Australasian Investor Relations Association

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14 September 2007

Mr David Sullivan
Committee Secretary
Parliamentary Joint Committee on Corporations & Financial Services
Suite SG. 64
Parliament House
CANBERRA ACT 2600

Dear David

Inquiry into Shareholder Engagement and Participation

Thank you for your letter dated 29 June, inviting the Australasian Investor Relations Association (AIRA) to make a submission to the Committees' inquiry into shareholder engagement and participation.

AIRA's mission is to advance the awareness of, and best practice in investor relations in Australia and New Zealand and thereby improve the relationship between listed entities and the investment community. The Association's 96 corporate members represent approximately $760 billion of market capitalization or nearly half the total market capitalization of companies listed on ASX.

The Association believes that the level of shareholder engagement and participation **by and in** Australian listed entities, has never been greater. AIRA notes with interest, that the results of a recent US survey of fund managers[1], found that good investor relations increases the investment appeal of publicly traded companies. The respondents also said "superb" investor relations would give rise to a median 10 percent share price premium and "poor" investor relations would result in a median 15 percent discount.

By way of background to the inquiry, AIRA believes the committee should be aware of a number of contributing factors in this rise in activity, including:

[1] Reported in Investor Relations Magazine Asia-Pacific Newsletter, 28 August 2007. The research was conducted by Rivel research.

- The continuing growth of institutional ownership of shares via superannuation and other managed funds both in Australia and globally (see attached research paper, "*Analysis of Shareownership in Australia*" – attachments 1a & 1b);
- The increased level of disclosure of financial and governance related information by listed entities;
- The increased level of proxy voting by institutional investors which has in part been as a result of the increase in the provision of advice and research to institutions on resolutions put to shareholders;
- The high level of M&A activity, including by private equity;
- An increased level of resources and commitment to investor relations by a growing number of listed entities as well as professionalism in investor relations by listed entities eg AIRA released a revised set of its best practice guidelines in 2006, entitled, "Best Practice Investor Relations: Guidelines for Australasian Listed Entities" – see attachment 2, also AIRA now has a Diploma in Investor Relations and has recently launched a course with the Australian Stock Exchange on IR for SMEs – see attachment 3;
- The changing communication preferences of retail investors and the increased use of technology by listed entities to communicate and engage with institutional and retail investors (see attached results of our survey "Electronic Communication Preferences of Retail Investors" – attachment 4), such as webcasting, interactive online annual reports and email distribution of company information;
- The increased awareness of the ASX Corporate Governance Guidelines.

We now turn to the specific terms of reference of the inquiry. We have responded to the specific terms of reference below:

We note that the Committee is to inquire and report on the engagement and participation of shareholders in the corporate governance of the companies in which they are part-owners. In responding to the specific terms of reference, AIRA believes the committee should also have regard to how **listed entities** are engaging with shareholders, over and above the statutory communication with shareholders' via stock exchange announcements, financial reporting etc and some of the issues around that engagement.

1. *barriers to the effective engagement of all shareholders in the governance of companies;*

It should be remembered that voting on resolutions in corporations is based on the principle of one share, one vote as opposed to one person, one vote in the political domain. In that sense, large shareholders will invariably determine the outcome of any vote put to shareholders'. From a voting point of view, shareholders' are therefore not equal and while every effort is made by companies to facilitate all shareholders participating in the meeting, as mentioned above, large shareholders' have the greatest ability to influence the governance of a company.

AIRA believes that current practices regarding the conduct of shareholder meeting's are working well. For example, the ability of any shareholder to ask a question(s) at the meeting, including to the auditor (and in many cases to submit questions in writing before the meeting), the ability to view a live or archived webcast of an increasing number of shareholder meetings and the ability to lodge a voting instruction prior to the meeting either by mail, fax and in some cases electronically, have all made it easier for shareholders' to participate and engage with companies.

Despite these additional measures to facilitate greater shareholder participation and engagement, the vast majority of shareholders' by number (as opposed to by the number of votes) do not choose to attend meetings. While companies go to considerable effort and expense to organise and prepare for shareholder meetings, the typical business of an annual general meeting, for example, is relatively mundane and other than the odd question, including the inevitable "shopping trolley" type question, AGMs are more valuable as a forum to hear an update from the chair and or management on the performance of the company in the first quarter of the year and the outlook for the rest of the year.

2. *whether institutional shareholders are adequately engaged, or able to participate, in the relevant corporate affairs of the companies they invest in*;

As part of the investor relations function of a listed entity, it is increasingly common for companies to undertake periodic analyses of the beneficial ownership of the company and as part of this analysis to identify which fund managers have investment (and voting) responsibility. Companies undertake this process (invariably outsourced to a third party provider) to ensure that all institutional shareholders holding shares in the company are engaged by the company.

As part of a listed entities ongoing need to monitor major changes in institutional holdings and the appearance on the register of any potential predators, it has become apparent that the increased use of derivative instruments is "clouding" the true beneficial ownership of a company. This is because derivative instruments such as equity swaps, contracts for difference etc are not captured by the beneficial ownership tracing provisions in s.672 of the *Corporations Act*.

It has become increasingly difficult for listed entities to identify shareholders who might have a financial interest in the company, but not necessarily a beneficial ownership interest. One of our member's recently informed us that they became aware that a foreign based hedge fund had acquired an economic interest in their company to the value of AUD700 million via a contract for difference. This was not able to be discovered through the operation of the beneficial ownership tracing process as provided for in s.672.

In addition, we believe that the lack of transparency caused by the increasing use of CFDs, equity swaps etc, is in conflict with the underlying principle of all investors being aware of significant (potentially 'price sensitive') positions held by particular investors.

Furthermore, from a shareholder engagement point of view, it is difficult for listed entities to prioritise which investors to see if you do not know who some of your largest holders are. Hedge funds can seek management access out of the blue and proving ownership can be difficult.

Other practical issues for listed entities as a result of this situation include:

- **The link between economic ownership and voting may be lost**
- **Significant holders with economic interests may not be identified for capital raising purposes**

- **Increased cost of researching and maintaining shareholder registers**
- **Increased cost of shareholder communications due to difficulty in identifying economic beneficiaries**
- **Management disruption through cost of unscheduled access**

<u>AIRA therefore RECOMMENDS that s.672 of the Corporations Act be amended so that derivative instruments are captured by the tracing provisions.</u>

3. *best practice in corporate governance mechanisms, including:*

   a. *preselection and nomination of director candidates;*

   AIRA believes current practices regarding the identification of new directors by a nomination committee of the board via a proper search process (which may include taking soundings with major shareholders), are appropriate.

   AIRA is a member of the ASX Corporate Governance Council and supports its recommendations, including in this area.

   b. *advertising of elections and providing information concerning director candidates, including direct interaction with institutional shareholders;*

   AIRA does not believe advertising of director elections is warranted. Profiles of directors seeking election are included in the annual report and/or the notice of meeting and should be a matter for the shareholders' of the company only, not a matter for public comment that advertising might invite.

   An increasing number of companies are undertaking a "governance roadshow" to get feedback on governance related issues ahead of any meeting. In addition, institutional shareholder's will often contact a company directly if they are unhappy about a particular issue.

   c. *presentation of ballot papers;*

   AIRA is not aware of any issues regarding the presentation of ballot papers.

   d. *voting arrangements (eg. direct, proxy); and*

   AIRA supports giving shareholders the choice to either appoint a proxy or to direct voting. Either way, there is a growing trend towards going straight to a poll on all resolutions, as opposed to a vote on a show of hands (we understand about 50 of the top 200 companies did this in 2006) on the basis that voting on a poll reflects the views of all shareholders' votes, regardless of whether they [the shareholder] are at the meeting or not.

   There are some mechanical issues to do with the proxy voting process that can ultimately impact on the efficiency of the voting process for institutional shareholders, such as the inability to lodge a voting instruction electronically in all companies. This is because electronic lodgement is not universally available for all listed entities. While the Corporations Act provides for electronic lodgement, it is a replaceable rule, and therefore not all companies offer this option.

AIRA is a member of the IFSA Proxy Voting Roundtable and supports the recommendations included in that paper, which we understand is being lodged as part of the IFSA submission to this inquiry.

e. *conduct of Annual General Meetings.*

See comments in response to 1 above. Current practice is for the most part working well and no legislative changes are necessary. If there is an issue it is around the "content" of AGMs not the conduct.

To this end, a growing number of companies are trying different formats for their AGMs to make them more of an "information meeting", that are more tailored to the typical profile of attendees of AGM's.

4. *the effectiveness of existing mechanisms for communicating and getting feedback from shareholders;*

AIRA strongly supports the Government's recent amendments to the *Corporations Act*, requiring shareholders to opt-in to receive a full annual report and believe it should be extended to other statutory communications such as the notice of meeting.

In addition, the growing use of technology for communicating with shareholders eg webcasting of results presentations and AGM's, email alerts of announcements lodged with the ASX, interactive annual reports, podcast interviews with CEOs and the greater use being made of company websites as repositories of current and historical information about the company has both increased the level and accessibility of information available to shareholders' and other interested stakeholders.

The results of a recent AIRA survey of 4000 retail investors (see attachment 4) would suggest that investors increasingly prefer electronic communication and site the ASX website, broker websites as well as companies own websites as their major sources of information about companies.

As far as getting feedback from shareholders is concerned, institutional shareholders are always giving feedback to management and the board. Furthermore, as part of many companies investor relations strategies, they commission independently conducted feedback or "perception studies" of institutional shareholders on a range of issues ranging from the quality of management, governance, disclosure practices etc.

As far as retail shareholders are concerned, prior to the AGM, a growing number of companies invite feedback/questions by insert a form with the notice of meeting inviting questions from shareholders that can be addressed via the formal presentations at the AGM. Furthermore, all shareholders can and do ring or write to management or the Chairman on a range of issues over the course of the year.

5. *the particular needs of shareholders who may have limited knowledge of corporate and financial matters; and*

There is more information available on listed companies than ever before. In 2006, approximately 100,000 announcements were made by listed entities to the ASX. This number increases by over 10% each year.

AIRA does not believe that it is the job of individual companies to provide financial education to shareholders. Listed entities are required to make available to the market any new material information about the company. The challenge is always to provide easily digestible and accessible information that both complies with the continuous disclosure rules and relevant accounting standards, but at the same time make the information readable.

Organisations like the Australian Shareholders' Association provide useful education seminars to their members, but ultimately individuals wishing to invest directly in shares should get appropriate advice from a stockbroker or financial adviser.

6. *the need for any legislative or regulatory change*.

AIRA supports the proposals for regulatory and legislative change in the IFSA Proxy Voting Paper and also recommends extending the reach of s.672 of the Corporations Act to derivative instruments as discussed in point 2 above.

Thank you again for the opportunity to make a submission on these important matters to the Committee. We would welcome an opportunity to appear before committee during the public hearings stage.

If you have any questions in relation to this submission, please do not hesitate to contact me on 02-9872 9100.

Yours sincerely

Ian Matheson
Chief Executive Officer

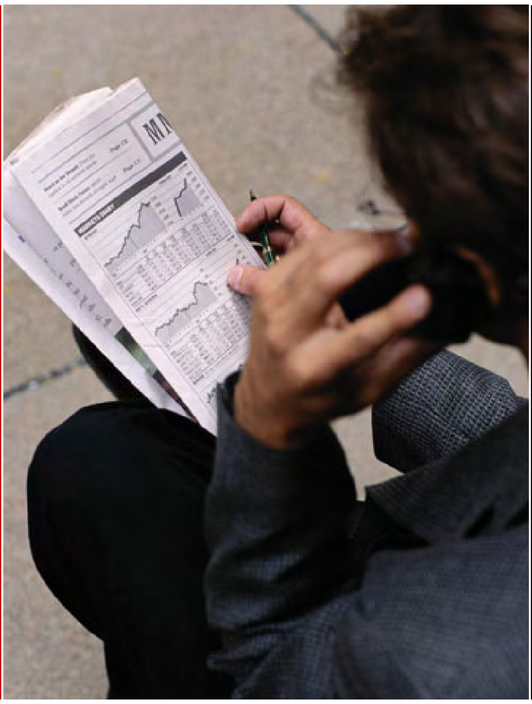
(attachments)

Australasian Investor Relations Association

Analysis of Share Ownership in Australia

October 2005

Dr Carole Comerton-Forde and Ian Matheson



Analysis of Share Ownership in Australia[♣]

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Table of Contents

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[♣] This Research Paper was prepared for the Australasian Investor Relations Association. The authors thank James Rydge for research assistance. The authors also acknowledge participants in an AIRA Focus Group for their valuable comments and suggestions.

Executive Summary

This paper uses shareholder data, reported in annual reports, to document the composition of share ownership in Australia over the period 2001 to 2004. The sample includes companies which were included in the S&P/ASX 300 Index throughout this period. Differences by industry and stock size are also examined.

This analysis uncovers the following results:

- There is an inverse relationship between the number of shareholders and the number of shares in each shareholding band. The 1 to 1,000 band comprises the largest number of shareholders (31%). These shareholders own only 3% of shares outstanding. In contrast, approximately 1.5% of shareholders own more than 100,000 shares. These shareholders own approximately 69% of shares outstanding. These results indicate that while a large number of retail investors are involved in the market, their total direct ownership of stock is low.

- There is little variation in the composition of ownership over the sample period.

- There is substantial variation in the composition of ownership across different sized stocks. There are significantly more retail shareholders in larger stocks. Retail holders also hold a larger percentage of shares outstanding in larger stocks.

- Over the period examined, there is an increase in the number of shares held by institutional investors in smaller stocks. This is likely to reflect a growth over this period in funds that invest specifically in companies with smaller market capitalisations (typically defined as those companies outside the top 100 companies).

- There is significant variation in the composition of share ownership across industries. However, this variation is likely to be due to a relatively small sample of firms in each industry and company specific influences, such as Telstra.

- A disproportionate number of retail shareholders own stock in the Telecommunications industry. This is driven by shareholdings in Telstra.

1 INTRODUCTION

Despite the reported high levels of retail share ownership in Australia, surprisingly little is known about the composition of share ownership and how this composition differs across different types of stocks and different industries. To date, knowledge of share ownership and trends in ownership have been restricted to the information provided in the ASX Share Ownership Survey. The 2004 survey indicates that retail share ownership in Australian is high with approximately 44% of Australians owning shares directly and 55% of Australians owning shares either directly or indirectly. These figures have grown from 37% and 51% for direct and direct/indirect holdings, respectively, in 2001. The survey also provides interesting details about the average retail portfolio, which is reported to comprise 6 stocks with a value of $41,400. Further information is also provided about differences between males and females, the frequency of trading, where these investors obtain information and other issues.

While this report is instructive, it is limited by the fact that it is based on a telephone survey of approximately 2,400 people. The results are then extrapolated to the broader population. This paper therefore seeks to build on the knowledge provided by the ASX Share Ownership Survey, by approaching the issue from a different perspective. More specifically, it examines the shareholding information which is disclosed in company annual reports.

Australian companies are required to disclose in their annual reports the number of shareholders in five different holding bands, these include shareholders who own: 1 to 1,000 shares; 1,001 to 5,000 shares; 5,001 to 10,000 shares; 10,001 to 100,000 shares and over 100,000 shares. Most companies also report the number of shares held by shareholders in each of these bands. This paper uses this data to examine the composition of share ownership in Australia over the period 2001 to 2004. It considers changes in the composition of share ownership over this period, differences in ownership across different sized companies and across industries. This analysis provides insights into the preferences of different types of investors for small and large stocks and for different industries.

The paper also seeks to make some generalisations about retail and institutional ownership. This analysis is limited by the fact that the ownership bands reported in company annual reports are based on the number of shares held rather than the value of shares held. Therefore, in order to examine retail and institutional holders it is necessary to make assumptions about which bands represent each of these investor groups. The paper classifies holdings of less than 10,000 shares as retail holdings. A detailed justification of this classification is provided in section 3.2.

The results indicate that while there are a large number of retail holders, the percentage of stock held by these investors is very small. On average, 31% of shareholders (or 33,016 shareholders in each company) own less than three percent of the shares on issue. While there is a small increase in the number of retail holders over the sample period, the percentage of stock held by these shareholders declined. There are substantial differences in the mix of shareholders across different sized stocks. Retail investors have a preference for larger stocks, and this preference has been increasing over time. Finally, there is significant variation in holdings across different industries.

This analysis may be helpful for listed entities in their investor relations activities and in considering whether the company may wish to try and adjust the composition of the register (e.g. attract more retail holders with greater than 1000 shares, more offshore institutional holders etc.) The results of the paper may also contribute to the debate about how Annual General Meetings (AGM's) and shareholder communication could be improved The results also indicate that retail investors are highly concentrated in particular stocks and industries; this may be instructive for developing investor education programmes on the benefits of diversification.

The remainder of the paper is structured as follows. Section 2 describes the data used in the paper. Section 3 outlines the method used. The results are presented and discussed in section 4. Section 5 concludes and provides suggestions for future research.

2 DATA

The data used in this paper is obtained from three sources. Share ownership data is extracted from company annual reports and is provided by Aspect Huntley. Market capitalisation data is provided by the Securities Industry Research Centre of Asia-Pacific (SIRCA) and GICS classification data is obtained from the MSCI website.

Companies listed on the ASX are required to disclose basic ownership information in their annual reports. Companies classify shareholders into five bands based on the number of shares owned by the registered holders. These bands are as follows: 1 to 1,000 shares; 1,001 to 5,000 shares; 5,001 to 10,000 shares; 10,001 to 100,000 shares; and over 100,000 shares. Companies are required to disclose the number of registered holders in each band. Most companies also report the volume of shares held in each of these bands.

The initial sample of stocks includes all companies which were included in the S&P/ASX300 Index between 2001 and 2004. On 31 December each year, these companies are ranked by market capitalisation. The sample is divided into four groups based on these rankings comprising the top 50 stocks, stocks ranked 51 to 100, stocks ranked 101 to 200 and stocks ranked over 200.

In order to maintain consistency in the sample across years, stocks are excluded from the sample if they were not included in the index every year during the period. The final sample comprises 200 companies. A list of the companies included in the analysis is provided in Appendix A.

3 METHOD

3.1 Variable definitions

Four variables are analysed: the number of shareholders in each band; the number of shares in each band, the percentage of shareholders in each band and the percentage of shares in each band.

The percentage of shareholders in each band is calculated as follows:

$$Percentage\,number\,shareholders_{s,b} = \frac{Number\,shareholders_{s,b}}{Number\,shareholders_{s}}$$

where *s* is the selected stock and *b* is the selected holding band.

The percentage of shares on issue in each band is calculated as follows:

$$Percentage\,number\,shares\,on\,issue_{s,b} = \frac{Number\,shares\,on\,issue_{s,b}}{Number\,shares\,on\,issue_{s}}$$

where *s* is the selected stock and *b* is the selected holding band.

The four variables are calculated across stocks and average values for each variable are reported. Changes in the variables across years are examined. Differences across stocks of different sizes are also examined. In addition, differences across industry are analysed by partitioning stocks according to their Global Industry Classification Standard (GICS) classification.

Three stocks, AMP Ltd (AMP), Insurance Australia Group Ltd (IAG) and Telstra Ltd (TLS) are viewed as somewhat atypical due to the extremely large number of investors on their register. This is due to the fact that the first AMP and IAG were demutualisations and TLS was a large government privatisation with high retail participation. For this reason the results are also calculated after excluding these stocks from the sample. While these stocks had a significant impact on the average number of shareholders and number of shares they did not significantly change the percentage results, or the overall trends. Therefore, except where otherwise stated, the analysis presented includes these stocks.

