

# FINANCIAL REVIEW

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Ho! Ho! Ho! Here comes Santa Pierpont to welcome readers to the season of credit card excess, liver damage and indigestion. As usual, he has a bagful of awards for those citizens who distinguished themselves most in the past 12 months.

Normally Pierpont hands out most Dubious Distinctions to outstanding business people, but this year the bizoids were often eclipsed by the politicians, who reached levels of bizarre behaviour Pierpont has rarely witnessed.

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Your correspondent has heard, incidentally, that there will be no nativity play in Canberra this year. Not because it would offend Muslim sensitivities, but because they couldn't find three wise men. They also couldn't find a virgin, but there was no shortage of donkeys.

But enough light chatter, let's get on with the main business of the day and hand out Pierpont's Dubious Distinction Awards.

To Deep Knowledge Ventures of **Hong Kong**, a biotech **company** which in May appointed an algorithm to its board. The algorithm, VITAL, can make investment decisions by poring over large amounts of data, scanning companies' financing, clinical trials, intellectual property and previous funding. And it stays sober at lunchtimes.

The **gold** award in this hotly contested category goes to Tasmanian Greens senator Peter Whish-Wilson for his speech deploring the description of extremist IS Muslims as terrorists. He thought it was "one-sided" to use such a nasty word about Muslims who are only beheading Westerners, crucifying Christians and selling women and children into slavery.

A silver award to Fiona Patten, president of the Australian Sex Party, who has won the final seat in the northern metropolitan region for the Victorian Legislative Council. She won on the back of preference deals with the Basics Rock'n'Roll Party, the Voluntary Euthanasia Party, the Animal Justice Party and the Australian Cyclists Party. The Victorian upper house now has 11 backbenchers from a gaggle of minority parties. This may **lead** to an ideal parliament where no laws are passed at all.

An Honourable Mention to Greens senator Larissa Waters, who urged mothers to rethink their Christmas shopping and not buy bright pink jewellery or dolls for little girls, linking gender-stereotyped toys to domestic violence and pay inequality. Child psychologist Michael Carr-Gregg described her attitude as "a nail in the coffin of common sense".

To Bill Lewski, who took \$33 **million** from the retirement village scheme Prime Retirement and Aged Care Property Trust after it listed in 2006. The trust went into liquidation in 2010. Justice Bernard Murphy in Melbourne's Federal Court barred Bill from being a director of a public **company** for 15 years. The former federal health minister, Dr Michael Wooldridge, who was chairman of the trust, was barred for two years. Michael said he would appeal.

To Elsmore Resources, which raised \$2.1 **million** in its float last December. When it listed, however, the **company** couldn't find the money. It seemed the money had been taken by the then executive chairman Ashley Howard. Elsmore sued Ashley for its return, but still hasn't got most of it back.

Trucking group McAleese narrowly missed this award because it listed at the end of 2013. That did not much console investors who paid \$1.47 in the float and saw the shares crash recently to 22¢.

When indigenous Australians meet someone who never seems capable of reaching the wallet in his hip pocket, they say: "That fella got wallaby arms". This year the award goes to former **billionaire** Nathan Tinkler, who committed the ultimate sin of not paying his public relations consultant, Tim Allerton, of City Public Relations. In October, Tim became fed up waiting and lodged a **wind-up** application against Tinkler Group for unpaid fees. Nathan settled the case in November.

To Julia Gillard, who as a young lawyer two decades ago gave her former boyfriend Bruce Wilson advice about setting up a union slush fund. The whole matter is being investigated by a royal commission conducted by former High Court judge Dyson Heydon. Counsel assisting the commission, Jeremy Stoljar, SC, said in November that Julia was not a criminal although she had been the beneficiary of money from the fund. He added, however, that her professional conduct had been questionable. Julia's legal team said negative comments about her conduct as a young lawyer "lacked substance" and her testimony should be believed above that of other witnesses.

