Chairman Gay Stitches Gunns Shareholders

I've already had a rant about the disgraceful lack of disclosure around last year's capital raisings for Photon Group and WDS. But controversial timber and pulp company Gunns has outdone them both.

Shareholders are justifiably upset with the company's $400,000 profit for the six months ended 31 December. The company has more than 800 million shares on issue, so they've made diddly squat on a per share basis. But they're particularly upset given the outlook was apparently fine when the company raised $145m at 90 cents per share in September last year. With the share price now less than 60 cents, they'd be much better off had they kept their hands in their pockets.

Moreover, they're wishing they knew what Gunns' Chairman John Gay knew when he unloaded 3.4 million shares at an average price of more than 90 cents each in the first week of December. A company spokesman told the *Australian Financial Review* today that directors are allowed to trade in a four week window after a significant market update, such as the annual meeting, and that Gay's trade was within this window.

Apparently that makes it alright to dump your shares before announcing a profit result substantially worse than anyone outside the company was expecting. And the problem was, Johnny Boy, you didn't actually give anyone a 'significant market update'. You waited until after you'd sold your shares for that.

This sort of behaviour has been going on since the Dutch East India Company listed the first share on the Amsterdam Stock Exchange in 1602. But that doesn't make it acceptable. Either ASIC or the ASX needs to be given the power to take meaningful action.

At the moment the ASX simply writes the company a nasty letter and the company writes a meaningless response. If the ASX deems it appropriate, it can forward a potential issue to ASIC for further investigation. But ASIC's success rate in prosecuting this sort of behaviour is about as good as England's in the soccer world cup.

I'm not a lawyer and have no idea exactly what needs to change. The obligations of both directors and ASX-listed companies seem perfectly clear to me, and those obligations seem to be frequently skirted. But the 'burden of proof' is obviously a hurdle too difficult to clear in the vast majority of cases. ASIC needs to convince the government to lower it.