3.2 Retail and institutional classifications

The data presented in company annual reports does not allow for identification of retail or institutional investors. Therefore, it is necessary to make an assumption about which classes of holders represent retail investors and which classes represent institutional investors.

The holder bands in annual reports are based on the number of shares held by the investor rather than a dollar value of their holdings. This makes the classification process more difficult. For example, a holding of 10,000 shares in a $1 stock has a total value of $10,000 and is therefore likely to be a retail holder. However, a holding of 10,000 shares in a $40 stock has a total value of $400,000 and is therefore less likely to represent a retail holder. The classification of retail/institution investors used in the paper is therefore based on the average price of stocks in the S&P/ASX 300 Index. On 31 December, 2004, the average share price for stocks in this index was $6.20. Therefore, the average value of a holding with less than 10,000 shares is $62,000.

It is also difficult to determine the typical dollar holding for retail investors. The ASX Share Ownership Survey 2004 reported that the average portfolio for direct retail investors is $41,400. On average, these portfolios are comprised of 6 stocks. This suggests that the average holding per stock for retail investors is $6,900. However, high net worth individuals and self-managed super funds are likely to have significantly higher individual holdings. This paper refers to retail holders as parties holding less than 10,000 shares in an individual stock.

Given the arbitrary nature of this retail/institutional split, the tables of results report holdings for each of the five bands. The retail/institutional classification is only used in the text. Therefore the reader can draw their own conclusions from the results if they disagree with this classification.

4 RESULTS

4.1 Analysis of all stocks

Table 1 reports the average value of the four variables for each holding band. Three panels of results are presented. Panel A reports the results for the full sample, Panel B reports the results excluding AMP, IAG and TLS and Panel C reports the results for AMP, IAG and TLS only. The results reported in Panel A illustrates that there is an inverse relationship between the number and percentage of shareholders and the number of shares held in each band. Approximately 31 percent of shareholders own less than 1,000 shares. On average this represents 33,016 shareholders. However, these holders own approximately three percent of shares on issue. In contrast, an average of 168 shareholders (representing 1.5 percent of shareholders) own almost 70 percent of the shares on issue. These results also suggest that retail shareholders own less than 20 percent of shares on issue despite representing approximately 85 percent of shareholders. These results are also presented in Figure 1.

Panel B of Table 1 illustrates that the average number of shareholders and shares on issue is significantly increased by the large registers of AMP, IAG and TLS. The average number of shareholders owning less than 1,000 shares falls from 33,016 to 19,474 when these stocks are excluded from the sample. However, despite this influence, the average percentage results are not significantly influenced by the presence of these companies.

AMP, IAG and TLS are considered separately in Panel C of Table 1. This panel illustrates the extremely high level of retail participation in these stocks. On average 99 percent of shareholders in these stocks own less than 10,000 shares. These holders own approximately 45 percent of the shares on issue.

The distribution of shareholders and shares across each of the five holder bands is also examined on an annual basis. These results are presented in Table 2. Despite the growth in retail participation reported in the ASX's Share Ownership Surveys, this analysis indicates that there has been little change in holdings over this period. The changes are relatively small and somewhat mixed. The magnitude of the changes suggests that they are unlikely to be economically significant. For example, the percentage of shares held by retail holders declined from 2001 to 2002 from 18.03% to 16.84%. However this figure grew in 2003 and 2004 ending at 17.69%. The average number of shareholders grew by one percent to 85% over the period, representing an average increase of 527 shareholders.

Appendix B provides details of the smallest and largest registers in 2004 based on the number of shareholders and the smallest and largest changes in registers over the period. Table 7 reports significant variation in the number of shareholders on the 20 largest and smallest registers. The largest companies, TLS and IAG have over 1 million shareholders. This value declines rapidly, with only five companies exceeding half a million shareholders. The twentieth largest company has 113,571 shareholders. The bottom 20 shareholders all have less than 3,525 shareholders. Sino Gold Ltd (SGX) has the smallest register with only 673 shareholders.

Table 8 presents the 20 largest increases and decreases in shareholders over the period 2001 to 2004. This illustrates significant changes over the period. Tempo Services (TEM) experienced more than an 800% increase in the number of shareholders from 2,457 to 23,030. UXC Ltd (UXC) exhibited the largest decline in its register from 32,406 to 10,935 shareholders.

4.2 Stock size analysis

Table 3 and Figure 2 present the results after partitioning on stock size. These results illustrate that there are substantial differences in the holdings across different sized stocks. Panel A of Table 3 shows that there is a much larger proportion of small shareholders in the large stocks. For example, 51.5% of shareholders in the top 50 stocks own less than 1,000 shares compared to only 18.95% in stocks outside the top 200. Approximately 95% of shareholders can be classified as retail holders in the top 50 stocks compared to only 72% in the smallest group of stocks.

Similarly, Panel B of Table 3 indicates an inverse relationship between percentage of shares held by small investors and the size of the company. Approximately 17.5% of shares on issue are held by retail investors in the top 50 stocks compared to only 7.6% for stocks outside the top 200.

These results demonstrate that for the large stocks, the inverse relationship between the number of shareholders and their level of share holdings is intensified. For the top 50 stocks, over 50% of shareholders own less than 1,000 shares representing only 5% percent of shares on issue. Only 0.64% of shareholders own more than 100,000 shares, but they own approximately 70% of the shares on issue.

The lower levels of shareholders and shares in the smaller holder bands for the small stocks may also be driven by the fact that these stocks typically have lower prices. Therefore, small investors may hold larger numbers of shares in these stocks. This is illustrated in Table 3 which reports the average stock price for each group of stocks. The average price for the top 50 stocks is $14.73 compared to only $1.68 for the stocks ranked over 200. For the stocks ranked over 200, some of the holders in the 10,001 to 100,000 band are also likely to be retail investors. Therefore, some caution should be used when examining differences in holdings across different sized stocks.

Table 4 reports the distribution of shareholdings across different sized stocks on an annual basis. These results indicate a significant increase in the number of retail shareholders in stocks outside the top 200, with the percentage of retail holders rising from 67.6% to 77.5%. Despite this increase in the percentage of retail shareholders the percentage of shares on issue held by retail investors over this period declined by three percent to 12.7%.

Over this period there was little change in the percentage of retail shareholders in other stocks. However, there was a significant increase in the percentage of shares on issue held by retail investors in the top 100 stocks. For the top 50 (51 to 100) stocks, the percentage of shares on issue held by retail investors increased from 18.3% (9.8%) to 24.2% (16.3%). These results suggest that retail investors have an increasing preference for holding large stocks.

The results for the institutional investors obviously show the opposite trends. The increase in the number of shares held by institutional investors in stocks outside the top 100 may reflect a growth over the period in managed funds investing specifically in companies with small market capitalizations, typically those outside the top 100.

4.3 Industry analysis

Table 5 reports the results on an industry basis. This illustrates that there is significant variation in the distribution of shareholders and shares on issue across industry. The results are driven by small sample sizes and company specific influences. For example, Table 5 indicates that almost 11% of stock in the Telecommunications industry is held by shareholders who own less than 1,000 shares. Further, almost 50% of stock is held by retail investors. Retail holders represent 75% of holders in this industry. However, the Telecommunications industry comprises 2 stocks, TLS and SP Telemedia Ltd, hence this result is driven largely by TLS. It should be noted that as Singtel (Optus) is not included in the S&P/ASX 300, it is not included in the analysis.

Industry differences are examined further by considering the distribution of shareholders across industries. This is calculated by dividing the number of shareholders in each industry and band by the number of shareholders in each band. Hence the total holders in each band sums to 100 percent. These results are presented in Table 6 and Figure 3. This table also reports the number of companies in each industry for the sample, the total market capitalisation for these stocks and the average price.

The number of retail holders is disproportionately high in the Telecommunications industry. Over 70% of shareholders who own less than 1,000 shares, own stock in the Telecommunications industry. This compares to 25% of shareholders with more than 100,000 shares. This is particularly noteworthy given that the Telecommunications industry represents less than 4.5% of the S&P/ASX300 based on market capitalisation.

The second highest concentration of retail shareholders is in the Financial Services industry. This result is driven in part by AMP and IAG. For example, of all shareholders that own less than 1,000 (1,001 to 5,000) shares, 12.2% (8.11%) of them own stock in the Financial Services industry. However, the proportion of retail shareholders that own shares in this industry is significantly lower than the proportion of shareholders with over 100,000 shares (17.7%). This may suggest that retail shareholders are under-represented in the Financial Services industry.

5 CONCLUSIONS AND FUTURE RESEARCH

This paper presents a broad overview of the composition of share ownership in Australia over the period 2001 to 2004. The results indicate that there are a large number of small shareholders directly investing in Australian companies. However, these shareholders own a very small percentage of shares on issue in these companies. The growth in the numbers of shareholders in recent years poses many challenges for listed entities from an investor relations perspective. The increased use of technology for communicating with these shareholders has been one response. However, consideration could be given by some companies to taking a more holistic approach to communicating with and managing retail shareholders generally.

The significant changes in the number of shareholders in a large number of companies, also suggests that further consideration should be given to the factors driving these changes and the impact that this has on companies. The research does not try and identify an "optimum" shareholder base, but further research could try to identify any correlation between the shareholder mix and share price performance. There is some anecdotal evidence to suggest that those companies with higher numbers of retail shareholder may experience larger price increases when institutional investors try to buy stock due to the fact that retail shareholders are less inclined to trade.

The results also indicate significant differences in the level of retail ownership across different sized companies and across different industries. Consideration should be given to these issues when designing investor education programmes.

Further research on this issue is warranted. In particular changes in shareholdings over a longer time period should be considered. Research should also endeavour to classify holdings based on dollar values rather than volume of shares held. In addition, analysis of the top 20 registered shareholders, which are also disclosed in company annual reports, should also be undertaken to determine whether there have been changes in the level of concentration of ownership of large shareholders, although most of the large registered holders disclosed in the annual reports are bank nominee companies, acting as custodian for underlying superannuation funds and other managed investment schemes.

Table 1. Holdings by size band

Table 1 reports the average number of shares and number of shareholders in each size band for each stock for the period 2001 to 2004. The average percentage number of shares and number of shareholders in each size band for each stock is also reported. Panel A reports the results for the full sample. Panel B reports the results excluding AMP, IAG and TLS. Panel C reports the results for AMP, IAG and TLS only.

Holding Size	Percentage Number of Shareholders	Percentage Number of Shares	Number of Shareholders	Number of Shares
Panel A: All Stocks				
1 to 1,000	31.16%	3.01%	33,016	27,568,871
1,001 to 5,000	39.90%	8.94%	18,470	66,393,508
5,001 to 10,000	13.46%	5.42%	3,011	32,003,889
10,001 to 100,000	13.57%	13.79%	2,260	77,256,095
Over 100,000	1.53%	68.52%	168	412,970,142
Panel B: Excluding AMP, IAG and TLS				
1 to 1,000	30.31%	2.52%	19,474	12,858,594
1,001 to 5,000	39.77%	8.41%	13,189	43,118,425
5,001 to 10,000	13.59%	5.40%	2,646	25,380,596
10,001 to 100,000	13.96%	14.27%	2,113	70,579,443
Over 100,000	1.64%	69.08%	167	369,783,403
Panel C: AMP, IAG and TLS				
1 to 1,000	72.39%	17.72%	919,655	511,088,802
1,001 to 5,000	25.25%	22.36%	355,627	818,269,148
5,001 to 10,000	1.58%	4.73%	26,101	241,711,393
10,001 to 100,000	0.75%	6.46%	12,441	325,434,946
Over 100,000	0.03%	48.74%	400	1,850,888,885

Table 2. Holdings by size band on an annual basis

Table 2 reports details of holdings by size band for each stock on an annual basis for the period 2001 to 2004. Panel A reports the average percentage number of shareholders per stock, Panel B reports the average percentage number of shares per stock, Panel C reports the average number of shareholders per stock and Panel D reports the average number of shares per stock.

Year	1 to 1,000	1,001 to 5,000	5,001 to 10,000	10,001 to 100,000	Over 100,000
Panel A: Percentage Number of Shareholders					
2001	30.83%	39.38%	13.80%	13.63%	1.86%
2002	31.07%	39.62%	13.35%	13.72%	1.74%
2003	31.23%	40.30%	13.49%	13.63%	1.35%
2004	31.50%	40.28%	13.21%	13.31%	1.19%
Panel B: Percentage Number of Shares					
2001	2.84%	9.63%	5.57%	12.55%	69.42%
2002	2.95%	8.61%	5.28%	13.22%	68.75%
2003	3.01%	8.85%	5.40%	13.91%	68.84%
2004	3.12%	9.08%	5.50%	14.64%	67.67%
Panel C: Number of Shareholders					
2001	33,602	17,530	2,738	1,926	191
2002	33,494	18,217	2,919	2,208	191
2003	32,910	19,034	3,148	2,380	141
2004	32,060	19,100	3,237	2,524	148
Panel D: Number of Shares					
2001	35,110,499	83,827,935	35,992,914	85,305,865	451,039,724
2002	26,770,760	63,841,761	30,427,067	68,856,507	414,310,337
2003	27,095,894	64,228,960	31,042,084	71,948,459	409,278,530
2004	25,985,715	64,411,987	32,881,063	86,923,271	401,571,093

Table 3. Holdings by size band in stock groups based on market capitalisation

Table 3 reports average holdings by size bands for each stock for the period 2001 to 2004. Stocks are partitioned into 4 groups based on market capitalisation at the end of each year. The first group comprises the top 50 stocks, the second group comprises stocks ranked 51 to 100 and the third group comprises stocks ranked 101 to 200, and the forth group comprises all remaining stocks. Panel A reports the average Percentage Number of Shareholders per stock and Panel B reports the average Percentage Number of Shares per stock.

Rank by Market Cap	Total Market Capitalisation ($000,000)	Average Price ($)	1 to 1,000	1,001 to 5,000	5,001 to 10,000	10,001 to 100,000	Over 100,000
Panel A: Percentage Number of Shareholders							
1 to 50	501,000	14.73	51.50%	37.47%	6.32%	4.06%	0.64%
51 to 100	96,492	8.17	34.33%	38.61%	12.66%	13.10%	1.30%
101 to 200	39,959	3.63	23.15%	43.01%	16.21%	15.68%	1.95%
Over 201	8,248	1.68	18.95%	36.21%	17.29%	22.91%	4.65%
Panel B: Percentage Number of Shares							
1 to 50	501,000	14.73	5.17%	12.29%	5.05%	9.14%	68.34%
51 to 100	96,492	8.17	2.91%	7.70%	4.89%	14.86%	69.64%
101 to 200	39,959	3.63	1.50%	7.17%	6.25%	16.52%	68.56%
Over 201	8,248	1.68	0.95%	6.69%	5.61%	20.06%	66.69%

Table 4. Holdings by size bands in stock groups based on market capitalisation on an annual basis

Table 4 reports average of holdings by size bands for each stock on an annual basis over the period 2001 to 2004. Stocks are partitioned into 4 groups based on market capitalisation at the start of each year. The first group comprises the top 50 stocks, the second group comprises stocks ranked 51 to 100 and the third group comprises stocks ranked 101 to 200, and the forth group comprises stocks ranked over 200. Panel A reports the average Percentage Number of Shareholders per stock and Panel B reports the average Percentage Number of Shares per stock.

Rank by Market Cap	Year	1 to 1,000	1,001 to 5,000	5,001 to 10,000	10,001 to 100,000	Over 100,000
Panel A: Percentage Number of Shareholders						
Top 50	2001	52.36%	37.18%	6.14%	3.85%	0.47%
Top 50	2002	51.56%	36.74%	6.19%	4.02%	1.49%
Top 50	2003	48.85%	38.51%	7.23%	5.05%	0.37%
Top 50	2004	53.11%	37.55%	5.76%	3.36%	0.23%
51 to 100	2001	29.84%	40.64%	14.20%	12.72%	2.60%
51 to 100	2002	35.69%	37.64%	12.28%	13.31%	1.07%
51 to 100	2003	35.66%	37.83%	12.18%	13.45%	0.88%
51 to 100	2004	35.50%	38.55%	12.21%	12.90%	0.84%
101 to 200	2001	24.60%	43.18%	16.14%	14.45%	1.64%
101 to 200	2002	24.89%	43.51%	15.46%	14.63%	1.51%
101 to 200	2003	20.17%	42.14%	17.51%	18.18%	2.00%
101 to 200	2004	22.84%	43.20%	15.72%	15.53%	1.31%
Over 201	2001	17.40%	32.24%	17.97%	25.91%	3.84%
Over 201	2002	17.44%	36.32%	17.60%	22.99%	3.38%
Over 201	2003	17.85%	37.13%	16.67%	24.60%	3.75%
Over 201	2004	21.92%	38.93%	16.66%	19.90%	2.59%
Panel B: Percentage Number of Shares						
Top 50	2001	3.44%	10.03%	4.85%	8.01%	73.66%
Top 50	2002	5.59%	12.50%	4.88%	8.19%	68.84%
Top 50	2003	5.18%	12.36%	5.14%	9.17%	68.15%
Top 50	2004	5.73%	13.24%	5.22%	10.57%	65.24%
51 to 100	2001	0.94%	5.19%	3.63%	21.62%	68.62%
51 to 100	2002	2.16%	7.30%	4.68%	13.43%	72.43%
51 to 100	2003	3.31%	8.57%	5.52%	16.10%	66.49%
51 to 100	2004	3.67%	7.81%	4.79%	13.53%	70.20%
101 to 200	2001	3.69%	11.50%	6.92%	11.75%	66.15%
101 to 200	2002	2.00%	7.03%	6.18%	15.12%	69.66%
101 to 200	2003	0.71%	5.38%	5.80%	19.12%	68.99%
101 to 200	2004	0.94%	7.20%	6.47%	17.23%	68.16%
Over 201	2001	1.07%	8.12%	6.44%	18.96%	65.40%
Over 201	2002	0.74%	5.66%	5.35%	19.78%	60.78%
Over 201	2003	1.32%	8.50%	6.23%	22.37%	61.59%
Over 201	2004	0.95%	6.40%	5.33%	19.76%	67.56%

Table 5. Holdings by size bands by industry

Table 5 reports details of holdings by size bands for the period 2001 to 2004. Stocks are partitioned into ten groups based on industry classification. Panel A reports the average Percentage Number of Shareholders, Panel B reports the average Percentage Number of Shares, Panel C reports the average Number of Shareholders and Panel D reports the average Number of Shares.

