President's Address—
Sydney.

TOWARDS BETTER TECHNIQUE

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Society for the edification of all members. I hope they have found their experiences stimulating and have felt that, by joining with other members of this Society in a team, their techniques of company analysis have really benefited to a worthwhile extent.

We are also grateful to the companies who have co-operated readily with our requests. We have so far confined our attention to companies who will co-operate with us and I think we have had more interesting meetings as a result. We are not, of course, necessarily limited to considering only those companies who will co-operate. It would be possible for a team to complete an analysis of a company without the company's help and to report on it to a meeting of the Society, but we have not run out of interesting companies who are willing to co-operate with us and I think their co-operation does make for a more interesting meeting.

Our Past President, Mr. H. V. Napier, suggested that we should start surveying industries as well as companies. This we have started to do and Messrs. H. P. Vairns and J. H. Valder reported to the Society last November upon their survey of the meat industry. They produced a detailed report covering most aspects of the industry, showing where its basic strength lay and where weaknesses might appear. The Australian Meat Board was very helpful and we were fortunate to have two of their representatives at the meeting when the Society discussed the report and they provided valuable comment. The report is available to all members in the Society's library and will be revised from time to time.

Meanwhile another team has started to survey the hotel/motel industry and will report to the Society later this year. This survey might be more useful in its applications because of the greater number of listed companies engaged in this industry and the great variety in their performance and prospects.

Other industries will be added in time, but it will be many years before we can hope to achieve a good coverage of the more important industries. I regard this activity as a most important one.

(Continued on Page 10)
as a thorough understanding of the problems of an industry is essential if the problems of a company engaged in it are to be appreciated. Any progress we make in this direction depends, of course, on the willingness of members to take part in the surveys.

Other innovations which we have introduced in the past year include workshop meetings and technical sessions. When we held our first evening meeting on company analysis we hoped that discussion would be directed not only at the company's affairs but also at the methods of analysis employed by the team. We feel now that it is better to confine discussion to the company's affairs and so take full advantage of the presence of visitors from the company and to discuss the methods of analysis at later meetings. We have had two such meetings so far and have found sufficient interest in them to make our future policy to hold one workshop meeting after two company meetings. At the workshop meeting the two leaders of the teams which produced the reports for the company meetings explain their approach and then members discuss their methods. By this critical appraisal of the methods employed, we hope the Society will be able to make some useful improvements in techniques of analysis.

The technical session to which I referred was a meeting held in October, 1965, at which the subject discussed was "Profit Projection and Share Valuation". It is intended that more of these technical discussions will be held in future.

We also had a meeting at which Mr. K. J. Hedley presented a paper on the valuation of insurance company shares. This paper introduced some interesting theoretical ideas as well as surveying the operations of insurance companies.

If we are to improve our techniques further, the time must come soon when the Committee sets down its views on what features are necessary for an adequate analysis of a company. So far we have merely appointed teams and left them to their own resources and, at first, this was the only practicable course. Now that we have four years' experience in producing company analysis for discussion by the Society, we are in a far better position to consider what points are essential to a good analysis and what advice we should give to leaders of teams.

Somewhat allied with this subject is the matter of obtaining further information from companies generally. Other bodies, such as Stock Exchanges and the Australian Institute of Management, have taken steps to improve company reporting. This Society is vitally interested in this topic and I think our first step in seeking improvement is to decide what information we need as analysts and what use we would make of it. A request for specific information by a responsible Society, which can justify the importance of what it is seeking, should carry much more weight than a vague demand for more information, not backed with a statement of the use which would be made of it.

During the year we have co-operated with the Victorian Branch of this Society by exchanging all material which is circulated to members. We have redrafted the Constitution of the Society to create a Federal Body which will bind the branches of the Society together better. The main points of this draft have been agreed between Melbourne and ourselves and at present the draft is with our solicitors to be completed. I had hoped at one stage that we would be able to present the proposals to this meeting, but the process took longer than we had expected. I feel sure that within a year we shall be able to present the proposed new Constitution for members' approval.

During the year our hard working Editorial sub-committees have continued to produce our Journal to a standard which does great credit to the Society. It is by our Journal that we are known abroad and also by non-members in Australia. A great amount of work is needed to produce it regularly and we are very grateful, indeed, to the sub-committees for this achievement.

The Society has a library located in the City Mutual Life Assurance Society's building on the sixth floor. The room has been made available by the generosity of the City Mutual. The documents of the industry surveys are available there; we have the journals of the British and American Analysts' Societies, and a small number of books. Any member wishing to use the library should first contact Mr. J. S. Wills, of the City Mutual, who is our librarian.

Earlier this year we received a request from the Society of Investment Analysts that we should send a statement of our views on the terminology and concept of cash flow, which is being discussed at the next Congress of the European Federation of Financial Analysts' Societies in the Netherlands. Messrs. P. C. Wolfe and D. M. Hoare kindly attended to this matter.

Last May we had the pleasure of meeting Mr. S. C. Davis, a Past President of the New York Society of Security Analysts, Inc., and also of the Financial Analysts' Federation. He did not stay in Sydney long enough for us to organise a meeting for him to meet all members of the Society, but members of your Committee took the opportunity to meet him. More recently a member of our Committee, Mr. P. J. Boyle, visited U.S.A. While there he took the opportunity to visit Mr. Lawrence Rubin in Boston, the Chairman of the International Analysts' Relations Committee of the Financial Analysts' Federation. I am sure these personal contacts help greatly to improve relations between our societies.