

Big bonus bounce for the lucky few

THERE was a big increase in the number of companies paying very large cash bonuses last financial year, and at first glance its hard to reconcile some of the increased payments with company performance.

Cash bonuses tend to be the preserve of Western Australia's larger companies, led by Woodside Petroleum and Wesfarmers – though Wesfarmers is unusual because while its senior managers can earn an annual bonus, its chief executive Richard Goyder cannot.

Wesfarmers believes chief executives should focus on long-term value creation and has designed Mr Goyder's salary package accordingly.

A handful of WA companies, including stockbroking firm Euroz, property manager Aspen Group, mining and construction contractor Macmahon Holdings, and Automotive Holdings Group are serial payers of big bonuses.

Arguably the most contentious bonus last financial year was the \$850,000 paid to Emeco Holdings chief executive Laurie Freedman.

His bonus was large in absolute terms and was surprising given the poor performance of the earthmoving equipment supplier's stock since the company listed on the Australian Securities Exchange last July.

Emeco's directors acknowledged in the annual report that the company's

share price fell last year to below its initial public offering price of \$1.90 per share – it is currently trading at \$1.15 per share.

Despite this, they defended Mr Freedman's bonus on the basis that the group had achieved solid growth in its underlying earnings "in part attributable to the company's remuneration policies".

The bonus, equal to 100 per cent of Mr Freedman's base salary, was paid because Emeco's "underlying" earnings per share exceeded the top forecast in the group's float prospectus.

The biggest cash bonus last financial year, amounting to \$1.44 million, was paid to Woodside chief executive Don Voelte.

Mr Voelte's package includes a "variable annual reward" that can be up to 125 per cent of his base salary.

His 2006 bonus – which was paid partly in cash and partly in the form of "variable performance rights" – was 100 per cent of his base salary.

In addition, Woodside's board decided in February to award Mr Voelte an additional \$1.5 million bonus – also split between cash and VPRs – "in light of the CEO's performance in 2006 and the need to pay market competitive remuneration".

Annual bonuses at Euroz are based on 30 per cent of its pre-tax profit.

"Using this criteria ensures reward is only available when value has been created for shareholders," the company said.

Executive directors Peter Diamond, Andrew McKenzie and Jay Hughes,

BONUS PAYMENTS

NAME	BONUS
Don Voelte	\$1.4m
Peter Diamond (1)	\$980,000
Angelo del Borrello (2)	\$850,000
Laurie Freedman	\$850,000
Nick Bowen	\$797,000
Sam Walsh	\$743,000
Bronte Howson	\$680,000
John Borshoff	\$600,000
Gene Tilbrook	\$555,000
Ken Steinke	\$489,000
John Gillam	\$446,000
Mark Chatterji	\$394,821

1) Five Euroz directors were paid the same bonus; 2) Aspen Group finance director Gavin Hawkins was paid the same bonus.

and corporate finance directors Karl Paganin and Doug Young, were each paid \$980,000, up from \$915,000 the previous year. The bonuses were nearly four times their base salaries.

Other senior staff at Euroz were paid bonuses ranging from \$380,000 up to \$660,000.

Aspen Group executive directors Angelo Del Borrello and Gavin Hawkins were paid \$850,000 bonuses last year, up from \$405,000 in the previous year.

They qualified for the maximum possible bonus because the group increased "underlying" earnings per share by 10 per cent.

They would earn even larger bonuses – up to 50 per cent of their



MAJOR REWARD: Don Voelte's \$1.44m cash bonus was the biggest of all executives in WA last year. **Photo: Jemma Howard**

base salary – if they achieved 20 per cent earnings per share growth and outperformed the “total shareholder return” of their industry peers.

AHG's annual bonus is based on a pre-determined net profit target set by the board.

Managing director Bronte Howson qualified for the maximum possible bonus of \$680,000 (80 per cent of his base salary), up from \$442,000 in the previous year.

Macmahon chief executive Nick Bowen's maximum possible bonus

is 100 per cent of his base salary, if he meets performance targets.

His actual bonus of \$797,000 was 87.7 per cent of his base salary, up from \$505,900 in the previous year.

Other senior Macmahon executives earned bonuses that ranged from 62 per cent to 92 per cent of their maximum entitlement.

Wesfarmers senior executives earned bonuses that ranged from 37 per cent of the maximum entitlement up to 92 per cent for finance director Gene Tilbrook.