Industry	1 to 1,000	1,001 to 5,000	5,001 to 10,000	10,001 to 100,000	Over 100,000
Panel A: Percentage Number of Shareholders					
Consumer Discretionary	32.96%	45.41%	11.51%	8.89%	1.23%
Consumer Staples	35.40%	42.75%	10.96%	8.58%	0.56%
Energy	30.54%	35.29%	13.40%	18.34%	2.44%
Financial Services	35.01%	32.47%	14.36%	16.69%	1.46%
Healthcare	31.87%	39.74%	12.94%	13.50%	1.96%
Industrials	27.89%	45.13%	14.21%	11.59%	1.17%
IT	21.71%	46.59%	15.71%	14.11%	1.88%
Materials	28.33%	38.25%	14.08%	15.98%	2.05%
Telecommunications	31.77%	24.71%	18.24%	23.66%	1.62%
Utilities	37.75%	35.86%	12.17%	13.67%	0.55%
Panel B: Percentage Number of Shares					
Consumer Discretionary	2.96%	7.12%	4.19%	8.16%	77.57%
Consumer Staples	2.17%	9.13%	4.72%	9.43%	74.55%
Energy	2.24%	7.23%	4.18%	12.83%	73.52%
Financial Services	4.85%	10.43%	5.89%	17.55%	61.28%
Healthcare	3.33%	9.70%	6.00%	17.64%	63.33%
Industrials	1.00%	8.34%	6.28%	12.38%	71.99%
IT	0.91%	4.53%	3.39%	12.28%	78.89%
Materials	2.10%	8.53%	4.57%	11.38%	71.34%
Telecommunications	10.77%	21.66%	7.76%	10.37%	49.45%
Utilities	3.10%	8.75%	11.02%	30.98%	46.15%

Industry	1 to 1,000	1,001 to 5,000	5,001 to 10,000	10,001 to 100,000	Over 100,000
Panel C: Number of Shareholders					
Consumer Discretionary	9,392	8,233	1,424	871	88
Consumer Staples	49,120	30,154	5,069	3,282	169
Energy	13,185	13,809	2,873	2,297	207
Financial Services	94,073	35,555	4,717	4,004	329
Healthcare	7,027	5,476	1,139	942	102
Industrials	7,126	9,807	2,064	1,442	103
IT	2,917	4,104	1,350	1,341	120
Materials	14,492	12,308	2,656	2,187	169
Telecommunications	553,065	306,308	34,756	17,139	460
Utilities	20,733	12,736	2,850	2,829	109
Panel D: Number of Shares					
Consumer Discretionary	5,520,830	15,306,331	9,156,569	18,443,926	203,753,031
Consumer Staples	13,792,170	56,737,789	25,956,021	45,282,533	375,531,402
Energy	11,359,430	36,913,785	21,274,516	61,243,664	420,147,488
Financial Services	51,289,372	92,648,660	43,879,075	128,457,550	595,071,446
Healthcare	4,959,650	17,467,884	10,027,342	26,526,853	118,968,721
Industrials	3,754,403	33,454,146	18,603,133	35,194,274	280,991,700
IT	3,267,294	18,500,294	17,131,030	70,359,576	283,338,750
Materials	14,684,093	61,942,410	34,798,907	92,117,491	512,267,527
Telecommunications	685,322,243	1,377,986,649	493,206,985	659,088,889	3,145,439,648
Utilities	4,880,150	15,925,860	27,435,789	124,354,960	190,776,218

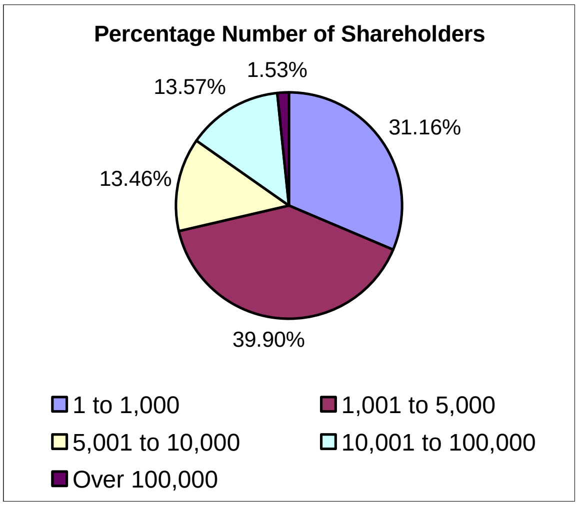
Table 6. Distribution of shareholders by industry

Table 6 reports the distribution of the Number of Shareholders in each size band by industry. The table also reports the number of companies in each industry, the total market capitalization and the average price of the stocks in the industry.

Industry	Number of Co's	Total Market Cap. ($000,000)	Average Price ($)	1 to 1,000	1,001 to 5,000	5,001 to 10,000	10,001 to 100,000	Over 100,000
Consumer Discretionary	29	73,011	6.88	1.22%	1.88%	2.42%	2.40%	4.75%
Consumer Staples	15	66,545	6.59	6.37%	6.88%	8.61%	9.03%	9.09%
Energy	12	38,218	4.83	1.71%	3.15%	4.88%	6.32%	11.13%
Financial Services	34	273,201	11.37	12.20%	8.11%	8.01%	11.02%	17.74%
Healthcare	21	20,492	6.01	0.91%	1.25%	1.93%	2.59%	5.47%
Industrials	30	49,109	5.82	0.92%	2.24%	3.51%	3.97%	5.55%
IT	11	3,203	1.61	0.38%	0.94%	2.29%	3.69%	6.47%
Materials	38	82,295	4.14	1.88%	2.81%	4.51%	6.02%	9.13%
Telecommunications	2	30,177	3.49	71.72%	69.86%	59.01%	47.17%	24.77%
Utilities	6	9,447	5.47	2.69%	2.90%	4.84%	7.79%	5.90%
Total	198	645,699		100.00%	100.00%	100.00%	100.00%	100.00%

Figure 1. Shareholders and shareholdings by size band

Figure 1 reports the average percentage number of shareholders and number of shares held in each size band for the period 2001 to 2004.



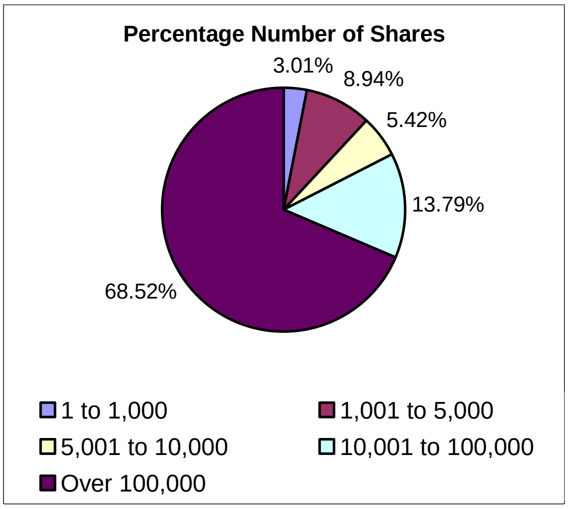
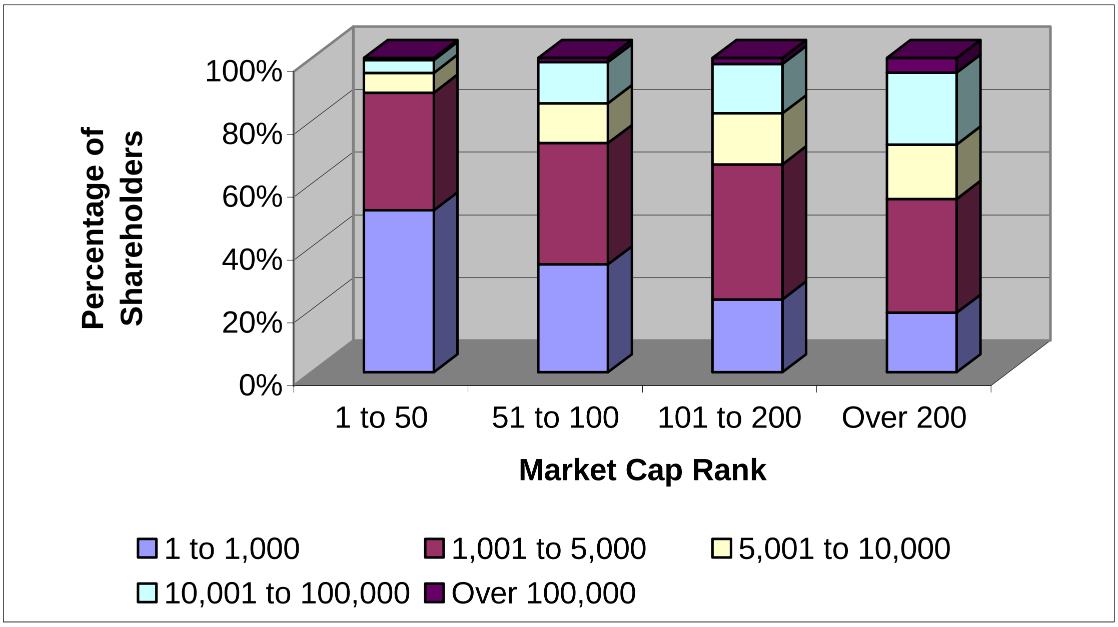


Figure 2. Holdings by size band in stock groups based on market capitalisation

Figure 2 reports average holdings by size bands for each stock for the period 2001 to 2004. Stocks are partitioned into 4 groups based on market capitalisation at the end of each year. The first group comprises the top 50 stocks, the second group comprises stocks ranked 51 to 100 and the third group comprises stocks ranked 101 to 200, and the forth group comprises all remaining stocks. Panel A reports the average Percentage Number of Shareholders per stock and Panel B reports the average Percentage Number of Shares per stock

Panel A: Percentage Number of Shareholders



Panel B: Percentage Number of Shares

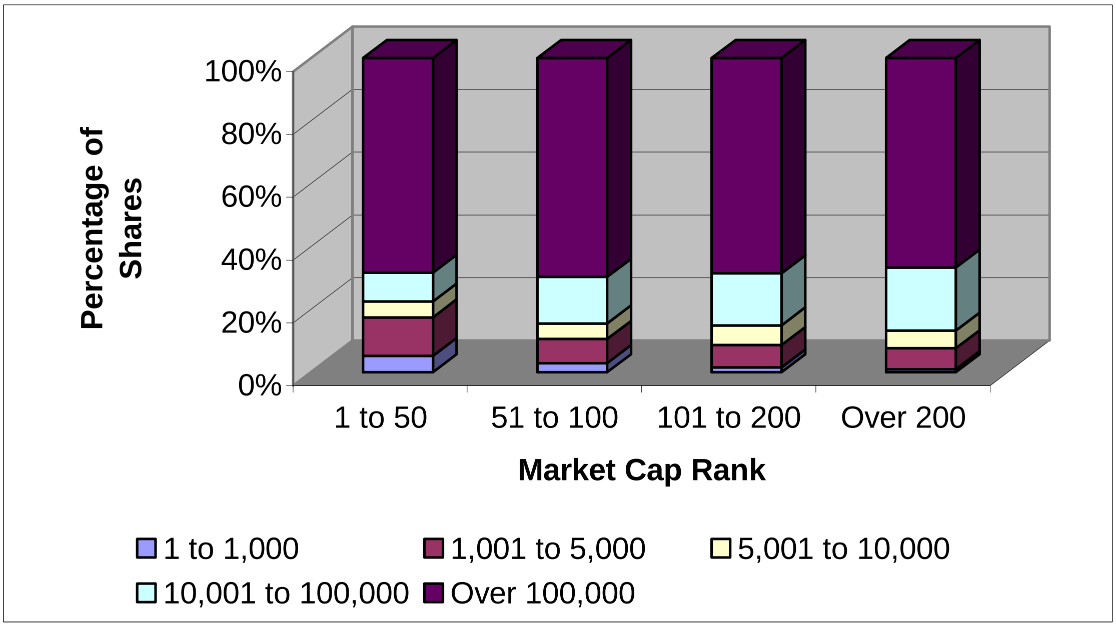
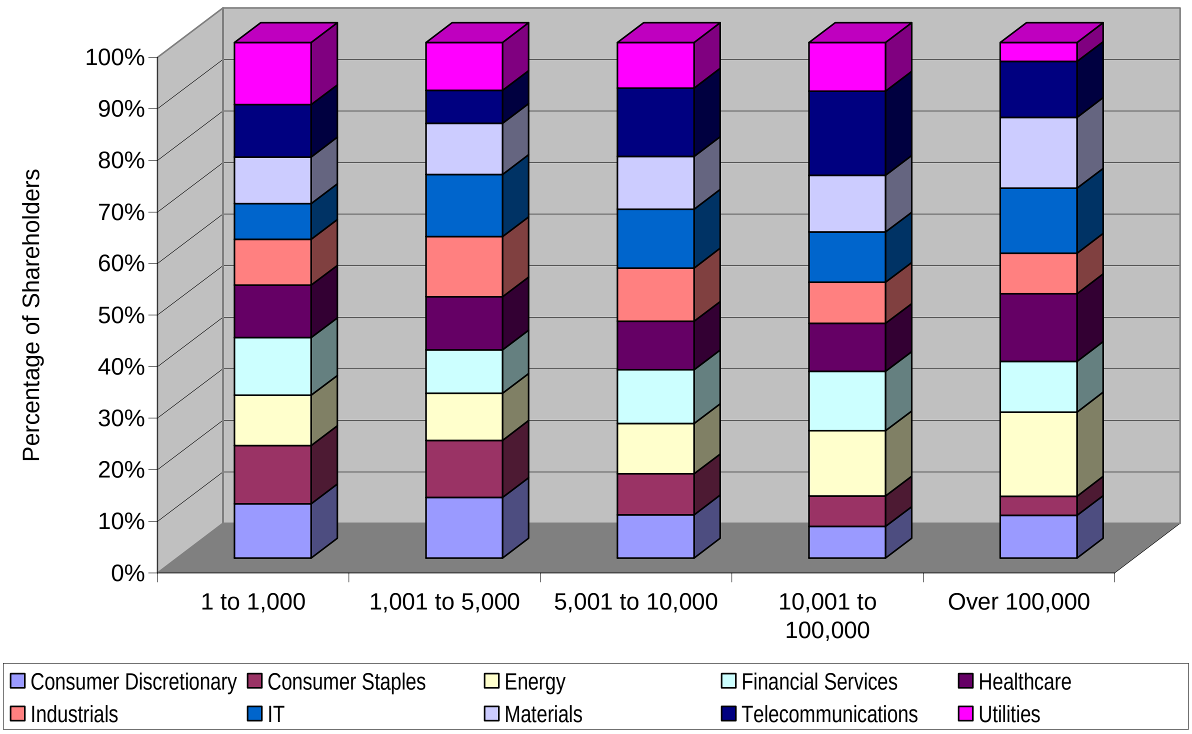


Figure 3. Distribution of shareholders by industry

Table 6 reports the distribution of the Number of Shareholders in each size band by industry.



Appendix A. Sample Stocks

Australian Agricultural Company Limited
Adelaide Brighton Limited
Adelaide Bank Limited
Adsteam Marine Limited
Austereo Group Limited
Australian Gas Light Company (The)
Agenix Limited
Amalgamated Holdings Limited
Australian Infrastructure Fund
Aristocrat Leisure Limited
Alinta Limited
Alesco Corporation Limited
Australand Holdings Limited
Amcor Limited
AMP Limited
Auspine Limited
Ansell Limited
ANZ Banking Group Ltd
APN News and Media Ltd
Aquarius Platinum Limited
Arc Energy Limited
Austal Limited
Australian Stock Exchange Limited
Alumina Limited
Australian Worldwide Exploration Ltd
AXA Asia Pacific Holdings
Billabong International Limited
Baycorp Advantage Limited
Bendigo Mining Limited
Bendigo Bank Limited
BHP Billiton Limited
Brambles Industries Limited
Boral Limited
Bank of Queensland Limited
Burns, Philp and Company Limited
Brazin Limited
Bunnings Warehouse Property Trust
Capral Aluminium Limited
Cabcharge Australia Limited
Commonwealth Bank of Australia
Coca-Cola Amatil Limited
Colorado Group Limited
Centennial Coal Company Limited
Circadian Technologies Limited
Collection House Limited
Clough Limited
Coles Myer Limited
Chemeq Limited
Coates Hire Limited
Coffey International Limited
Commonwealth Property Office Fund
Crane Group Limited
Croesus Mining NL
CSL Limited
Consolidated Minerals Limited
CSR Limited
Cellestis Limited
Caltex Australia Limited
David Jones Limited
Downer EDI Limited
DCA Group Limited
Emperor Mines Limited
Energy Developments Ltd
Envestra Limited
Equigold NL
ERG Limited
Futuris Corporation Limited
Foster's Group Limited
FKP Property Group
Foodland Associated Limited
Funtastic Limited
Fleetwood Corporation Limited
John Fairfax Holdings Limited
CFS Gandel Retail Trust
GasNet Australia Group
Grand Hotel Group
Globe International Limited
Gunns Limited
General Property Trust
GRD NL
Genetic Technologies Limited
Great Southern Plantations Limited
GUD Holdings Limited
GWA International Limited
Hardman Resources Limited
Highlands Pacific Limited
Hills Industries Limited
Hills Motorway Group
HPAL Limited
Healthscope Limited
Harvey Norman Holdings Ltd
Housewares International Limited
Insurance Australia Group Limited
Institute of Drug Technology Aust. Ltd
Infomedia Limited
ING Industrial Fund
Iluka Resources Limited
ING Office Fund
Investa Property Group
Iress Market Technology Limited
Kingsgate Consolidated Limited
Kimberley Diamond Company NL
Kresta Holdings Limited
Leighton Holdings Limited
Lihir Gold Limited
Lend Lease Corporation Limited
Lion Nathan Limited
Lion Selection Group Limited
Mayne Group Limited
Macquarie Bank Limited
Metabolic Pharmaceuticals Limited
McPherson's Limited
Mincor Resources NL
Macquarie Countrywide Trust
Mirvac Group
McGuigan Simeon Wines Limited
Macquarie Leisure Trust Group
Macquarie Office Trust
Mosaic Oil NL
Miller's Retail Limited
Metcash Trading Limited
Maxitrans Industries Limited
MYOB Limited
National Australia Bank Limited
News Corporation
National Foods Limited
Nylex Limited
Novogen Limited
Nufarm Limited
Orbital Corporation Limited
Origin Energy Limited
Orica Limited
Oil Search Limited
OneSteel Limited
Oxiana Limited
Pacifica Group Limited
Publishing and Broadcasting Limited
Perilya Limited
Pacific Hydro Limited
Prime Life Corporation Limited
Platinum Capital Limited
PMP Limited
Perpetual Trustees Australia Ltd
Programmed Maintenance Services Ltd
Petsec Energy Limited
Peptech Limited
Qantas Airways Limited
QBE Insurance Group Limited
Record Investments Limited
Rebel Sport Limited

Cochlear Limited

Ridley Corporation Limited
Roc Oil Company Limited
Resolute Mining Limited
Southern Cross Broadcasting Ltd
SDI Limited
Seven Network Limited
Schaffer Corporation Limited
St. George Bank Limited
Sydney Gas Ltd
STW Communications Group Limited
Sino Gold Limited
Sonic Healthcare Limited
Sigma Company Limited
Skilled Group Limited
Silex Systems Limited
Sims Group Ltd

James Hardie Industries N.V.
SMS Management & Technology Limited
SP Telemedia Limited
Spotless Group Limited
Southcorp Limited
Smorgon Steel Group
Santos Limited
Suncorp- Metway Limited
Symex Holdings Limited
Tabcorp Holdings Limited
Tap Oil Limited
Transurban Group
Tempo Services Limited
Ten Network Holdings Limited
Thakral Holdings Limited
Timbercorp Limited
Telstra Corporation Limited

Ramsay Health Care Limited

Technology One Limited
Toll Holdings Limited
Transfield Services Limited
United Group Limited
UNiTAB Limited
Ventracor Limited
Volante Group Limited
Vision Systems Limited
Villa World Limited
West Australian Newspapers Holdings Ltd
Westpac Banking Corporation
Wesfarmers Limited
Woolworths Limited
Woodside Petroleum Limited
Wattyl Limited

Appendix B. Size and Changes in Registers

This appendix provides some descriptive statistics on the largest and smallest registers and the registers that have experienced the greatest rate of change over the period 2001 to 2004.

Table 7. Largest and Smallest Registers

Table 7 reports the largest and smallest 20 registers for 2004 based on the number of shareholders registered.