Dyson on Friday said Gillard "did not commit any crime".

To Alchemia, whose HyACT platform was supposed to transport cancer drugs to tumours. Unfortunately, a Phase III trial showed it did not perform any better than the existing drug, Irinotecan. When Alchemia announced the trial results on October 27, its shares crashed from 60¢ to 10¢. Four days earlier, its chief scientific officer, Dr Tracey Brown, had been named Telstra's Business Woman of the Year.

To India's Kingfisher Airlines which needed an emergency \$US1.2 **million** overdraft in January 2012 from the United Bank of India to pay for its jet fuel. Vijay Mallya, who controlled the airline, promised to repay the bank within a month. It never happened, resulting in Kingfisher collapsing in October 2012 owing \$US2.5 **billion** to banks and trade creditors. In September this year, UBI declared Vijay was a "wilful defaulter". In the absence of any bankruptcy laws in India, that's the worst black mark a businessman can get. A spokesman for Vijay accused UBI of coming to a "wrongful ex parte decision in great haste".

To **iron ore** minnow Padbury **Mining**, which in April said it had secured the \$6.5 **billion** funding necessary for Western Australia's plagued Oakajee rail and port development. Only problem was that the funding was coming via Roland Bleyer, who started his business life running a chain of hair clinics in the 1980s and went on to have a colourful career as a financier without (as far as Pierpont can ascertain) ever completing a successful project. After details of Roland's past emerged, Padbury terminated the deal and Oakajee is still in limbo.

To Tokyo-based Mt.Gox, which was supposed to be a major exchange for Bitcoin. The **company** filed for bankruptcy in February, announcing that it had lost its entire stock of 100,000 Bitcoins, plus 750,000 belonging to customers. A month later it found 200,000 of the missing coins in an old electronic wallet.

To Clive Palmer, who was named Good Samaritan of the Year for 2013 for the helicopter rescue of Queenslanders stranded on rooftops during the devastating floods of 2011. Clive's pilot certainly rescued a few citizens, but it was revealed in April that Clive wasn't aboard the helicopter at the time. The charity that gave the Good Samaritan award was controlled by a member of the Palmer United Party, but that was just a coincidence.

To Shao Tianpeng, chairman and major shareholder of **Chinese** drilling services **company** Sino Australia **Oil** and Gas. Sino raised \$12.8 **million** in its float, but the day after it listed in February, Shao tried to move \$7.5 **million** of the **company's** funds to bank accounts in **China**, claiming the money was owed for equipment. Independent directors blocked the move and, in October, Shao quit the board.

To the Save Malaysia Stop Lynas campaign, which ran a long and relentless campaign against the Malaysian processing plant for the rare earth concentrates produced by Lynas Corporation. The chemical plant operated on the same principles that had been used for decades in France and **China**. The protesters campaigned against the plant on the grounds it generated dangerous levels of radioactivity. In fact, radioactivity in the concentrate was so low that the WA government did not require it to be labelled radioactive for export. Monitoring showed that background levels of radioactivity in the plant were lower than in the nearest town, which was five kilometres away. Nevertheless a few Australian politicians supported the protest.

To Fifth Element, a **Hong Kong**-based exploration **company** which managed to list on the ASX in May although it had only 13 investors. As ASX rules require a **company** to have a minimum of 300 shareholders, there was no small bewilderment about how Fifth Element had made it onto the boards. The **company's** prospectus raised a mere \$4.1 **million** in 20¢ shares. After listing, it was queried six times in six weeks over inexplicable rises in the share price. After they hit \$7.96 in July, the ASX suspended the stock pending an inquiry into whether they had satisfied the conditions of listing. The shares are still suspended.

To **Hong Kong's** Yanzhou **Coal Mining**, which holds 78 per cent of Australia's Yancoal. To repay Yancoal's major creditor, the Bank of **China**, Yanzhou issued \$2.3 **billion** of convertible notes in the **company**. The notes would convert into 23 **billion** shares. The minority shareholders would therefore have to stump up \$500 **million** or be diluted into insignificance. They have been screaming about lawsuits ever since and complained to the Takeovers Panel.

