.

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. Events are at 10 for 10.30am. To book, contact Mark Pagliaro, 01594 516218.

Didmarton: The King's Arms, Didmarton: cost is £22.50, including coffees and lunch. Events are at 10 for 10.30am. To book, contact Peter Wilson 01453 834486 or 07712 591032 or petertwilson@dsl.pipex.com

Tyntesfield: To book contact Lesley Reed on 0117 968 7963 or lesley @bigskyhouse.co.uk

Torquay: Orestone Manor Hotel, near Torquay: cost is £25, including coffees and lunch. Events are at 10 for 10.30am. To book, contact Peter Wilson 01453 834486 or 07712 591032 or petertwilson@dsl.pipex.com

Yeovil: Haynes Conference Centre £22.50 book with Robin Clark ajxp.woodford@tiscali.co.uk Company visits:cost is £5. To book, Peter Wilson 01453 834486 peterwilson@dsl.pipex.com

NORTH-EAST

Advance notice is required for all company visits and lunches. Knaresborough: venue is the Public Library, The Market Place, Knaresborough. For more information (except where stated otherwise), please contact Brian Peart, 01388 488419.

NORTH-WEST & NORTH WALES

For details of events, please contact D. L. King, 01829 751 153

Harry Braun has noted legislative proposals put before the cabinet by business secretary Vince Cable with a view to greater transparency in share ownership, along with a proposed ban on 'bearer shares'.

This is relevant to our recent 'dematerialisation' conference held at the RAF club on July 6th he points out, and the presentations by the ICSA registrars on the subject of the mandatory introduction of 'all electronic' share ownership in the UK in the near future, along with a redefinition of 'nominee' accounts.

He also notes that most EUROZONE countries favour registered shares, but Germany is heavily biased toward 'bearer shares' ; and that this may have an effect on 'cross border' proxy voting in the future.

UNITED KINGDOM SHAREHOLDERS' ASSOCIATION
CURRENT UKSA EVENTS

BHP Billiton plc	London	Thursday, 26 September 11:15am	**Presentation**	Nick Steiner n.steiner@btinternet.com
Cranswick plc	Sherburn-in-Elmet, North Yorkshire	Wednesday, 2 October 2:00pm	**Company Visit**	John Hillman hillman37@btinternet.com
Investors Chronicle Annual Presentation Dominic Picarda	Croydon	Friday, 11 October 11:30am	**Presentation**	Tony Birks 01322 669120 ahbirks@btinternet.com
Rexam Sandra Moura - Head Investor Relations	London	Wednesday, 23rd October 11:00am	Presentation	Harry Braund 020 7731 5942 0787 644 3648 harrybraund@yahoo.co.uk
Innovation Group Andy Roberts CEO & Jane Hall Group CFO	Whiteley, Hants	Monday, 4 November 12:00pm	**Analyst style presentation**	Alan Cane 01980 671134 alancane@canefamily.freeserve.co.uk
Wolseley Mark Fearon - Dir Group Comms & Inv Rel	Reading	Tuesday, 12 November 11:00am	**Analyst style presentation**	Alan Cane 01980 671134 alancane@canefamily.freeserve.co.uk

UKSA members who have not attended one of these meetings may not appreciate how valuable they are. They are invariably addressed by one or other of the three principal directors and the information presented is the same as that given to City analysts. For some of those who do attend, these occasions are UKSA's most valuable membership benefit and, for this reason, there is often competition for places.