Largest 20 Registers		Smallest 20 Registers	
Company	Number of Shareholders in 2004	Company	Number of Shareholders in 2004
TLS	1,681,882	VGL	3,524
IAG	1,014,625	GHG	3,524
AMP	965,292	CSM	3,483
CBA	714,492	ANE	3,330
CML	446,488	HWI	3,293
NAB	385,506	IFM	3,057
BHP	325,872	HPX	3,029
WOW	321,033	PRG	2,877
AXA	255,085	IDT	2,846
ANZ	252,072	KCN	2,772
WBC	225,646	PEM	2,760
TAH	219,639	SFC	2,607
BSL	182,981	COF	2,211
SUN	182,745	IRE	2,200
FGL	180,084	AEO	2,124
QAN	176,574	KRS	2,052
AMC	134,155	SDI	1,939
WES	122,946	EQI	1,707
SGB	122,128	EMP	1,136
AGL	113,571	SGX	673

Table 8. Changes in registers from 2001 to 2004

Table 8 reports the registers which have experienced the largest change in the number of shareholders over the period 2001 to 2004.

20 Largest Increases				20 Largest Decreases			
Company	No. Shareholders 2001	No. Shareholders 2004	Change	Company	No. Shareholders 2001	No. Shareholders 2004	Change
TEM	2,457	23,030	837.32%	UXC	32,406	10,935	-66.26%
CMQ	1,397	7,807	458.84%	RSG	9,535	4,027	-57.77%
MRL	3,743	20,546	448.92%	SMX	19,019	8,860	-53.42%
FWD	822	4,426	438.44%	OST	207,755	97,750	-52.95%
HSP	1,470	6,606	349.39%	EMP	2,377	1,136	-52.21%
FUN	2,256	9,493	320.79%	AWB	126,905	64,780	-48.95%
MCR	1,494	5,390	260.78%	AEO	3,765	2,124	-43.59%
IRE	612	2,200	259.48%	CAA	7,658	4,407	-42.45%
RCD	2,613	9,296	255.76%	PMP	20,452	13,125	-35.83%
SGN	2,542	9,026	255.07%	ANN	82,005	53,112	-35.23%
DVC	1,156	4,057	250.95%	LLC	90,267	61,727	-31.62%
TAH	65,828	219,639	233.66%	CTX	29,907	20,612	-31.08%
SDI	592	1,939	227.53%	AXA	366,800	255,085	-30.46%
TOL	7,913	25,355	220.42%	ORI	63,706	44,725	-29.79%
ASB	1,787	5,559	211.08%	IAG	1,386,666	1,014,625	-26.83%
CRS	3,859	10,835	180.77%	AQP	5,361	3,991	-25.55%
CEY	2,812	7,760	175.96%	GPT	64,317	48,787	-24.15%
MGW	4,275	11,784	175.65%	CIR	6,804	5,447	-19.94%
PPT	5,066	13,770	171.81%	RIC	13,732	11,075	-19.35%
ALZ	3,626	9,534	162.93%	GAS	13,781	11,478	-16.71%

Table 1. Holdings by size band

Table 1 reports the average number of shares and number of shareholders in each size band for each stock for the period 2001 to 2005. The average percentage number of shares and number of shareholders in each size band for each stock is also reported. Panel A reports the results for the full sample. Panel B reports the results excluding AMP, IAG and TLS. Panel C reports the results for AMP, IAG and TLS only.

Holding Size	Percentage Number of Shareholders	Percentage Number of Shares	Number of Shareholders	Number of Shares
Panel A: All Stocks				
1 to 1,000	32.38%	3.18%	38,652	31,181,920
1,001 to 5,000	39.88%	9.09%	21,412	74,011,424
5,001 to 10,000	13.19%	5.52%	3,425	35,554,143
10,001 to 100,000	13.22%	14.33%	2,567	86,260,510
Over 100,000	1.32%	67.90%	164	448,027,817
Panel B: Excluding AMP, IAG and TLS				
1 to 1,000	31.64%	2.66%	22,629	14,776,992
1,001 to 5,000	40.15%	8.61%	15,199	48,437,850
5,001 to 10,000	13.41%	5.54%	2,989	28,311,760
10,001 to 100,000	13.46%	14.60%	2,367	77,526,993
Over 100,000	1.35%	68.58%	159	400,295,972
Panel C: AMP, IAG and TLS				
1 to 1,000	71.76%	17.22%	891,076	485,051,585
1,001 to 5,000	25.72%	22.15%	251,914	781,546,958
5,001 to 10,000	1.67%	4.82%	26,604	235,926,732
10,001 to 100,000	0.82%	6.76%	13,147	327,887,821
Over 100,000	0.03%	49.05%	421	1,768,608,869

Table 2. Holdings by size band on an annual basis

Table 2 reports details of holdings by size band for each stock on an annual basis for the period 2001 to 2005. Panel A reports the average percentage number of shareholders per stock, Panel B reports the average percentage number of shares per stock, Panel C reports the average number of shareholders per stock and Panel D reports the average number of shares per stock.

Year	1 to 1,000	1,001 to 5,000	5,001 to 10,000	10,001 to 100,000	Over 100,000
Panel A: Percentage Number of Shareholders					
2001	32.27%	39.22%	13.58%	13.13%	1.81%
2002	32.43%	39.48%	13.20%	13.54%	1.36%
2003	31.94%	40.06%	13.29%	13.41%	1.30%
2004	32.59%	40.32%	12.99%	12.98%	1.11%
2005	32.70%	40.31%	12.89%	13.06%	1.04%
Panel B: Percentage Number of Shares					
2001	2.91%	9.62%	5.67%	12.95%	68.85%
2002	3.21%	8.75%	5.54%	14.50%	68.00%
2003	3.22%	8.96%	5.52%	14.46%	67.84%
2004	3.45%	9.53%	5.69%	15.21%	66.12%
2005	2.89%	8.85%	5.24%	13.68%	69.34%
Panel C: Number of Shareholders					
2001	40,137	20,442	3,121	2,152	212
2002	39,844	20,969	3,259	2,430	143
2003	38,480	21,629	3,468	2,600	150
2004	37,864	21,931	3,590	2,749	154
2005	36,954	22,080	3,684	2,898	161
Panel D: Number of Shares					
2001	38,181,030	90,684,837	38,854,037	92,210,421	482,287,886
2002	30,529,490	70,679,711	33,834,509	78,757,433	454,170,121
2003	30,743,364	70,580,032	33,552,849	78,097,207	427,919,994
2004	30,210,127	72,747,013	36,424,668	96,736,696	425,806,404
2005	30,372,573	75,181,884	37,006,227	88,476,667	472,835,710

Table 3. Holdings by size band in stock groups based on market capitalisation

Table 3 reports average holdings by size bands for each stock for the period 2001 to 2005. Stocks are partitioned into 4 groups based on market capitalisation at the end of each year. The first group comprises the top 50 stocks, the second group comprises stocks ranked 51 to 100 and the third group comprises stocks ranked 101 to 200, and the forth group comprises all remaining stocks. Panel A reports the average Percentage Number of Shareholders per stock and Panel B reports the average Percentage Number of Shares per stock.

Rank by Market Cap	**Total Market Capitalisation ($000,000)**	**Average Price ($)**	**1 to 1,000**	**1,001 to 5,000**	**5,001 to 10,000**	**10,001 to 100,000**	**Over 100,000**
Panel A: Percentage Number of Shareholders							
1 to 50	697,543	17.65	52.41%	37.51%	6.07%	3.71%	0.31%
51 to 100	83,736	10.29	35.94%	36.89%	12.59%	13.41%	1.17%
101 to 200	41,124	4.05	22.91%	43.86%	16.21%	15.47%	1.55%
Over 201	6,024	1.29	18.91%	37.25%	17.99%	23.15%	2.70%
Panel B: Percentage Number of Shares							
1 to 50	697,543	17.65	5.33%	12.47%	4.99%	8.88%	68.31%
51 to 100	83,736	10.29	2.88%	6.75%	4.65%	15.38%	70.34%
101 to 200	41,124	4.05	1.45%	7.34%	6.40%	17.05%	67.76%
Over 201	6,024	1.29	0.90%	8.14%	7.60%	26.55%	56.80%

Table 4. Holdings by size bands in stock groups based on market capitalisation on an annual basis

Table 4 reports average of holdings by size bands for each stock on an annual basis over the period 2001 to 2005. Stocks are partitioned into 4 groups based on market capitalisation at the start of each year. The first group comprises the top 50 stocks, the second group comprises stocks ranked 51 to 100 and the third group comprises stocks ranked 101 to 200, and the forth group comprises stocks ranked over 200. Panel A reports the average Percentage Number of Shareholders per stock and Panel B reports the average Percentage Number of Shares per stock.

Rank by Market Cap	Year	1 to 1,000	1,001 to 5,000	5,001 to 10,000	10,001 to 100,000	Over 100,000
Panel A: Percentage Number of Shareholders						
Top 50	2001	52.63%	36.89%	6.15%	3.86%	0.48%
Top 50	2002	52.97%	37.17%	6.01%	3.60%	0.26%
Top 50	2003	49.24%	38.92%	6.93%	4.56%	0.35%
Top 50	2004	52.90%	37.70%	5.80%	3.37%	0.22%
Top 50	2005	54.06%	37.06%	5.48%	3.19%	0.21%
51 to 100	2001	30.85%	40.00%	14.24%	12.23%	2.69%
51 to 100	2002	36.97%	36.06%	12.51%	13.58%	0.88%
51 to 100	2003	37.11%	34.79%	12.48%	14.73%	0.90%
51 to 100	2004	35.98%	36.95%	12.44%	13.71%	0.91%
51 to 100	2005	38.05%	37.11%	11.53%	12.60%	0.72%
101 to 200	2001	24.25%	43.14%	16.33%	14.64%	1.64%
101 to 200	2002	25.13%	44.01%	15.20%	14.16%	1.51%
101 to 200	2003	18.36%	43.12%	17.94%	18.48%	2.10%
101 to 200	2004	23.60%	43.95%	15.86%	15.33%	1.26%
101 to 200	2005	23.18%	45.16%	15.70%	14.75%	1.21%
Over 201	2001	19.23%	32.56%	18.59%	26.08%	3.54%
Over 201	2002	16.93%	36.64%	18.78%	24.67%	2.98%
Over 201	2003	20.94%	35.53%	15.25%	24.90%	3.38%
Over 201	2004	20.97%	40.46%	16.94%	19.44%	2.20%
Over 201	2005	18.22%	38.87%	18.29%	22.51%	2.11%
Panel B: Percentage Number of Shares						
Top 50	2001	3.44%	10.03%	4.85%	8.01%	73.66%
Top 50	2002	5.73%	12.45%	4.79%	7.99%	69.04%
Top 50	2003	5.40%	12.65%	5.19%	9.07%	67.69%
Top 50	2004	5.73%	13.24%	5.22%	10.57%	65.24%
Top 50	2005	5.56%	12.87%	4.84%	8.27%	68.45%
51 to 100	2001	0.64%	5.30%	4.18%	29.16%	60.72%
51 to 100	2002	2.12%	6.11%	4.46%	14.53%	72.78%
51 to 100	2003	3.51%	7.77%	5.38%	17.43%	65.91%
51 to 100	2004	4.03%	7.43%	4.74%	14.56%	69.24%
51 to 100	2005	2.12%	5.81%	4.01%	12.08%	75.98%
101 to 200	2001	3.41%	9.80%	6.37%	11.65%	68.77%
101 to 200	2002	2.29%	7.55%	6.52%	15.64%	68.00%
101 to 200	2003	0.66%	5.53%	6.07%	19.51%	68.23%
101 to 200	2004	0.96%	7.45%	6.73%	18.29%	66.58%
101 to 200	2005	1.03%	7.57%	6.27%	17.18%	67.95%

Over 201	2001	1.63%	12.68%	9.44%	20.35%	55.91%
Over 201	2002	0.73%	7.28%	7.68%	28.87%	55.44%
Over 201	2003	1.79%	13.85%	9.99%	31.45%	42.92%
Over 201	2004	1.02%	8.40%	7.05%	25.29%	58.25%
Over 201	2005	0.47%	5.55%	6.74%	26.73%	60.52%

Table 5. Holdings by size bands by industry

Table 5 reports details of holdings by size bands for the period 2001 to 2005. Stocks are partitioned into ten groups based on industry classification. Panel A reports the average Percentage Number of Shareholders, Panel B reports the average Percentage Number of Shares, Panel C reports the average Number of Shareholders and Panel D reports the average Number of Shares.

Industry	**1 to 1,000**	**1,001 to 5,000**	**5,001 to 10,000**	**10,001 to 100,000**	**Over 100,000**
Panel A: Percentage Number of Shareholders					
Consumer Discretionary [25]	34.33%	46.34%	11.03%	7.42%	0.87%
Consumer Staples [30]	36.25%	42.07%	11.56%	9.54%	0.58%
Energy [10]	27.63%	37.27%	14.55%	18.28%	2.27%
Financial Services [40]	38.46%	31.90%	13.01%	15.69%	0.95%
Healthcare [35]	34.26%	38.09%	12.45%	13.20%	2.00%
Industrials [20]	27.64%	45.88%	14.19%	11.21%	1.07%
IT [45]	22.41%	44.79%	15.90%	15.03%	1.86%
Materials [15]	31.50%	39.15%	13.28%	14.36%	1.72%
Telecommunications [50]	31.90%	26.11%	17.29%	23.10%	1.61%
Utilities [55]	37.64%	33.54%	12.75%	15.50%	0.57%
Panel B: Percentage Number of Shares					
Consumer Discretionary	3.32%	8.67%	4.77%	8.09%	75.15%
Consumer Staples	2.06%	8.16%	4.10%	8.72%	76.96%
Energy	2.04%	7.13%	4.58%	14.55%	71.70%
Financial Services	4.98%	10.59%	5.87%	17.47%	61.09%
Healthcare	3.83%	9.00%	5.31%	16.81%	65.05%
Industrials	1.05%	8.36%	6.36%	13.40%	70.83%
IT	0.84%	4.52%	3.79%	13.99%	76.86%
Materials	2.21%	8.64%	4.86%	12.24%	72.05%
Telecommunications	10.56%	21.58%	8.12%	11.12%	48.71%
Utilities	2.76%	7.95%	10.36%	31.98%	46.95%

Industry	1 to 1,000	1,001 to 5,000	5,001 to 10,000	10,001 to 100,000	Over 100,000
Panel C: Number of Shareholders					
Consumer Discretionary	12,465	10,240	1,719	1,008	95
Consumer Staples	64,231	36,643	5,943	3,873	193
Energy	11,344	12,32	2,708	2,217	198
Financial Services	105,059	40,347	5,180	4,398	257
Healthcare	7,578	4,592	1,025	929	109
Industrials	7,496	10,484	2,193	1,531	106
IT	3,230	4,258	1,465	1,549	133
Materials	18,187	15,432	3,217	2,494	171
Telecommunications	537,280	300,734	34,908	17,949	489
Utilities	24,072	14,939	3,318	3,382	124
Panel D: Number of Shares					
Consumer Discretionary	6,865,340	19,579,265	10,838,250	18,886,243	213,718,528
Consumer Staples	19,269,699	69,617,072	28,308,449	48,653,637	479,132,422
Energy	10,555,648	36,130,667	21,331,613	58,775,388	394,763,821
Financial Services	52,609,861	95,136,595	43,874,049	128,627,685	579,800,520
Healthcare	4,931,667	12,361,417	7,588,444	25,411,349	105,874,721
Industrials	3,745,622	34,183,638	19,320,769	36,627,144	274,103,822
IT	3,174,259	18,876,457	18,208,877	73,819,946	285,473,394
Materials	18,436,246	77,618,504	44,323,719	112,702,974	641,076,209
Telecommunications	665,230,712	1,357,276,601	503,244,416	696,893,821	3,065,605,753
Utilities	4,376,796	15,487,074	28,749,060	144,676,848	215,225,767

Table 6. Distribution of shareholders by industry

Table 6 reports the distribution of the Number of Shareholders in each size band by industry. The table also reports the number of companies in each industry, the total market capitalization and the average price of the stocks in the industry.

Industry	Number of Co's	Total Market Cap. ($000,000)	Average Price ($)	1 to 1,000	1,001 to 5,000	5,001 to 10,000	10,001 to 100,000	Over 100,000
Consumer Discretionary	24	50,839	6.61	1.58%	2.28%	2.79%	2.56%	5.07%
Consumer Staples	10	56,211	5.68	8.12%	8.14%	9.64%	9.85%	10.31%
Energy	14	53,179	7.06	1.43%	2.72%	4.39%	5.64%	10.57%
Financial Services	30	324,905	15.43	13.28%	8.97%	8.40%	11.18%	13.70%
Healthcare	14	22,367	10.44	0.96%	1.02%	1.66%	2.36%	5.80%
Industrials	26	67,944	6.88	0.95%	2.33%	3.56%	3.89%	5.67%
IT	10	3,107	1.71	0.41%	0.95%	2.37%	3.94%	7.10%
Materials	28	187,977	5.34	2.30%	3.43%	5.22%	6.34%	9.14%
Telecommunications	2	49,325	2.57	67.93%	66.84%	56.60%	45.63%	26.04%
Utilities	5	12,573	7.21	3.04%	3.32%	5.38%	8.60%	6.59%
Total	163	828,427		100.00%	100.00%	100.00%	100.00%	100.00%

Appendix A. Sample Stocks

Australian Agricultural Company Limited
A.B.C Learning Limited
Adelaide Bank Limited
Adsteam Marine Limited
Austereo Group Limited
Australian Gas Light Company (The)
Australian Infrastructure Fund
Aristocrat Leisure Limited
Alinta Limited
Alesco Corporation Limited
Australand Holdings Limited
Amcor Limited
AMP Limited
Auspine Limited
Ansell Limited
ANZ Banking Group Ltd
APN News and Media Ltd
Aquarius Platinum Limited
Arc Energy Limited
Austal Limited
Australian Stock Exchange Limited
Alumina Limited
Australian Worldwide Exploration Ltd
AXA Asia Pacific Holdings
Billabong International Limited
Baycorp Advantage Limited
Bendigo Mining Limited
Bendigo Bank Limited
BHP Billiton Limited
Brambles Industries Limited
Boral Limited
Bank of Queensland Limited
Burns, Philp and Company Limited
Bunnings Warehouse Property Trust
Capral Aluminium Limited
Cabcharge Australia Limited
Commonwealth Bank of Australia
Coca-Cola Amatil Limited
Colorado Group Limited
Centennial Coal Company Limited
Collection House Limited
Coles Myer Limited
Coates Hire Limited
Coffey International Limited
Cochlear Limited
Commonwealth Property Office Fund
Crane Group Limited
CSL Limited
Consolidated Minerals Limited
CSR Limited
Cellestis Limited
Caltex Australia Limited
Ventracor Limited
Vision Systems Limited
David Jones Limited
Downer EDI Limited
DCA Group Limited
Energy Developments Ltd
Envestra Limited
Equigold NL
ERG Limited
Futuris Corporation Limited
Foster's Group Limited
FKP Property Group
Funtastic Limited
Fleetwood Corporation Limited
John Fairfax Holdings Limited
CFS Gandel Retail Trust
GasNet Australia Group
Grand Hotel Group
Gunns Limited
General Property Trust
GRD NL
Genetic Technologies Limited
Great Southern Plantations Limited
GUD Holdings Limited
GWA International Limited
Hardman Resources Limited
Highlands Pacific Limited
Hills Industries Limited
HPAL Limited
Healthscope Limited
Harvey Norman Holdings Ltd
Housewares International Limited
Insurance Australia Group Limited
Infomedia Limited
ING Industrial Fund
Iluka Resources Limited
ING Office Fund
Investa Property Group
Iress Market Technology Limited
James Hardie Industries N.V.
Kingsgate Consolidated Limited
Kimberley Diamond Company NL
Leighton Holdings Limited
Lihir Gold Limited
Lend Lease Corporation Limited
Lion Nathan Limited
Lion Selection Group Limited
Macquarie Bank Limited
Metabolic Pharmaceuticals Limited
McPherson's Limited
Mincor Resources NL
Macquarie Countrywide Trust
Mirvac Group
McGuigan Simeon Wines Limited
Macquarie Leisure Trust Group
Macquarie Office Trust
Mosaic Oil NL
Miller's Retail Limited
Maxitrans Industries Limited
MYOB Limited
National Australia Bank Limited
Nylex Limited
Novogen Limited
Nufarm Limited
Origin Energy Limited
Orica Limited
Oil Search Limited
OneSteel Limited
Pacifica Group Limited
Publishing and Broadcasting Limited
Prime Life Corporation Limited
PMP Limited
Perpetual Trustees Australia Ltd
Programmed Maintenance Services Ltd
Petsec Energy Limited
Peptech Limited
Qantas Airways Limited
QBE Insurance Group Limited
Ramsay Health Care Limited
Ridley Corporation Limited
Roc Oil Company Limited
Resolute Mining Limited
Southern Cross Broadcasting Ltd
Seven Network Limited
St. George Bank Limited
Sydney Gas Ltd
STW Communications Group Limited
Sonic Healthcare Limited
Skilled Group Limited
Silex Systems Limited
SP Telemedia Limited
Smorgon Steel Group
Santos Limited
Suncorp- Metway Limited
Tabcorp Holdings Limited
Tap Oil Limited
Transurban Group
Ten Network Holdings Limited
Timbercorp Limited
Telstra Corporation Limited
Technology One Limited
Toll Holdings Limited
Transfield Services Limited
United Group Limited
UNiTAB Limited
UXC Limited

West Australian Newspapers Holdings Ltd
Westpac Banking Corporation
Wesfarmers Limited
Woolworths Limited
Woodside Petroleum Limited

Appendix B. Size and Changes in Registers

This appendix provides some descriptive statistics on the largest and smallest registers and the registers that have experienced the greatest rate of change over the period 2001 to 2005.

