

2003 AGM - Consideration of Reports

Transcript of 2003 AWI Annual General Meeting

Consideration of Reports

Chairman:

All right. Well, thank you very much indeed and we'll call that the end of the general questions to Len Stephens, but he can stay where he is because the first item of notified business is the consideration of the financial statements in the company and its controlled entities for the year ended 30 June 2003 and the related director's report, director's declarations and the auditor's report, which are now before the meeting.

The subject of the company's annual financial statement is now open for questions and comments. Dr Stephens will respond to your questions or he may refer them to Mr Brian van Rooyen on my left or to Mr Les Targ or to the AWI managers who are present, as appropriate. So again, the same rules apply. Please move to the microphone with your yellow or blue card, wait for my invitation to ask the question if any and it's essential that everybody hears your question. Again, could you notify yourself by name?

Are there any questions addressed to the financial statements? Yes, we have Mr Robert Peitsch on three.

Question from the floor:

Thanks, Chairman. The questions I'd like to ask, Len, are on notice from WoolProducers. There's a series of them. Could I ask you how you want to manage that?

Len Stephens:

Perhaps, Robert, if you just put the nature of the question to me and I can hopefully communicate to you and the shareholders what the answers are.

Question from the floor:

Well, the first one is in regards to directors' remuneration. It was noted under 'Directors' Remuneration' that a total remuneration of directors stood at \$3,347,335 for the year ended 2002/2003. This figure seems to be fairly excessively high and I suppose the question is, given this, what measures has the company put in place to limit the liability of the company on the termination of any senior director?

Len Stephens:

Okay. As I'm sure you're aware, part of that large payment was due to the eligible termination payment of the previous managing director. The staff, including myself, that are employed in the company since the new Board has been put in place are not employed on long, fixed-term contracts so there are no provisions for excessive termination or redundancy payments. They're just standard provisions.

In relation to directors, of course, appointment of directors is in the hands of shareholders. There's no question of termination payments for directors.

Question from the floor:

And the second one under the remuneration side of it in regards to directors: in 2002/2003, there was a loan of \$19,360. There were actually two loans. Could you explain have they been repaid since the end of June 2003? If not, what actions has AWI taken or will they take to ensure that these loans are repaid? And if the cost of reclaiming these monies is greater than the loan, does the AWI Board intend writing off these amounts as bad debts?

Len Stephens:

Yes, there were two loans in the reports, one to Ms McCaskill, the Chairman, and one to Mr Dorber. The loan to Ms McCaskill has in fact been repaid in full since 30 June and the amount owing from Mr Dorber is still the subject of further legal inquiries. I can't divulge any more than that. To answer your question about how much money will be spent pursuing those amounts, the Board's indicated that it's an important issue or principle that needs to be addressed.

Question from the floor:

So I take it that that will be ongoing into the future?

Len Stephens:

Well, the Board ultimately will make a commercial decision on it, but at the moment there are still ongoing investigations.

Question from the floor:

I've got another question, Chair. Do you wish me to put that?

Chairman:

Yes, please.

Question from the floor:

This is in regards to travel expenses. The travel costs over the last twelve months, the year 2002/2003, are up by approximately \$924,000 to \$1.95 million. I think this is approximately an increase of travel expenses of about 112%.

What are the underlying reasons for the increase in these travel expenses, given that there is some concern about director travel? Has the Board determined how much of the increased travel costs were associated with director travel? If so, what is it? What percentage of the travel costs can be attributed to staff? What actions are the Board and management taking to limit unnecessary travel costs?

Len Stephens:

Thanks for that question, Robert, because this is a subject which comes up no matter where we go. Can I give you a few facts to begin with?

The current Board has, as you know, been in place for eight months and the total expenditure on travel by directors during the full twelve-month period was \$243,000. There's an additional \$220,000 which we put down to what we call 'project travel'. That is where we pay for producers, consultants, other people, whoever it might be to - for example, in the wool forums and so on or for our advisory committees - to actually travel to and from AWI activities where we're conducting research or planning for research.

But the big bill of course is almost \$1.5 million for staff travel over a 12-month period. Each year, we put together a travel budget. We try as hard as we can to purchase fares as far as we can before the travel. We fly Virgin on occasion and there are a number of ways - or more than on occasion - in which we reduce expenditure.

But can I just make the point that we are a company with national responsibilities and, in fact, global responsibilities. And we can't have our cake and eat it too. We can't be fully aware of what's happening in China, India, Eastern Europe, without going there. We can't understand your industry unless we travel and talk to people. In my mind, so long as it's controlled, it's a legitimate and significant expense of running a company such as this.

Comment from the floor:

I suppose the question - just to add onto that a little bit more - was that there's been actually a major escalation of nearly double. I question if the business has been run effectively before and I'm assured it's running extremely efficiently now, that seems to be a fairly major increase in expenditure.

Len Stephens:

I'm sorry, yeah. I should have mentioned, of course, the previous year is the 2001/2002 year, when the company was quite new and in fact at least for the first half of that year, quite small. It grew in the second half of the year so we're not really comparing apples with apples. As I say, a year and a bit ago the company was much smaller so there were fewer staff doing less travel. As the company has grown, its responsibilities have increased so I don't think you can give a direct comparison.

Comment from the floor:

We'll take that on notice and monitor it, Len.

Len Stephens:

Okay. I'm sure you will.

Question from the floor:

I have one other, Chairman, if you'd permit?

Chairman:

Yes.

Question from the floor:

The final issue I wish to address is the remuneration of auditors. One of the major increases in the financial reports is the cost of auditors. This cost has risen around 205%, consolidated from 2001/2002 to 2002/2003.

The questions are: what are the underlying reasons for this substantial increase in the total remuneration of auditors? What is the nature of the work carried out under the title 'Other Audit-Related Work'? And the final point is: what is the nature of the remuneration of auditors under the title of 'Other Assurance Services'? Does this include the PricewaterhouseCoopers midterm audit report and, if this is correct, will the company carry out further auditing under this category in the year 2003/2004?

Len Stephens:

Thanks, Robert. As I'm sure many people are aware, we've had a significant increase in audit costs this year as a result of a number of activities.

The first, of course, is the mid year review. The auditing costs for that activity were approximately \$255,000 but that's the amount that's in that other area. In addition to that, there's also been audits that have been required in our relationship with the Australian government to ensure that the expenditure which we make as part of our activities complies with the statutory funding agreement. In addition, we also as you know, as part of WoolPoll conducted a review of performance and the auditors were asked to comment on the independence and the voracity of that review of performance. In addition, you might remember that there were some activities last year that related to our use of fringe benefits tax and we've had to get quite a degree of advice from auditors on the treatment of taxation.

So they're all quite extraordinary costs and I sincerely hope that ongoing audit expenses will be nowhere like that in future years. Having said that, we haven't seen the Senate report yet, so we don't know what the government may compel us to do in future years in auditing terms.

Question from the floor:

Right. On my final point, at this stage you've got no intention of carrying out further audits under this category in 2003/2004?

Len Stephens:

No, that process is finished. There are some ongoing inquiries. I think the biggest issue is what the Senate says to us. That's an unknown at the moment.

Comment from the floor:

Thanks, Len. Thanks, Chair.

Chairman:

Thank you very much. I'd just like to add to that, that the work entailed in the mid-year review was just enormous because we were looking back at everything the company had done in the last 12 to 15 months and that itself was a gigantic job. Then, of course, when the Senate inquiry came, that required even more work. So it's been a very expensive business. Thanks very much indeed, Len, for answering those questions and I'll just move up to the podium with the microphone.