To the directors of Forge Group for their **acquisition** of the power station **company** CTEC, which made large losses. Forge went into liquidation under Ferrier Hodgson in March. Ferrier said Forge had collapsed for several reasons, including reliance on debt for capital funding, an aggressive approach to acquisitions, insufficient risk control and failed restructuring.

To **China's** Citic Pacific for its case alleging Clive Palmer misappropriated \$12 **million** which had been paid into a bank account to provide for port facilities. Citic alleged that Clive had taken the money last year and used part of it to fund his Palmer United Party in the 2013 election. Clive told The Australian Financial Review (November 29) he had repaid the money. As Citic doesn't seem to agree, the case will continue next year.

To the fund managers who bought Irish two-year **bonds** in September on a negative yield of 0.1 per cent. That meant they were not receiving interest – but paying – to hold the **bonds** of a country that owes \$US2 trillion on a GDP of \$US225 **billion**. Crazy.

To Professor Chris Turney from the University of NSW and his companions who went on an expedition to Antarctica in January to explore climate change in the frozen continent. They discovered the climate was changing – but not in the way they thought – because their ship became trapped in the ice. They were rescued by a US vessel burning good old fossil fuels. Pierpont is still waiting to see the group's thesis on the warming of Antarctica.

To Barclays Bank, which suffered a 32 per cent slump in profits, but still wanted to increase bonuses by 10 per cent to £2.38 **million**. Investors were furious, with more than one-third of them voting to reject the remuneration report. After the bank's stormy AGM in April, shareholder Phil Clarke said: "We're paying for Manchester United, but we're getting Colchester United [battling to avoid relegation at the time]."

To Mazu Alliance which has been an unlisted public **company** for more than a decade, partly as itself and partly as its predecessors Green X Global, 3D Global and Eco Air. In its current incarnation, Mazu is in the shrine-leasing business. In January, Mazu appointed Taochen Chang – a Heavenly Master of the Taoist movement – as the **company's** adviser for Taoist affairs. In its relaxed Taoist way, Mazu did not publish its June 2013 accounts until June 2014, revealing a \$316,000 loss and forecasting a share issue at \$2.25. The rights issue hasn't happened yet, nor has its 2014 accounts.

To Celsius **Coal**, which in March announced it had 295 **million** tonnes of **coal** in the Uzgen Basin of the Kyrgyz Republic. Of that resource, 218 **million** tonnes were 300 metres to 900 metres below the surface. Average seam thicknesses ranged from 0.5 to 1.7 metres. The news did not much inspire investors. Celsius' last share issue was at 8¢.

To Mark Scott. After being told to cut costs by 5 per cent, the ABC chief threatened to kill almost every popular TV program on the network, but it never occurred to him to cut a few fat cat salaries. He received little support from other media organisations, who have all had to make far harsher cuts in their own empires.

To Michalis Liapis, a cousin of Greece's former prime minister Kostas Karamanlis. Michalis received a suspended jail sentence in January for driving a car with fake licence plates in an apparent attempt to avoid increased road taxes.

To the European Parliament, which every month moves from Brussels to sit in Strasbourg for four days to satisfy French sensitivities. The move costs an estimated £93 **million** a year.

To Rupert Murdoch, whose 21st Century Fox announced in January it had sold out of its joint venture with **China** Media Capital. The **sale** effectively ended Rupert's two-decade direct involvement in **China**, although it retains stakes in a film **company** and sports broadcasting there.

To Andrew Flanagan, who in June was appointed group general manager of strategy and business development of Myer and sacked on his first day in the job.

Well, that's all for this year, folks. Pierpont wishes everyone a prosperous Christmas and New Year and hopes you all reach next June with a tax problem. It's better than having an income problem.

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