Table 7. Largest and Smallest Registers

Table 7 reports the largest and smallest 20 registers for 2005 based on the number of shareholders registered.

Largest 20 Registers		Smallest 20 Registers	
Company	**Number of Shareholders in 2005**	**Company**	**Number of Shareholders in 2005**
TLS	1,615,209	ASB	4,982
IAG	980,985	PSA	4,977
AMP	880,529	SLX	4,837
CBA	703,764	SOT	4,556
CML	402,965	MXI	4,506
NAB	373,521	RSG	4,301
BHP	355,196	PLF	4,243
WOW	323,232	CAA	4,235
WBC	266,151	GTG	4,020
ANZ	263,674	ANE	3,870
AXA	245,475	AQP	3,819
TAH	233,148	PRG	3,676
SUN	174,951	COF	3,633
FGL	163,114	HWI	3,543
QAN	161,766	HPX	3,181
SGB	133,758	GHG	3,033
WES	127,325	KCN	2,835
AMC	123,608	EQI	2,332
AGL	114,851	AEO	2,197
ORG	104,709	IRE	2,030

Table 8. Changes in registers from 2001 to 2005

Table 8, Panel A reports the registers which have experienced the largest percentage change in the number of shareholders over the period 2001 to 2005. Panels B to E report the registers which have experienced the largest percentage change in the number of shareholders on a year by year basis.

Panel A: Largest increases and decreases in shareholders 2001-2005.

20 Largest Increases				20 Largest Decreases			
Company	No. Shareholders 2001	No. Shareholders 2005	Change	Company	No. Shareholders 2001	No. Shareholders 2005	Change
DVC	1,156	18,318	1484.60%	UXC	32,406	10,302	-68.21%
TOL	7,913	35,881	353.44%	OST	207,755	93,649	-54.92%
TCL	12,793	46,369	262.46%	RSG	9,535	4,301	-54.89%
TAH	65,828	233,148	254.18%	ANN	82,005	42,878	-47.71%
HIL	7,167	20,337	183.76%	LLC	90,267	52,501	-41.84%
MBL	16,315	45,120	176.56%	PMP	20,452	12,716	-37.83%
IPG	10,867	26,000	139.26%	ADZ	18,139	11,910	-34.34%
SUN	94,482	174,951	85.17%	AXA	366,800	245,475	-33.08%
CCL	25,053	45,138	80.17%	PBB	14,312	9,671	-32.43%
WES	76,924	127,325	65.52%	IAG	1,386,666	980,985	-29.26%
QBE	27,364	41,696	52.38%	CTX	29,907	21,277	-28.86%
OSH	28,685	43,693	52.32%	GPT	64,317	46,211	-28.15%
CSL	32,274	48,988	51.79%	ORI	63,706	46,308	-27.31%
BIL	49,185	72,552	47.51%	JHX	21,260	16,137	-24.10%
ANZ	181,035	263,674	45.65%	CSR	110,800	88,089	-20.50%
WBC	191,479	266,151	39.00%	AWC	107,898	86,541	-19.79%
WPL	60,732	83,829	38.03%	UTB	82,868	67,088	-19.04%
BHP	287,778	355,196	23.43%	TLS	1,928,823	1,615,209	-16.26%
ALN	77,027	93,862	21.86%	FXJ	45,007	38,089	-15.37%
SGB	112,901	133,758	18.47%	BLD	108,688	92,882	-14.54%

Panel B: Largest increases and decreases in shareholders 2001-2002.

20 Largest Increases				20 Largest Decreases			
Company	No. Shareholders 2001	No. Shareholders 2002	Change	Company	No. Shareholders 2001	No. Shareholders 2002	Change
MRL	3,743	10,115	170.24%	RSG	9,535	5,401	-43.36%
CST	2,164	4,937	128.14%	AEO	3,765	2,423	-35.64%
ASB	1,787	3,967	121.99%	CAA	7,658	5,635	-26.42%
BCA	5,253	11,604	120.90%	ORI	63,706	50,576	-20.61%
MGW	4,275	9,434	120.68%	TSE	3,275	2,642	-19.33%
SUN	94,482	197,162	108.68%	IAG	1,386,666	1,133,223	-18.28%
MBL	16,315	29,125	78.52%	PMP	20,452	16,938	-17.18%
CEY	2,812	4,919	74.93%	AXA	366,800	309,109	-15.73%
HVN	9,539	16,574	73.75%	PBB	14,312	12,143	-15.16%
EQI	836	1,398	67.22%	UGL	5,124	4,365	-14.81%
SHL	5,148	8,562	66.32%	CTX	29,907	25,592	-14.43%
FWD	822	1,305	58.76%	ALN	77,027	66,035	-14.27%
FUN	2,256	3,553	57.49%	AQP	5,361	4,618	-13.86%
COH	8,887	13,962	57.11%	AAC	12,542	11,002	-12.28%
CLH	3,299	5,145	55.96%	COF	1,985	1,759	-11.39%
GTP	6,066	9,068	49.49%	NLX	23,025	20,518	-10.89%
FCL	30,844	45,508	47.54%	GUD	7,216	6,447	-10.66%
HIL	7,167	10,535	46.99%	ANN	82,005	73,321	-10.59%
CAB	2,786	4,036	44.87%	MYO	9,195	8,250	-10.28%
CSM	1,765	2,542	44.02%	COA	10,001	8,989	-10.12%

Panel C: Largest increases and decreases in shareholders 2002-2003.

20 Largest Increases				20 Largest Decreases			
Company	**No. Shareholders 2002**	**No. Shareholders 2003**	**Change**	**Company**	**No. Shareholders 2002**	**No. Shareholders 2003**	**Change**
ABS	1,397	3,339	139.01%	OST	189,971	103,612	-45.46%
IRE	783	1,780	127.33%	ADZ	25,191	20,317	-19.35%
SGN	3,661	7,705	110.46%	ANN	73,321	59,883	-18.33%
PPT	6,771	13,000	92.00%	CAA	5,635	4,817	-14.52%
FUN	3,553	6,528	83.73%	LLC	84,288	72,393	-14.11%
FWD	1,305	2,296	75.94%	AXA	309,109	267,928	-13.32%
TOL	10,035	17,497	74.36%	RIC	13,420	11,859	-11.63%
ALZ	4,124	7,112	72.45%	CTX	25,592	22,815	-10.85%
MRL	10,115	16,931	67.39%	PMP	16,938	15,292	-9.72%
CPA	16,293	27,039	65.95%	AWC	104,949	95,100	-9.38%
GTG	2,412	3,736	54.89%	RSG	5,401	4,910	-9.09%
TSE	2,642	4,043	53.03%	ENE	10,943	9,986	-8.75%
VCR	11,087	16,751	51.09%	OSH	39,806	36,421	-8.50%
MXI	1,883	2,840	50.82%	PBB	12,143	11,184	-7.90%
ALS	3,357	4,844	44.30%	CST	4,937	4,606	-6.70%
MCR	1,945	2,791	43.50%	NRT	5,535	5,164	-6.70%
HIL	10,535	14,879	41.23%	PBL	56,254	52,489	-6.69%
MBP	3,821	5,355	40.15%	MYO	8,250	7,698	-6.69%
TNE	3,796	5,182	36.51%	DJS	81,359	76,153	-6.40%
LEI	18,369	25,025	36.23%	FCL	45,508	42,625	-6.34%

Panel D: Largest increases and decreases in shareholders 2003-2004.

20 Largest Increases				20 Largest Decreases			
Company	**No. Shareholders 2003**	**No. Shareholders 2004**	**Change**	**Company**	**No. Shareholders 2003**	**No. Shareholders 2004**	**Change**
HSP	2,129	6,606	210.29%	ALL	17,647	12,540	-28.94%
TAH	79,083	219,639	177.73%	GPT	62,612	48,787	-22.08%
DVC	1,776	4,057	128.43%	ADZ	20,317	16,244	-20.05%
MYO	7,698	16,583	115.42%	PSA	4,925	3,983	-19.13%
MCR	2,791	5,390	93.12%	ENE	9,986	8,104	-18.85%
FWD	2,296	4,426	92.77%	GHG	4,297	3,524	-17.99%
ROC	6,052	10,701	76.82%	RSG	4,910	4,027	-17.98%
IPG	14,198	24,190	70.38%	FXJ	45,455	37,899	-16.62%
MXI	2,840	4,703	65.60%	CML	528,982	446,488	-15.59%
UGL	4,738	7,448	57.20%	CSR	111,344	94,184	-15.41%
COH	15,162	23,140	52.62%	BCA	12,519	10,631	-15.08%
TCL	17,507	26,258	49.99%	LLC	72,393	61,727	-14.73%
AWE	4,136	6,122	48.02%	PMP	15,292	13,125	-14.17%
FUN	6,528	9,493	45.42%	DOW	15,795	13,708	-13.21%
TOL	17,497	25,355	44.91%	FGL	203,891	180,084	-11.68%
LSG	3,782	5,467	44.55%	AEO	2,404	2,124	-11.65%
ARQ	2,909	4,187	43.93%	ANN	59,883	53,112	-11.31%
ABS	3,339	4,727	41.57%	HIG	15,075	13,460	-10.71%
IFM	2,172	3,057	40.75%	ILU	24,595	22,059	-10.31%
CSM	2,496	3,483	39.54%	GAS	12,796	11,478	-10.30%

Panel E: Largest increases and decreases in shareholders 2004-2005.

20 Largest Increases				20 Largest Decreases			
Company	**No. Shareholders 2004**	**No. Shareholders 2005**	**Change**	**Company**	**No. Shareholders 2004**	**No. Shareholders 2005**	**Change**
DVC	4,057	18,318	351.52%	MRL	20,546	14,768	-28.12%
IFM	3,057	9,503	210.86%	SEV	11,970	8,750	-26.90%
CSM	3,483	8,287	137.93%	ADZ	16,244	11,910	-26.68%
ABS	4,727	10,962	131.90%	JHX	21,833	16,137	-26.09%
CEY	7,760	15,481	99.50%	PBB	13,000	9,671	-25.61%
RHC	4,433	8,587	93.71%	BCA	10,631	8,098	-23.83%
FWD	4,426	8,483	91.66%	ANN	53,112	42,878	-19.27%
GNS	4,273	7,831	83.27%	SPT	7,813	6,551	-16.15%
TCL	26,258	46,369	76.59%	HVN	20,832	17,504	-15.98%
TSE	4,577	7,903	72.67%	RIC	11,075	9,357	-15.51%
TAP	4,554	7,703	69.15%	SSX	36,459	30,875	-15.32%
COF	2,211	3,633	64.31%	LEI	31,854	27,030	-15.14%
ARQ	4,187	6,658	59.02%	LLC	61,727	52,501	-14.95%
AWE	6,122	9,608	56.94%	GHG	3,524	3,033	-13.93%
GUD	8,237	11,995	45.62%	CRG	12,232	10,587	-13.45%
HDR	15,642	22,605	44.51%	AAC	10,789	9,351	-13.33%
TOL	25,355	35,881	41.51%	CLH	6,235	5,436	-12.81%
TEN	20,840	29,097	39.62%	FUN	9,493	8,389	-11.63%
EQI	1,707	2,332	36.61%	COH	23,140	20,714	-10.48%
MBP	6,574	8,795	33.78%	SGN	9,026	8,088	-10.39%

Table 9. Registers with > 50,000 shareholders in 2005

Table 9 reports the registers which have greater than 50,000 shareholders in 2005

Registers >50,000 shareholders	
Company	**No. Shareholders 2005**
TLS	1,615,209
IAG	980,985
AMP	880,529
CBA	703,764
CML	402,965
NAB	373,521
BHP	355,196
WOW	323,232
WBC	266,151
ANZ	263,674
AXA	245,475
TAH	233,148
SUN	174,951
FGL	163,114
QAN	161,766
SGB	133,758
WES	127,325
AMC	123,608
AGL	114,851
ORG	104,709
ALN	93,862
OST	93,649
BLD	92,882
CSR	88,089
AWC	86,541
WPL	83,829
STO	79,237
DJS	77,201
BIL	72,552
UTB	67,088
PBL	55,216
LLC	52,501

Australasian Investor Relations Association

Best Practice Investor Relations:

Guidelines for Australasian Listed Entities

May 2006

Best Practice
Guidelines

These guidelines are issued to members of the Australasian Investor Relations Association for their general guidance on matters of communication between listed entities and the investment community. No representation is made that members of AIRA are bound to act in accordance with them.

For further information please contact:

Australasian Investor Relations Association
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Website www.aira.org.au

Best Practice Guidelines

Contents

Best Practice Guidelines

1. Introduction

The following guidelines have been prepared by the Australasian Investor Relations Association (AIRA) and update the first edition of this guide issued in 2001. The guidelines provide listed entities with an understanding of how to communicate company information to investors and the market generally.

The guidelines reflect current best practices for investor relations, having been prepared by senior investor relations executives with direct responsibility for managing communication between listed entities and their owners. The guidelines also have regard to international best practice.

The Australasian Investor Relations Association (AIRA) was formed by investor relations officers to promote best practice investor relations (IR) within the profession.

The mission and objectives of AIRA as outlined in its constitution are:

Mission

Advance the awareness of and best practice in investor relations in Australasia and thereby improve the relationship between listed entities and the investment community.

Objectives

1. Foster best practice and enhance ethical and professional standards in investor relations.
2. Provide a forum to exchange views and share experiences.
3. Assist the professional development of members.
4. Ensure awareness of external investment community issues that could influence internal company decision-making.
5. Represent the views of members on matters of common interest.
6. Act as a voice of the investor relations community.
7. Develop strategic relationships with other industry and related entities.

The guidelines reflect the contractually binding responsibilities and obligations of entities listed on the Australian Stock Exchange (ASX) and/or the New Zealand Stock Exchange (NZX) under the listing rules of these bodies and the Principles and Good Corporate Governance and Best Practice Recommendations, released by the ASX Corporate Governance Council in March 2003.

While the guidelines refer to the requirements of the ASX Listing Rules in most cases, they also provide references, in some cases via footnotes, to certain of the NZSX Listing Rules and relevant NZX Guidance Notes. These guidelines in no way provide a comprehensive analysis of the NZSX Listing Rules and an issuer's obligations under them. Issuers listed on either or both the ASX and a market operated by NZX must ensure that they are aware of, and comply with, their obligations under the Listing Rules of the exchanges on which they are listed. For dual listed entities, these requirements will differ depending on their designation by NZX as either a Dual Listed Issuer or an Overseas Listed Issuer, and may be in addition to their obligations under the ASX Listing Rules.

The guidelines are also intended to provide practical guidance to AIRA members and to complement the principles released by the Australian Securities and Investments Commission (ASIC) in its publication, *Better Disclosure for Investors* (August 2000)[1] and embodied in the ASX Listing Rules. While the ASIC guidance principles do not carry the force of law, they are designed to encourage listed entities to adopt good disclosure practices.

Given the wide range of circumstances that exist for listed entities there is a need to operate flexibly and sensibly within the guidelines. Ultimately, listed entities retain the prime responsibility for their procedures and processes for reporting to the market.

While representing best practice, the guidelines do not replace the law and listed entities must consider all legal obligations in their reporting practices.

In preparing the guidelines, AIRA strongly supports the principle that material information should be disclosed in such a manner as to ensure fair and timely disclosure to a wide range of stakeholders interested in the trading of a listed entity's securities. In so doing, the guidelines aim to foster best practice communication and create a fully informed market.

Finally, AIRA believes that equity of access to information is best achieved by dissemination of information to the widest range of audiences, using all available technologies.

[1] *Available through the ASIC website: www.asic.gov.au*

2. Definition of Investor Relations

The board of directors of the US National Investor Relations Institute (NIRI) adopted the following definition of investor relations in March 2003:

> "Investor relations is a strategic management responsibility that integrates finance, communication, marketing and securities law compliance to enable the most effective two-way communication between a company, the financial community, and other constituencies, which ultimately contributes to a company's securities achieving fair valuation."

This definition recognises that investor relations is a strategic function, one that combines **a strong understanding of finance and accounting** with the disciplines of communication and marketing with regulatory responsibilities.

3. Increasing Importance of IR

The role of investor relations at public listed entities is expanding, and driven by: increased disclosure and reporting requirements; investor relations officers (IROs) providing greater input to boards of directors' decision making processes; and the growing recognition among senior management of the strategic role of the investor relations function.

These guidelines have been designed to assist Australasian IROs to understand what is required of them and how to go about organising the investor relations function. Every listed entity will have its investor relations function organised and resourced differently, and not all situations can be catered for in this document. The guidelines do, however, provide a starting point from which to perform the IR role.

4. Key Responsibilities of an Investor Relations Officer (IRO)

An investor relations officer should be responsible for developing an effective two-way communication process between a listed entity and the financial community, within the bounds of the regulatory regime governing financial markets.

He or she has responsibility for managing the dissemination of financial, strategic and legal information to stakeholders including **existing and potential** institutional and retail investors, financial analysts, stockbrokers, regulatory bodies and the financial media.

Communication should be carried out to ensure that all investors **have the information necessary to enable them to become** fully and fairly informed about all material information, enabling them to make reasonable investment decisions.

Some of the key responsibilities of the IRO are to:

- Provide senior management and the board of directors with a clear understanding of the market's views toward the organisation and why those views are held.
- Analyse the listed entity's ownership structure, including regular analysis of the security register to determine the identity and mix of institutional and retail security holders.
- Manage the listed entity's disclosure process in accordance with continuous disclosure principles set by the ASX and/or the NZX, as appropriate.
- Co-ordinate production and dissemination of material information to the market.
- Participate in the communication of the listed entity's strategy.

5. Investor Relations Objectives

The objectives of a listed entity's IR function and activities are to:

- Establish and update relevant disclosure policies and practices, being aware of developments in corporate governance and disclosure regulations locally and internationally.
- Communicate clear, accurate, credible and consistent information about the listed entity to the financial community, with the aim of ensuring all investors are fully and fairly informed about all material information, enabling them to make reasonable decisions which should result in the listed entity's securities trading at fair value over the long term.
- Build working relationships with buy- and sell-side analysts[2] and portfolio managers, investor relations industry associations, regulators, senior managers within the organisation, communities and financial media.
- Build a high quality shareholder base to ensure long term access to diversified and low risk sources of capital.
- Develop trust and credibility for the listed entity in the capital markets.

[2] *The 'buy-side' refers to institutional investors who buy listed entities' securities. The 'sell-side' commonly refers to stock brokers who facilitate transaction listed entities' securities by the buy-side.*

6. Key Competencies of an IRO

Based on recent research by the National Investor Relations Institute there are a number of key competencies a professional IRO committed to excellence should possess.

They include:

1. Communication skills – both oral and written.
2. Investment/financial markets understanding – including an understanding of the operations of investment and financial markets at both the equity and debt levels.
3. Analytical skills – IROs should possess the necessary skills to interpret, analyse and discuss with confidence all financial and non-financial aspects of an organisation.
4. Strategic thinking – IROs have to communicate a mix of the past, present and future directions on behalf of a listed entity.
5. Understanding of Operations – a thorough understanding of the operational drivers in the business is critical in being able to communicate effectively with the investment community.
6. Relationship building – underlying a "listed entity's" communications process is a foundation of trust and understanding with the investment community, built through the development of relationships with key stakeholders over time.
7. Sound commercial judgement – ultimately an IRO should exhibit sound commercial judgement to build the confidence of the investment community and internal senior management in their abilities.

7. Annual Investor Relations Cycle

There are a number of events that occur over a financial year which together form the investor relations cycle. Outlined below are the key events in the cycle, including an examination of what is required from a statutory viewpoint during the cycle and recommended practices to assist in successfully communicating the listed entity's message to financial markets. The activities adopted by a particular company beyond the non-statutory requirements will clearly vary depending on requirements and resources.

Half and full year reporting

ASX Listing Rule requirements[3]

- **Half year requirements** – listed entities are required to lodge an Appendix D – Half Year Report and statutory half-year documents prepared under the Corporations Act within two months of the end of the half-year period.
- **Full year requirements** – listed entities are required to lodge an Appendix E – Preliminary Final Report within two months of the end of the financial year. Statutory full-year documents prepared under Section 319 of the Corporations Act must be lodged within three months of the end of the financial year.
- **Other reporting** – mining companies, foreign entities and other companies, which undertake quarterly reporting, have some further requirements under the ASX Listing Rules. AIRA recommends such entities refer to the Listing Rules for clarification.[4]

Further activities surrounding results announcements[5]

Information – typically, listed entities provide further information beyond that required by the ASX, which can include:

- **A media release** – a short statement outlining financial highlights during the period identified by the listed entity and providing quotes from the managing director/CEO and/or chairman of the organisation.
- **Analyst briefing material** – a PowerPoint presentation given by senior management to the investment community and/or media during face-to-face briefings.

[3] *Issuers listed solely on a market operated by the NZX, or as either a **dual listed issuer** or an **overseas listed issuer**, should also consider their obligations, under the NZSX Listing Rules.*

[4] *Issuers that are **dual listed issuers** under the NZSX Listing Rules have an obligation to provide NZX with notice of all waivers or rulings granted or revoked by ASX and the terms of such rulings/waivers. **Dual listed issuers** also have an obligation to provide NZX with a notice of any variation to the ASX Listing Rules or Corporations Act, except where such changes are irrelevant to that issuer.*

[5] *Issuers who are **dual listed issuers** or **overseas listed issuers** under the NZSX Listing Rules must make themselves familiar with their disclosure obligations under the NZSX Listing Rules and method of releasing information via the NZX MAP platform.*

Activities – a number of activities typically coincide with a results announcement to the ASX, including:

- **A media briefing** – a briefing of local and sometimes international media including wire services; financial, regional and trade press; and radio and television media outlets.
- **An analyst briefing** – a briefing of both buy- and sell-side analysts provided by the managing director/CEO, CFO and other senior management. It is recommended that the briefing also be webcast through the organisation's website. Media may also request to be present at this briefing.
- **A media conference** – a briefing of journalists, separate to the analyst briefing.
- **A buy-side lunch** – a sell-side sponsored lunch with investment analysts as a means to answer questions and develop ongoing relationships.
- **A dealing room briefing** – visits by senior management to sell-side dealing rooms to answer questions.
- **A domestic roadshow** – meetings between the listed entity's managing director/CEO, CFO and IRO with domestic buy-side analysts to answer any concerns or questions.
- **An international roadshow** – meetings between the listed entity's managing director/CEO, CFO and IRO with international buy-side analysts to answer any concerns or questions. In most cases, these are organised in conjunction with one or more sell-side houses.

Annual report

The annual report, a statutory document prepared under Section 319 of the Corporations Act (2001), must be lodged with the ASX within three months of the end of the entity's financial year.

Annual General Meeting (AGM)

Under Section 250N of the Corporations Act (2001) a listed entity must hold an AGM at least once in each calendar year and within five months after the end of its financial year.

Listed entities are encouraged to provide a webcast of the AGM through the organisation's website, and/or provide on the website a full transcript of the AGM including any question and answer session.

Operational tours or site visits

Many organisations conduct periodic tours of key operations or facilities during the year. Combined with accompanying presentations, these enable the investment community to gain a greater understanding and appreciation of an organisation's business and investment proposition.

Other announcements

From time to time organisations will make announcements to the market of a significant enough nature that while not material enough to fall within the continuous disclosure policy as defined by the ASX (Chapter Three of the Listing Rules), represent information which will assist the market's understanding of the business.

One-on-One and group briefings

One-on-One and group discussions and meetings with investors and sell-side analysts are an important part of a pro-active investor relations program. These meetings and discussions should be considered, however, only as opportunities to provide background to previously disclosed information, as well as to articulate:

- Long term strategy.
- Organisation history, vision and goals.
- Management philosophy and the strength and depth of management.
- Competitive advantages and risks.
- Industry trends and issues.
- Key profit drivers in the business.

Earnings forecasts should only be discussed if previously issued by the listed entity by way of an announcement or via the lodgement of a prospectus.

The underlying principle guiding meetings is that no undisclosed price-sensitive information should be discussed in any meeting with an investor, journalist or analyst.

Any inadvertent disclosure of material information during these discussions or meetings should be immediately released to the exchanges(s) on which the issuer is listed and the information made readily available to all investors.

The IRO or other authorised representative should, if possible, be involved in all discussions and meetings with analysts and investors, or be fully briefed about those meetings, to ensure consistency of disclosure.

It is recommended that listed entities keep a record of all meetings and briefings with investors/analysts.

Listed entities are encouraged to make available on their website any information given to investors/analysts. Such information may include:

- Speeches to analyst groups such as the Financial Services Institute of Australasia.
- Copies of slides from analyst presentations.
- Briefing material from company site visits.
- Slides/speeches made at investor conferences.

Any new material information delivered during these briefings should be lodged with the exchanges(s) on which the issuer is listed prior to it being provided to investors/analysts.

Some listed entities impose 'blackout periods' during which they do not make appointments with institutions/analysts. The blackout usually commences at, or soon after, the end of the financial period and concludes when a listed entity's results are announced.

Whether or not a company imposes blackout periods, it is important for listed entities to avoid giving any indication of what their results may be before this information has been lodged with the exchanges(s) on which the issuer is listed, and adhere to continuous disclosure obligations.

Conference calls

Listed entities should consider using conference calls for major company announcements particularly to cover a broader geographic audience than could be achieved from a company briefing to an audience in a single location.

Conference calls are frequently run in conjunction with results briefings and other major presentations. Accordingly, the conduct of conference calls should be governed by the same protocols as those for group briefings.

The IRO should be present during conference calls with analysts or investors to monitor information disclosure.

If any material information is disclosed during a conference call, the IRO should ensure it is announced to the market via the exchange(s) on which the issuer is listed.

Listed entities should consider making recordings or transcripts from conference calls available on request and/or add these to the organisation's website.

Web-based communication

Website

It is strongly recommended that listed entities have a website. Within that website, listed entities should maintain a discrete section for investors as a medium through which they can obtain publicly available information quickly and easily. At a minimum, the listed entity's site should include:

- Annual reports.
- Results announcements.
- All other announcements to the ASX and/or the NZX, as appropriate.
- A listed entity profile.
- Listed entity contact details.

It is recommended that information lodged with the ASX and NZX be available on the listed entity's website as soon as practicable after confirmation from the exchange that the announcement has been received.

All website information should be regularly updated.

Historical information should be archived and clearly dated to ensure users are aware that it may be out of date.

Listed entities are encouraged to offer investors the opportunity to receive information via email. Email messages may provide information directly (such as providing a copy of an announcement), or advise that the listed entity's website has been updated. Email alerts should be distributed as soon as is practicable after the announcement has been lodged with the relevant stock exchange(s), and ideally on the same day during market hours.

Webcasts

Listed entities may wish to consider webcasting AGMs, management presentations of financial results and other management presentations. AIRA believes that listed entities should consider their own circumstances as to whether a webcast will add value to any of these events. Considerations as to whether a webcast should be conducted include:

- The size and depth of the listed entity's register.
- The location of investors.
- Accessibility of the technology and the webcast to investors.
- The cost of webcasting.

It is recommended that webcasts of listed entity events be widely publicised beforehand so all interested parties may participate. This could be done through the listed entity's website and other distribution channels that it uses, including via an announcement to the relevant stock exchange(s). In addition, it is recommended that recordings of webcasts be made available on the entity's website to enable a replay of the event to occur.

As a matter of good practice, listed entities should lodge a copy of all investor presentations with the exchange(s) on which the issuer is listed.

Chat Rooms

Listed entities should be careful not to disclose price-sensitive information if participating in chat room discussions on the internet, given the unstructured nature of these discussions.

Blogs

Listed entities that maintain or sanction a corporate blog should be careful not to disclose price-sensitive information through the blog without first lodging an announcement about the price-sensitive information through relevant stock exchanges.

Broker-sponsored investor conferences

Listed entities that participate in broker-sponsored investor conferences should consider:

- Monitoring all questions and answers to determine if any comments could be considered material.
- Posting presentations and information delivered during question-and-answer sessions on their websites.
- Lodging a copy of the presentation with the relevant stock exchange(s).

Listed entity executives are frequently asked to give presentations to, or participate in, a variety of forums. It is important that the same protocols for these presentations are maintained as for presentations to investors/analysts. Again, listed entities should consider placing these presentations on their website and lodging them with the relevant stock exchange(s).

The media

Information that has the potential to influence a listed entity's share price must not be disclosed to media without the information first being lodged with the exchange(s) on which the issuer is listed.

The ASX and NZX require listed entities to issue an announcement in instances in which media speculation about the entity has caused a movement in the share price. This protocol is designed to ensure all investors are trading in the market on the same basis.

Listed entities should not provide "exclusive" interviews or stories to the media that contain **material** information. Exclusive interviews or stories can only be used to disseminate non-material information.

To avoid selective disclosure and a possible breach of disclosure regulation, listed entities should not provide material information to the media 'off the record'.

Listed entities should **not** provide material information to external parties on an embargoed basis, as all material information must be released simultaneously through the exchange(s) on which the issuer is listed.

Listed entities may also consider the inclusion of the media in group presentations to investors/analysts.

IR strategic plan

It is recommended that IROs prepare a clear plan each year for IR activities which identifies the goals and objectives of the IR program and the key strategies and associated resources required to achieve the program.

Annual budget

The IRO should plan activities and manage costs during the investor relations cycle in line with an annual budget.

Analyst reports and forecasts

Stockbroking analysts frequently prepare reports on listed entities which typically detail the entity's strategies, performance and financial forecasts. To avoid inadvertent disclosure, listed entity comment on analyst reports should be restricted to information that is in the public domain.

Given the level of price sensitivity to earnings projections, listed entities generally should not comment on analyst forecasts. Listed entities may, however, consider it appropriate to correct an analyst report or earnings projections when the analyst has overlooked certain previously disclosed facts, factors or trends relating to the listed entity's historical performance or publicly available information.

If a listed entity becomes aware that in general the market's earnings projections on the listed entity materially differ from the listed entity's own estimates, the listed entity should issue a clarifying statement. This statement should outline what the listed entity believes the market consensus and range to be, as well as provide guidance on the entity's own expectations, possibly making reference to previous market statements.

The IRO should arrange to keep a record of analyst earnings projections and be aware of the listed entity's own earnings estimates.

Listed entities should not endorse, or be seen to endorse, analyst reports or the information they contain.

It is reasonable for a listed entity to identify analysts that publish research, and the name of the firm for which they work, on their website for information purposes. Equally, it may be considered appropriate to include details of sell-side analysts' earnings forecasts on the company's website. This may facilitate the process of keeping both the retail and institutional market fully informed of market expectations, and may be particularly useful when listed entities provide specific profit guidance and make reference to earnings estimates.

The inclusion of analyst forecasts on listed entity websites should only be made with the consent of the broking firms involved. In addition, it is recommended that appropriate disclaimers be published on the listed entity's website when broker research is included on the listed entity's website.

8. Disclosure Procedures

Disclosure policy

Investor relations officers are encouraged to implement and publish a formal disclosure policy in line with the listed entity's corporate governance policy.

Elements that may be covered in the disclosure policy include appointment of authorised spokespersons and protocol regarding lodgement of announcements with the ASX and/or the NZX, as relevant.

Commentary regarding the entity's compliance with statutory disclosure obligations might also be included in the formal disclosure policy.

Authorised spokesperson/s

Listed entities are recommended to appoint one or more authorised spokespersons. Comments by the spokesperson will appear on media releases and in interviews with print and broadcast journalists.

It is recommended the number of executives used as authorised spokespersons should be restricted to minimise inconsistent communication and reduce the risk of inadvertent material disclosures.

Authorised spokespersons could include the chairman, chief executive officer, chief financial officer, company secretary, investor relations officer or nominated corporate or public affairs executives. Other executives may become spokespersons for specific areas under their control, however, any comments made should be limited to their area of expertise.

No employee or associated party (such as consultants, advisers, lawyers, accountants, auditors or investment bankers) should comment publicly on matters that are confidential in regard to the relevant entity. Relevant employees and associated parties should sign confidentiality agreements to help prevent the non-authorised disclosure of information that is confidential to the listed entity.

Authorised spokespersons should liaise closely with the IRO to ensure all proposed public comments are within the bounds of information that is already in the public domain and/or not material.

Making and disseminating announcements

All material information should be lodged immediately with the ASX. Following receipt of confirmation of lodgement, it is recommended that information be published on the listed entity's website. Furthermore, listed entities should consider further disseminating the information by:

- Issuing emails and/or faxes to security holders and other key stakeholders.
- Issuing the information to the major news wire services and other news outlets.

Best Practice Guidelines

Listed entities are encouraged to use the electronic lodgement facilities offered by the ASX, the NZX or any other exchange on which the entity is listed[6].

A listed entity must wait until it receives confirmation from the ASX and/or the NZX if appropriate, that the announcement has been received before releasing material information to any third party. Material information should be posted on the listed entity's website as soon as practicable after it has been confirmed as being received by the exchange(s) to which it is submitted.

There may be circumstances in which entities that are listed on two or more stock exchanges may need to manage carefully the timing and sequence of announcements. In these circumstances, consultation with the ASX, together with the NZX, may be required to ensure proper management of the process of announcement.

Circumstances may occur in which listed subsidiaries, joint venture partners or project partners of a listed entity determine that disclosure of information is necessary or desirable in regard to that subsidiary, joint venture or project.

In such circumstances and prior to the disclosure of such information, all relevant listed parties affected by the disclosure should have an opportunity to review the content of the disclosure.

Prior review of the content of the disclosure will enable each affected listed entity to consider if it is required to make a separate announcement to the ASX.

All parties involved should exercise due care to ensure compliance with their disclosure obligations.

ASX disclosure rules

It is essential that any listed entity is familiar with the disclosure requirements embodied in the ASX's Listing Rules. Central to these requirements is the ASX's continuous disclosure regime. This is rigorously enforced by both the ASX and the ASIC, and is critical to the orderly conduct and integrity of the ASX market.

NZSX disclosure rules are contained in Section 10 of the NZSX Listing Rules. Issuer's obligations under the NZSX Listing Rules will differ depending on whether they are listed solely on the NZX or designated as a dual listed issuer, or an overseas listed issuer under those listing rules.

Not only is it necessary for each listed entity to understand its disclosure obligations, but also for the appropriate internal processes to be put in place to ensure that full compliance with these obligations occurs.

Particularly relevant sections of the ASX Listing Rules are:

- Chapter 3 – Continuous disclosure.
- Chapter 4 – Periodic disclosure.
- Chapter 5 – Additional reporting on mining and exploration activities.
- Guidance Note 8 – Continuous disclosure.
- Guidance Note 9 – Disclosure of corporate governance practices.
- Guidance Note 9A – Principles of corporate governance and best practice recommendations.

Particularly relevant sections of the NZSX Listing Rules are:

- Section 10 – Disclosures and Information.
- Appendix 16 of the Listing Rules – Corporate Governance Best Practice Code.
- Guidance Note – Continuous Disclosure.
- Guidance Note – Trading Halts and the Public Release of Information by NZX.

Underpinning the ASX's continuous disclosure requirements is the general rule outlined in Listing Rule 3.1[7]:

Once an entity is or becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities, the entity must immediately tell ASX that information.

Exceptions to this rule are permitted if one or all of the following are satisfied:

(i) A reasonable person would not expect the information to be disclosed.

(ii) The information is confidential and ASX has not formed the view that the information has ceased to be confidential.

(iii) One or more of the following applies:

It would be a breach of a law to disclose the information.

The information concerns an incomplete proposal or negotiation.

The information comprises matters of supposition or is insufficiently definite to warrant disclosure.

The information is generated for the internal management purposes of the entity.

The information is a trade secret.

6 In the case of NZX this is known as MAP.

7 See Listing Rule 10.1 of NZSX Listing Rules.

The ASX's continuous disclosure rules also address the situation where a false market in a listed entity's securities is deemed to exist. Under Listing Rule 3.1B[8]:

If ASX considers that there is or is likely to be a false market in an entity's securities and asks the entity to give it information to correct or prevent a false market, the entity must give ASX the information needed to correct or prevent the false market.

Under the false market rule, which came into force on 1 January 2003, the ASX can determine a false market exists if it considers:

- The entity has information that has not been released to the market.
- There is reasonably specific rumour or media comment in relation to the entity that has not been confirmed or clarified by an announcement by the entity to the market.
- There is evidence that the rumour or comment is having, or ASX forms the view that the rumour or comment is likely to have, an impact on the price of the entity's securities.

Guidance Note 8[9] provides assistance with interpretation of the continuous disclosure requirements set out in Listing Rule 3.1, together with examples of how they apply in certain situations.

Areas addressed include:

- Loss of confidentiality.
- Market rumour and speculation.
- Analyst reports and financial projections.
- Investment market briefings.
- Managing changes in expectations.
- Trading halts and suspension.
- Foreign and dual listings.

ASIC guidelines

ASIC has also published a set of guidance principles entitled *Better Disclosure for Investors*. These principles entail practical steps that a listed entity can take to ensure that it meets both the letter and the spirit of the continuous disclosure requirements in the Corporations Law and the ASX Listing Rules.

The guidelines include suggestions on:

- Preventing selective disclosure.
- Establishing policies and procedures for better disclosure.
- Using current technology.
- Developing disclosure procedures.
- Overseeing and coordinating disclosure.
- Authorising company spokespersons.
- Monitoring disclosures.
- Releasing company information.
- Handling rumours, leaks and inadvertent disclosures.
- Briefing analysts.
- Reviewing discussions.
- Handling unanticipated questions.
- Responding on financial projections and reports.

The object of these principles is to outline what ASIC considers to be good disclosure practice, not to impose regulatory requirements.

IROs should make sure they understand and can apply the principles set out under *Better Disclosure for Investors*.

Trading halts[10]

Listed entities, from time to time, may request the ASX to invoke a trading halt during which no trading of the entities' securities on the ASX takes place.

Although in a fully informed market there should be a limited need for listed entities to request a trading halt from the ASX, AIRA believes that in some circumstances a trading halt is an effective way of ensuring that efficient trading in a listed entity's securities is maintained. Such circumstances could include:

- When confidential information about a listed entity is inadvertently made public.
- When a listed entity needs to advise the market about an upcoming announcement or press conference in advance of an announcement being made. As this activity could cause market uncertainty, a trading halt may be an appropriate measure to stop highly speculative trading pending an imminent announcement.

While AIRA supports the proactive use of trading halts, it should be recognised that they should only be used in exceptional circumstances and to manage disclosure issues efficiently.

[8] See NZSX Listing Rule 10.1.1(c).

[9] See NZX Guidance Note - Continuous Disclosure.

[10] See NZX Guidance Note - Trading Halts and Public Release of Information and NZSX Listing Rule 5.4.

Appendix 1

Goals considered important to being an effective IRO

Recent research[11] undertaken in the United States identified a number of goals as being very important to being an effective IRO. They include, in priority order:

- Being able to gain the confidence of the senior management team for the IR function – it is very important for an IRO to gain support from the senior management team for the function to be undertaken effectively.
- Building interest in the listed entity by institutional fund managers – by maintaining buy-side interest in the organisation's strategy, operations and financial outcomes it provides buy-side pressure interest on the listed entity's securities.
- Understanding the key valuation parameters applied by the investment market in assessing listed entities, be aware of different investment styles and mandates such that the IRO can determine potential investors and understand the decision-making criteria of different key target funds.
- Work strategically and tactically with the senior management team and, where appropriate external advisers, on major capital market initiatives, such as acquisitions, divestitures, capital restructure programmes etc. such that an informed investment market perspective is provided.
- Understand the influence of key associational groups, for example, Australian Shareholders' Association, corporate governance firms etc.
- Be able to determine and monitor the beneficial ownership structure of a company, and from this information determine appropriate approaches to serving major shareholders as well as targeting new potential investors.
- Providing honest feedback and advice to senior management – keeping senior management abreast on both short- and long-term views of both sell- and buy-side analysts towards the company.
- Looking beyond the short-term focus of investment markets – a section of the investment market is driven by short-term results and, as such, there can be pressure on listed entities to produce short-term outcomes rather than long-term value creation. The IRO should maintain a long-term focus on dealing with markets. While AIRA agrees that a long-term focus is appropriate and consistent with the time frame over which listed companies make investment decisions, IROs should remember that not all investors make investment decisions against a consistent time horizon.
- Building and maintaining confidence in the listed entity– confidence of the listed entity's disclosures is paramount in building the perception of integrity of management.
- Being part of the listed entity's disclosure team – it is important that the IRO forms part of the listed entity's disclosure team to ensure that information is disclosed in line with regulatory requirements and is timely and accurate and also communicated in a manner which the investment market can easily understand.
- Providing balanced advice – often there are competing views on issues of disclosure within listed entities and the IRO has to maintain a balanced and objective view and be prepared to express such views.
- Build interest in the listed entity among the broking community – The IRO should ensure there is accurate and adequate coverage of the listed entity with the broking community including not only research analysts but also members of the dealing team.

The goals outlined above are also applicable to IR practice in Australia. While it can be argued that the US investor relations profession is more mature than Australia's, the Australian profession is developing rapidly and can look towards practices in other countries to assisting in the development of domestic IR practice.

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11 Research was conducted by the National Investor Relations Institute (NIRI).

Appendix 2

Suggested outline for quarterly IR briefing package of the board of directors

Adapted from material sourced through the US National Investor Relations Institute.

The report provided by the IRO to the board may include:

- A one to two page executive summary explaining trends during the past quarter including:
  - Macro events in the market.
  - Macro events in the sector.
  - Changes in registry composition.
  - Changes in short positions.
  - Percentage of foreign ownership of shareholdings (if known).
  - Number of conferences attended during the quarter.
  - Number of investor meetings/conference calls during the quarter.
  - Anticipated events during the coming quarter.
- One page of quarterly stock price performance versus comparable indices (eg Standard and Poor's/ASX indices).
- One page on quarterly stock price performance versus performance of peers' share price performance.
- Two to three pages of buy- and sell-side feedback.
- A page on the top 15-25 shareholders.
- One page on anything specific to the entity's sector or operations that relate to investor relations that would be of interest to the board.

Appendix 3

Investor relations calendar

- Quarterly results announcement (if appropriate).
- Half year results announcement.
- Analyst briefing/conference call.
- Full year results announcement.
- Analyst briefing/conference call.
- Dividend payment.
- Release of annual report.
- Annual general meeting.
- Site visits.
- Domestic roadshow.
- International roadshow.
- Major international broker conferences.

Appendix 4

Communication and disclosure policies (for ASX-listed issuers)[12]:

1. Suggested outline for a disclosure policy

Below is a suggested outline for a generic disclosure policy for an ASX-listed company. IROs should bear in mind that each company has individual disclosure requirements that policies should address. The development of an individual listed company's disclosure policy should be viewed as a collaborative exercise, involving the senior management team including the IRO and the board of directors and, where possible, involving consultation with shareholders.

All disclosure policies should be developed with Australia's corporate regulatory framework in mind, including the Corporations Act (2001) and the ASX's Listing Rules (specifically Listing Rule 3.1) and disclosure policies.

- Overall continuous disclosure statement

  It is recommended companies develop a general statement about their approach toward disclosure, and specifically continuous disclosure, drawing on the provisions set out in Listing Rule 3.1.

  This statement should briefly touch on the company's overall continuous disclosure policy, making reference to avoiding selective disclosure and affirming the company's commitment to operating within a fully informed market.

  This section might also refer to the purpose of the continuous disclosure policy in terms of outlining processes and procedures the company follows to ensure the company remains fully compliant with continuous disclosure requirements.

  The involvement of various officers of the company should also be touched on in this section, including the board and executive team's involvement in developing and reviewing the policy. It is suggested disclosure policies be reviewed at least annually.

- Disclosure policy

  This section should refer to the company's commitment to ensuring a fully informed market, including reference to the timely disclosure of information a reasonable person would expect to have a material effect on the company's share price (as per Listing Rule 3.1 and the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations).

- Disclosure committee

  This section should outline the structure of the disclosure committee and potentially also name the members of the disclosure committee. Members of the disclosure committee might include the chairman, executive directors, non-executive directors, the managing director and/or CEO, the CFO, general counsel and/or the company secretary and the investor relations officer. The chair of the committee would also be named. The method by which the members of this committee are selected would also appear in this section.

  The responsibilities of the disclosure committee should also be outlined in this section. These responsibilities might include setting the disclosure policy and reviewing the disclosure policy.

  Circumstances in which the approval of the full board is needed for an announcement to be distributed to the ASX would also be contained in this section. This might include the approval of financial results for distribution to the exchange.

  A procedure should also be set out to determine the way in which a conflict between members of the disclosure committee would be resolved.

  If appropriate, the person responsible for distributing announcements to the ASX should also be named in this section.

- Maintaining confidentiality

  This section would detail the way in which material information that has not been disclosed to the market would be guarded to ensure confidentiality. This would apply particularly in takeover or special event situations.

  A procedure for dealing with breaches of confidentiality would also appear in this section, making reference to appropriate statutory and non-statutory rules, regulations and guidelines.

- Authorised spokespersons

  This section should list the roles and names of authorised company spokespersons, including back-up spokespersons should the main spokesperson be unavailable.

  Suitable spokespersons might include the chairman, one or more executive or non-executive directors, the CEO, the CFO, company secretary, the investor relations manager and public affairs or public relations personnel.

  This section should also clearly spell out disciplinary procedures for unauthorised employees who speak to the media or other parties in relation to company business.

- Approval processes for material for disclosure

  The way in which ASX announcements are drafted, reviewed and approved for release to the market would appear in this section, including naming those who have responsibility for final sign off for announcements.

  This would include the way urgent ASX announcements are handled by the company.

[12] Issuers listed on the NZSX market must consider NZSX Listing Rules applicable to their particular circumstances.

- Disclosure to non-financial stakeholders

  Given the need for listed companies to report material information through the ASX before disclosure to other stakeholders, it is important companies develop a policy that outlines how disclosure to stakeholders other than financial stakeholders (for example employees and the media) is handled.

- Rumours and market speculation

  Listed companies should develop a written policy for dealing with rumours and market speculation. Generally, companies are encouraged not to comment on rumours and market speculation.

  Companies should set out their policy with regards to working with the ASX in instances in which market or media speculation on material information has occurred.

- Trading halts

  Companies should set out their policy in relation to dealing with trading halts. Trading halts are sometimes put in place in circumstances in which there is a partially informed market.

- Black out periods

  If the company has a policy of instituting black out periods prior to the release of financial results this should be outlined in this section.

- Policy breaches

  Listed companies are encouraged to detail the way in which policy breaches of the disclosure policy are dealt with.

2. Suggested outline for a shareholder communication policy

Below is a suggested outline for a shareholder communication policy for an ASX-listed company. IROs should bear in mind that each company has individual communication requirements their policies should address. The development of individual companies' communication policies should be viewed as a collaborative exercise, involving the senior management team including the IRO and the board of directors and, where possible, involving consultation with shareholders.

All shareholder communication policies should be developed with Australia's corporate regulatory framework, including the Corporations Act (2001) and the ASX's Listing Rules and disclosure policies in mind.

- An overall statement of communication policy, making reference to continuous disclosure and the ASX's corporate governance principles.

- This section should include a guiding statement about the company's shareholder communication philosophy, making reference to continuous disclosure. A statement about how the shareholder communication policy is developed, including the persons within the organisation who are responsible for setting the shareholder communication policy, would also be appropriate in this section. Other elements that might be considered in this section include: the board's involvement in setting the shareholder communication policy, information on the frequency with which the policy is revised and a statement about who the policy covers (often, all employees). This section might also refer to relevant regulations governing shareholder communication, including the Corporations Act, the ASX's Listing Rules, and the ASX Corporate Governance Council's *Principles of Good Corporate Governance and Best Practice Recommendations*.

Communication practices

- ASX announcements

  This section should contain a statement about ensuring all material information is released to, and approved by, the ASX before being distributed to the wider market. It might also contain a statement about who, within the company, is responsible for approving statements to be distributed to the ASX and the protocol for doing so. This section of the policy might also refer to a back-up plan in instances where the person responsible for approving ASX announcements is unavailable.

- Reporting financial results

  This section should contain a statement about the frequency with which financial results are reported to the market (quarterly or half-yearly) and the timing of such announcements in light of the company's financial year end. This section might also contain a statement about compliance with relevant regulations, for example ASX Listing Rules. A discussion about the company's approach to disclosing financial forecasts would also be contained in this section.

- Market briefings

  This section should contain a reference to the company's policy on handling market briefings, including market participants who are invited to market briefings and executives involved in briefings. A discussion of overseas' investors access to company briefings through webcasts or conference calls should also be contained in this section. This section should also contain a reference about avoiding discussion on unreleased price sensitive information in analyst briefings, handling questions in relation to price sensitive information, and the way in which the company would respond in the event there was an inadvertent release of price sensitive information during market briefings. The involvement of the investor relations executive in these meetings should also be discussed. If the company uses blackout periods, a reference should also be made to this.

- One-on-One meetings

  This section should contain a discussion of how the company handles One-on-One meetings, including the involvement of the investor relations officer and other senior executives in the meeting. Reference to appropriate best practice guidelines should also be contained in this section. If the company uses blackout periods, a reference should also be made to this.

- Commenting on analyst reports

  Companies are advised to disclose their policy about commenting on analyst reports. Ideally, this section should refer to the *Best Practice Principles for Communications between Analysts and Listed Entities* developed by AIRA and the Financial Services Institute of Australasia. Companies are encouraged to only correct factual errors in analyst reports. This section might also refer to the way in which the company provides guidance to the market on financial forecasts.

- Annual report

  This section should contain a statement about the release date of the company's annual report. It should also contain information about options open to shareholders to receive the report, eg, short-form, concise, or electronic version.

- Shareholder meetings

  This section should contain a statement about the timing of the annual general meeting (AGM). It should also contain a statement about instances in which extraordinary general meetings would be held. Reference to the use of web casts and conference calls for shareholder meetings should also be contained in this section. If the location of the AGM is rotated around Australian cities this should also be discussed in this section.

- Notices of meeting/proxy forms

  Shareholders should be advised in this section about the timing of the distribution of the notice of meeting. Information about the distribution of the proxy form should also be contained in this section. If appropriate, the availability of electronic proxy voting mechanisms should also be contained in this section.

- Shareholder newsletters and electronic alerts

  This section should include a description of the timing of the release of shareholder newsletters and the delivery methods through which this piece of communication is available (eg, hard copy or electronic). If the company provides shareholder alerts through its website, reference should also be made to this in this section.

- Share registry details

  If the company retains a share registry to manage investors' shareholdings, contact details for the registry should be contained in this section. This section might also include reference to the way shareholders can change their details with the share registry.

- Use of electronic communication

  It is suggested that listed companies prepare a comprehensive statement on the use of electronic communication mechanisms to communicate with shareholders. This might include a reference to the company's use of its website to communicate with investors, as well as the use of web casts, conference calls, electronic shareholder newsletters and email alerts, and the archiving of material on the site.

- Conference calls

  This section should refer to the company's use of conference calls for shareholder meetings and analyst briefings, including whether or not conference call participants can pose questions during the call. Information about the availability of transcripts from conference calls should also be contained in this section.

- Media policy

  Companies are encouraged to disclose their media relations policy. This might include information about whether or not media are invited to analyst briefings. This section should refer to the way in which companies handle media speculation about material information the company has not disclosed.

- Communication about dividends

  Listed companies are encouraged to disclose their policies in relation to the release of dividends and, if appropriate, the dividend reinvestment plan. Reference should be made to the way in which shareholders can access company policies related to dividends, with companies encouraged to post this information to their website. Companies are also encouraged to provide historical information about their dividend.

Appendix 5

Why earnings guidance is a growing trend that you can't ignore

A March 2005 survey by the US National Investor Relations Institute (NIRI) estimated that just over 70 per cent of the top 500 companies provide some form of earnings guidance. An AIRA survey released in May 2005 noted that the majority of members who responded give the market some form of guidance about future performance.

The different types of earnings guidance provided by Australian companies include profit and EPS growth ranges or specific targets, sales and profits (WOW), profit margins (QBE), and revenue and margin targets/ranges (TWO). Other companies may eschew explicit guidance but make a comment when an organisation's internal forecasts are outside market consensus or simply confirm that its estimates are consistent with market consensus. Some companies back this up by including broker or market consensus forecasts on their website. A handful of companies also provide quarterly updates on sales and/or profits or provide other performance statistics on a quarterly or monthly basis.

A number of factors have contributed to increasing use of earnings guidance by public companies, but two of them stand out as key drivers:

1. Communications technology has improved the speed and reduced the cost of getting information to the market, not only creating opportunities for companies to have a more open dialogue with shareholders but also forcing them to ensure the right information is in the public domain.
2. An increasing focus on corporate governance and regulatory changes including increased emphasis on continuous disclosure, industry standards on communications between companies and analysts (eg One-on-One meetings), and increased penalties for breaches of the law.

These developments have meant that there is much greater pressure on companies to make public disclosures and avoid selective disclosures. The days of delivering messages of optimism to the industry via individual analysts are over. ASIC/ASX guidelines now specify that companies comment only on facts, not forecasts.

To guide or not to guide ... that is the question.

So, clearly, there's some pressure in the background to think about earnings guidance, but it's not compulsory. So why do companies do it?

- For large companies, there's enormous pressure from analysts. An analyst's key focus is on forecasts - making detailed estimates of profits and cash-flow, in particular, and valuing the company based on these. Companies are under ongoing pressure to fill in the pieces of the forecast puzzle.
- There can be scepticism about the roles of brokers and many companies take the view that they'd rather have their own forecasts in the market than just those of the analysts.
- And finally, for smaller companies in particular, it has become harder to secure analyst coverage. One way of encouraging brokers and investment community to follow a company is for a company to make public forecasts. This reduces the cost and risks of information gathering and, potentially, the cost of capital.

What about companies that choose not to issue guidance? What are their reasons?

- The companies may feel that the analysts are already doing a reasonable job and they're happy to be in the hands of the market.
- Forecasting can be very difficult and often companies are worried about the increased risk and potential legal liability if the forecasts are not achieved.
- Sometimes it's just too tough to call. There are many businesses, such as those subject to climatic or commodity market fluctuations, where they feel the uncertainty and volatility is simply too great to allow them to offer reasonable forecasts.

Companies should consider the pros and cons of giving guidance before making a decision that is right for their individual circumstances.

Our thanks to Value Enhancement Management Pty Ltd for providing the information contained in Appendix 5.

MEDIA RELEASE

11 September 2007

ASX and AIRA to Launch Investor Relations Course for SMEs

To assist small and medium-sized companies attract and maintain the interest of investors and analysts, the Australian Securities Exchange (ASX) in conjunction with the Australasian Investor Relations Association (AIRA) will launch a one-day education course entitled 'Investor Relations for SMEs'.

'Investor Relations for SMEs' addresses the particular needs of listed companies outside the ASX top 100. It will principally target senior executives (CEOs and CFOs) of SMEs, who often play multiple roles within their organisations.

The course will be run by AIRA and will feature presentations from some of Australia's most experienced investor relations and capital market professionals. There will also be representatives from ASX who will discuss regulation and disclosure, market structure, capital raising and relevant operational aspects of ASX.

Richard Murphy, ASX General Manager, Equity Markets said: "There are over 2,000 listed companies outside the ASX top 100 and about 1,150 with a market capitalisation of less than $100 million. We recognise that there is a need for greater appreciation of the importance of investor relations by small and mid-caps in the broader context of attracting and retaining the interest of institutional and retail investors. An effective investor relations program enables companies to deal with the media and equity analysts. Importantly, it is also a tool that can be used to increase liquidity and raise capital."

Ian Matheson, Chief Executive Officer, AIRA said: "We are delighted to be working with the ASX to expand our professional development courses to a wider group of listed entities. As small listed entities grow, the need to understand how the investment community operates becomes more and more important. The one day course that we will be offering with the ASX is designed to give directors and senior executives of small cap listed entities a practical overview of the practice of investor relations.."

The course will be offered throughout Australia and will commence on 3 October 2007 in Brisbane, followed by Perth on 12 October 2007. For more information: www.aira.org.au

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ABOUT AIRA

The Australasian Investor Relations Association (AIRA) was established in 2001 to advance the awareness of and best practice in investor relations in Australia and New Zealand and thereby improve the relationship between listed entities and the investment community. The Association's 96 corporate members represent approximately **$760 billion** of market capitalisation or nearly half the total market capitalisation of companies listed on ASX.

Australasian Investor Relations Association

Electronic Communication Preferences of Retail Investors

Survey Results Summary

July 2007

Contents

These survey results are issued to members of the Australasian Investor Relations Association following a survey of investors carried out by AIRA in June 2007.

No representation is made that members of AIRA are bound to act in accordance with them.

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1. Executive Summary

The Australasian Investor Relations Association is pleased to present findings from its first-ever survey of retail shareholders' preferences regarding electronic communication vehicles such as investor websites, online annual reports, webcasts and conference calls.

The catalyst for this research is new legislation that will likely see electronic communication become over time, the primary vehicle through which listed companies engage with their shareholders.

The new law requires shareholders to proactively "opt-in" to receive a hard copy annual report.

This will change the nature of shareholder communication in Australia by placing a much heavier emphasis on electronic communication than in the past.

Because of this, AIRA felt it was important to ask retail shareholders in particular about their expectations of listed company communications in the face of the new law.

3929 people responded to the survey, most of which were retail shareholders.

- Importantly, 52 percent of respondents to the research said electronic communication from listed entities had become either more important or much more important in the past year.

- Respondents said the most important, and most frequently accessed, electronic communication vehicles for investor information were the ASX website and listed company websites.

- When it comes to the annual report, 71% of respondents said they do not choose to receive hard copy annual reports currently, and 79% of respondents said it was not important for them to receive a hard copy annual report (as long as the information is available on the company's website.)

This shift in retail shareholder communication preferences toward electronic delivery of information is an important dynamic of which listed companies should be aware.

An annual report in the post box once a year is no longer the key communication point between listed companies and their retail shareholders. Now, investors expect to be able to access timely, up-to-date information about the companies in which they invest on an ongoing basis, through an easy-to-navigate website.

The challenge for Australian listed companies is to understand this shift in thinking among retail shareholders and respond accordingly.

2. Overview of the Survey

AIRA has conducted a survey to seek to measure investor expectations for electronic communication. As far as AIRA is aware, this is the first time a survey of this nature has been conducted.

This document contains a summary of the results of this survey.

The survey was conducted electronically during June 2007. Invitations to participate in the survey were sent to the email mailing lists of a number of Australian listed entities that are members of AIRA.

AIRA would like to thank those corporate members that invited shareholders' that had previously submitted their email address to participate in the survey, and in particular the survey participants.

AIRA acknowledges the process followed only establishes the preferences for electronic communications amongst that section of the investor community that has registered for email communications with one or more listed entities, and therefore does not measure the preferences of people who have chosen not to register for email communication.

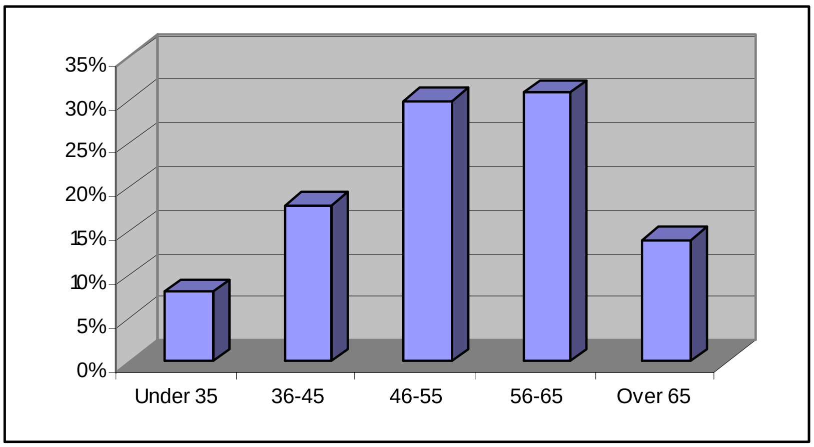
AIRA is of the view that this is an appropriate method of selection of respondents for this purpose.

3. The Survey Respondents

The survey received 3929 responses by the end of June 2007. 98% of respondents are individuals whose investing activities are not a part of their occupation or employment. Of those, 86% make investment decisions on behalf of personal assets, and 31% on behalf of family company or superannuation fund assets. Members of the Australian Shareholders' Association account for 4% of respondents.

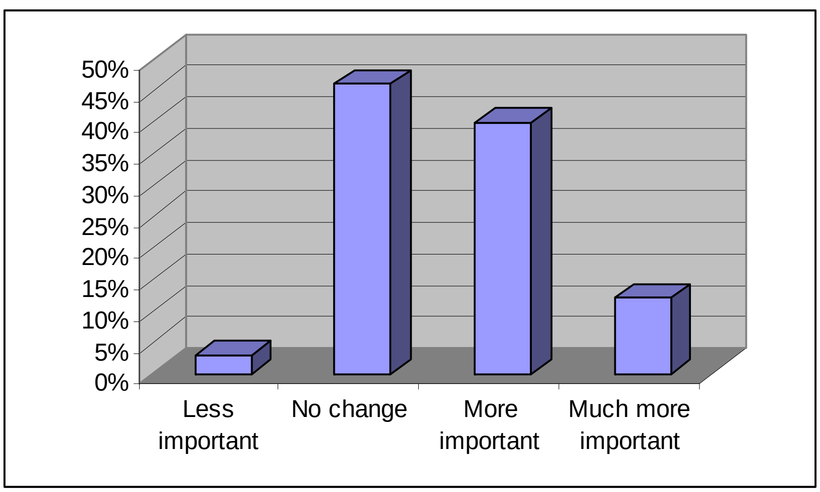
The survey results include only 49 professional investors. 97% of all respondents are normally resident in Australia. 83% of respondents requested feedback of the results of the survey, and 62% indicated that they would be willing to participate if the survey is done again next year.

Respondents' age ranges are as follows:



The survey measured "importance" as part of the answer to a number of questions. A numerical score was allocated to responses, with a score of 1 for "not important", 2 for "important", 3 for "very important", and 4 for "critical".

Respondents scored 2.6 on how electronic communication has changed in the last year:



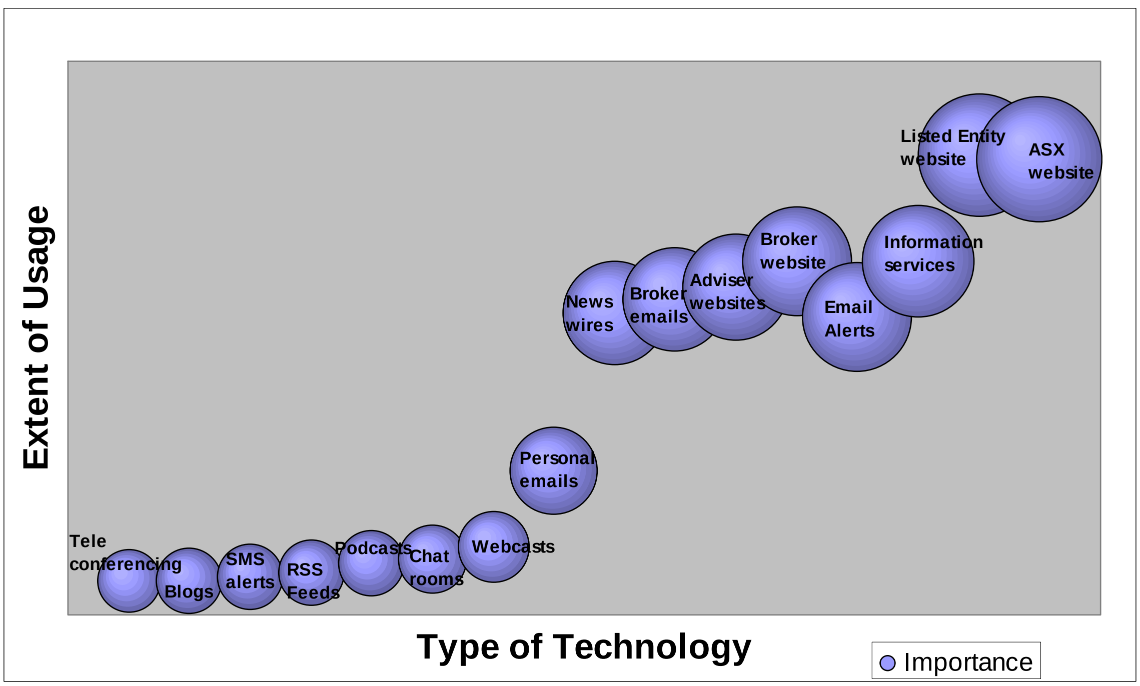
4. (a) Importance of Different Types of Electronic Communication

Respondents were asked to comment on both **importance** and current **usage** of a number of different technologies.

When respondents were asked how much more important electronic communication with listed companies as part of their investing activities has become in the last 12 months, 52% said it had become more important or much more important. This is a finding listed companies might consider when planning their ongoing investor relations strategy with retail shareholders.

The results clearly show there are two major sources of electronic information by importance: the ASX website, scoring 2.25, and the listed entity's website at 2.18.

Of slightly lessor importance are information services at 2.00, clustered with email alerts, broker websites, adviser websites, broker emails and down to news wires at 1.84. **While email alerts are considered to be quite important at 1.96, their usage at 1.70 does not correspond with the view of importance, implying that listed entities could improve their use of email alerts.**



While individual investors place some reliance on individual emails to companies, they have little use at present for a range of other technologies, including webcasts, chat rooms, podcasts, RSS feeds, SMS alerts, blogs and teleconferences. These all scored below 1.25, where 1 is "not important" and 2 is "important". It may be more likely that these features appeal more to the professional investor market.

4. (b) Frequency of Use of Different Types of Electronic Information

When asked how **frequently** different sources of electronic information are used, listed company websites (2.08) and the ASX website (2.07) recorded the highest overall scores, followed by broker websites (1.83) and professional information services (1.83).

Telephone conferencing (1.08), blogs (1.09) and SMS alerts (1.09) received the lowest overall scores.

However, when asked which electronic information sources they use all the time when investing, respondents rated (in descending order of importance) broker websites, the ASX website and broker email newsletters and reports as the most important.

The information services that received the highest scores for shareholders never accessing them were SMS phone alerts, phone conferencing and blogs.

5. Listed Entities' Websites

When asked about which aspects and characteristics of a website are most important, investors scored highest the ability to easily navigate a website.

The next most important features were availability of summary financial information including dividend information.

Other items with high scores include share prices and charts, contact details for investor relations people, a site map, and frequently asked questions. Perhaps surprisingly high are items such as privacy policy and corporate governance statements.

Ability to easily navigate	2.96
Summary of dividends	2.76
Summary of key financial results	2.65
Table of financial results	2.54
Ability to easily print	2.51
Share price chart	2.51
Full details of the products, services and activities	2.47
Share price info (20 min delayed)	2.45
Contact details for investor relations	2.38
A site map	2.33
"Frequently asked questions"	2.32
Share registry contact details	2.31
Link to share registry website	2.31
Remuneration report	2.26
A separate investor relations section	2.25
Sustainability report	2.23
Analysts' reports	2.22
Download PDF file of the latest yearly or half-yearly financial reports	2.20
A simple corporate overview page	2.16
Shareholder newsletters	2.15
Corporate governance statements	2.14
Capital structure	2.13
Key management profiles	2.12
Directors' profiles	2.09
Results of general meetings	2.08
Corporate social responsibility reports	2.07
Download PDF file of quarterly reports where applicable	2.06

Privacy policy	2.05
Top 20 shareholders	2.01
Link to ASX website	2.01
Media releases and media coverage	2.00
All ASX announcements as PDF files	2.00
A corporate directory	1.97
Listed company presentations	1.93
Notices of general meetings	1.93
Mission and values statements	1.93
Information about related options etc.	1.91
A corporate calendar	1.91
Archiving of previous ASX announcements	1.91
Download PDF file of monthly cash flow statement where applicable	1.84
Other news not advised to ASX e.g. new products and services	1.83
Ability to download a financial summary into Excel	1.80
An investor welcome page	1.72
ASX Announcements in HTML format	1.70
Accessibility for the visually impaired	1.52
Ability to access website from a PDA, mobile phone etc.	1.25

Of the lists of “news” items, investors want to see analyst reports on listed entities’ websites, being even more important than the list of all ASX Announcements.

Lowest scores on company websites are the ability to access information from hand held devices, accessibility for the visually impaired (perhaps they don’t respond to email survey requests) and downloading financial information to Excel. There is also no demand for ASX announcements to be reformatted into HTML, investors seem happy with the current PDF arrangements.

These results were reported against a Likert scale, with respondents rating each item either not important, important, very important and critical.

The ASX website recorded the highest number of ‘critical’ responses, followed by broker websites, then listed company web sites.

Telephone conferencing, RSS feeds and SMS alerts received the highest number of ‘not important’ scores.

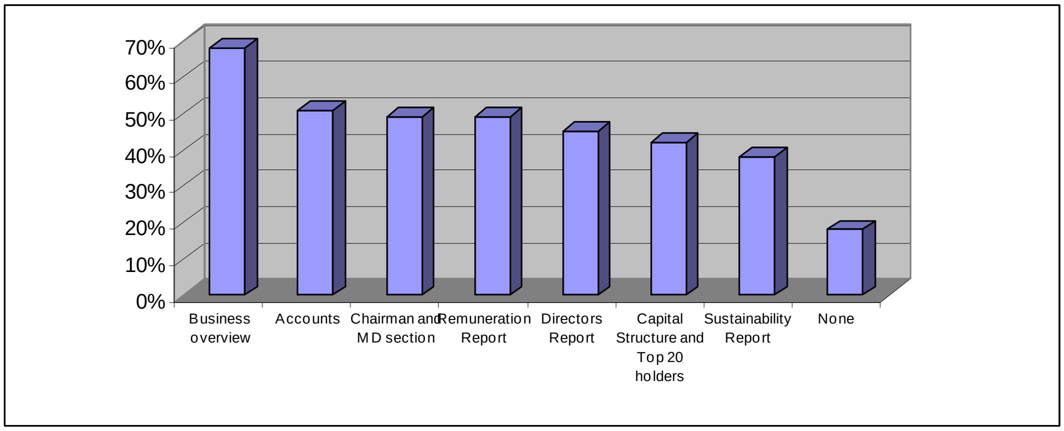
When asked how frequently they used electronic sources of information when investing in listed companies, respondents rated (in descending order of importance) broker websites, ASX website and broker email newsletters and reports as information tools they use all the time.

In descending order of importance, respondents said they accessed the ASX website, listed company websites and professional information services regularly.

The information services that received the highest scores for shareholders never accessing them were SMS phone alerts, phone conferencing and blogs.

6. Annual Reports

Of the investors who responded to this survey, only 29% currently want printed annual reports. When they receive a printed annual report, less than half of them read most sections, with the business overview being the most important section, with 68 percent of respondents reporting they read this section. Just under half of the respondents reported reading the chairman and MD’s section, with just over 50 percent reading the accounts. 18% of respondents said they read none of the sections.



With the option for listed entities to now require shareholders to “opt in” to receive a printed annual report, 79% of respondents indicated that it is not important to receive a printed copy if a suitable electronic alternative is available from the website. Only 10% regarded a printed copy as ‘very important’ or ‘critical’.

When asked if they will still get a printed annual report, 66% said none at all, and 21% said they may get some annual reports. Only 10% said they wanted all printed reports.

The preferred method of advice of the availability of the electronic annual report is clear. Over 80% want an email alert with a link to the website, and more than two thirds do not want it to contain the actual PDF document.

The timing of the email alert concerning the annual report is of less importance than other email alerts, with 41% happy to wait till the next business day or later, and 27% comfortable with around the close of business on the day it is released. 34% want it within an hour of the release.

Users of electronic annual reports expect the full PDF document to be available (2.19) and want separate PDF sections of the annual report (1.88) and previous annual reports (1.82). Of lesser importance are fully interactive HTML annual reports (1.74), although half still rate that as important. The least preferred option is providing just the descriptive sections in HTML (1.71). In terms of the way in which respondents read online reports, 88% said they browse through it on-screen for information. 28% store a copy of the report on their computer, 30% print some sections and 3% print the full report.

7. Email Alerts

Investors scored as quite important the use of email alerts for time-critical communication.

Progress on mergers and acquisitions	2.27
Price sensitive ASX announcements only	2.22
Notification of general meetings	1.89
All ASX announcements	1.87
Other media releases	1.78
Calendar dates about to occur	1.73
Listed company presentations	1.67
Items added to corporate calendar	1.61

Only 21% of respondents regarded email alerts for progress on mergers and acquisitions as not important, while 52% thought an email alert about an item added to the corporate calendar was not important.

Timeliness of email alerts is important to investors. Alerts should be "immediate" or within the first hour, say 52% of respondents. Only 14% think its ok to wait until the next day.

Respondents are happy to receive the bulk of correspondence by email:

Annual report	83%
Notice of general meeting including proxy form	76%
Half year report	75%
Dividend advices	75%
Share registry forms e.g. advice of TFN, change of address, DRP election	74%
Presentations made at general meeting	70%
Prospectus style information e.g. for rights issue or off-market buyback	62%
Acquisition documents e.g. bidder and target statements	61%

However, when it comes to sharing email addresses with listed companies that respondents have given to their brokers, there is some hesitance:

Not at all	29%
Only if you provide consent once, for all listed companies you invest in	24%
Automatically and without your consent for all listed companies you invest in	20%
Only if you provide consent each time, for each listed company	15%
Only if you provide consent for each listed company and each type of communication	13%

8. Webcasts and Teleconferences

58% of respondents had never viewed any listed company webcasts, with only 2% indicating they do it often. 17% said they occasionally view webcasts, while 23% said they seldom view webcasts.

Features of webcasts that are seen to be most important are the live broadcast with synchronised slides, while 73% don't see podcasts as important at all:

Being able to listen and/or watch live	1.62
Synchronised Powerpoint slides	1.61
Transcripts	1.61
Q & A functionality	1.59
Slide thumbnail navigation	1.51
Video of speakers	1.47
View speaker bios	1.45
Synchronised speaker photos	1.38
Podcast	1.36

Respondents expect to be notified about a webcast or teleconference through an email alert (75%) and on the listed entity website (38%). Only 26% expect to hear about it through an ASX announcement.

Clearly the most important topic for a webcast or teleconference is a price sensitive announcement. Conference presentations and roadshow meetings are seen as not important topics for this medium by around 70% of respondents.

Price sensitive announcements	2.04
Results Meetings	1.72
Annual Meetings	1.68
Investor Days	1.54
M & A Announcements	1.52
Conference Presentations	1.38
Roadshow Meetings	1.37

More than 80% of respondents expect to view the webcast on their home computer, while 30% view webcasts at work. Respondents saw it as marginally more important to be able to view an archived webcast (1.44) than to see it live (1.36).

Teleconferences are not valued by retail shareholders, with most respondents stating it was not important to listen to results briefings, annual reviews and information releases via teleconference.

Respondents did not regard it as particularly important to be able to participate themselves in a teleconference (1.74).

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