

"The Script"

June 2005

The official newsletter of the New Zealand Shareholders' Association Incorporated

ABSOLUTE POWER

King Mark the First, and his Privy Councillors arrived in Auckland, from Weldongrad for the last meeting of the Council of Nobles of the Sovereign State of Weldonia. The order of business was to proclaim King Mark as the first Absolute Monarch of Weldonia.

Archbishop Saint on behalf of the Church, led the charge against the proposed change that would pass control over the constitution of Weldonia to King Mark, and effectively dissolve the Council of Nobles. Duke Dillon viciously attacked the Privy Councillors that had participated on this act, as at least in theory these same councillors were intended to be the protectors of the people. Baron Bruce, true to form, took the piss, as if he couldn't laugh he would have cried at the loss of democracy perpetrated on the people of Weldonia, and the peoples of other states now under the influence of King Mark.

Prior to the critical vote, the nobles were rewarded with a share of the gold gathered from the wars by Mark, and were told of the success of the noble's troops in conflicts with other states. In particular we heard how Lord BK was advancing into the much larger state of Computershare's lands, and heard that we occupied about 10 to 15% of their territory. Some nobles think that this will be a long war of attrition and asked King Mark to explain the purpose of this war. In short King Mark had asked the democratically run Computershare to share their technological

bounty with the peoples of Weldonia and were refused. Hence Lord BK was bolstered up with troops and battle commenced.

The critical time for voting came. The bachelor King had spun his line on the usually strident Lady Fisher, the manager of many nobles' estates, and she voted her and her managed funds to declare Mark an absolute monarch. Tony Gibbs, the wheeler-dealer of the State, was solicited by Baron Bruce to make a stand on this important issue. "We are not idiots"(unlike you) and I have a plan so cunning you could pin a tail on it and call it a weasel. The major nobles voted away the rights of all nobles and now Mark is Mark the Great of Weldonia.

Only Mark and His team can amend the Constitution, subject to the consent of a far greater nanny state. Nanny state is run by a bunch of women that have never breast-fed. Between the unholy alliance of Lady Fisher, Tony Gibbs the cunning planner and the Court of Mark, total control can now be exerted over the Privy Council. King Mark and his team control 10% of the voting rights in Privy Council appointments and no other noble can exceed his voting power. King Mark taxes as a monopoly the nobles, he has the power to discipline nobles and other states and to extract fines, he appoints the judiciary and rewards them.

Hail King Mark the Great of Weldonia.

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CONTINUOUS DISCLOSURE

The number of rules and regulations that impinge on our lives continue with depressing regularity. I have often considered that apart from the Select Committee there should be a more realistic limitation on the introduction of legislation than that which Parliament can get through in a session. Perhaps for every piece of legislation that is introduced one that is out of date and no longer relevant to society should be withdrawn. This would make more sense of the Hon Margaret Wilson's unfortunate comment about the Companies Act 1993, itself a relatively new piece of legislation. But I must stop dreaming about Alice in Wonderland and return to the real world. Two pieces of legislation that have been enacted relatively lately and which seem to be in conflict with each other are the Privacy Act and the Freedom of Information Act. Clearly these are a litigation lawyer's delight. However there is a further restrictive rule that this time is at odds with the intent of the Companies Act 1993. I refer to the listing rule surrounding Continuous Disclosure by listed companies that was recently given the strength of law by the Securities Markets Amendment Act 2002.

With the establishment of our Association, shareholders, when attending an AGM, have a heightened expectation that a company Chairman will be free to talk about any topic that directly affects the affairs of the company and respond to questions in a forthright and honest manner. This is Utopia; reality is a little different.

Chairmen are very aware that Section 10 of the Listing Rules covering Disclosure of Information has the effect of requiring a quite cautious approach to questions that seek information on aspects of the affairs of a company that are not generally public knowledge. As some chairmen have pointed out there are unlikely to be (m)any topics that can be raised at an AGM that, because of the continuous disclosure rule, are not already public knowledge. This is Utopia again. Of course there will be matters that have not been disclosed and that may have an effect on the share price if they were made public. This is exactly the situation that gives rise to caution. A chairman has to weigh up quickly each question from a shareholder whether the response will contravene the disclosure rule. You may have wondered

and been in awe at the rapidity with which your question is answered by the chairman. Do not be fooled, the chairman will have spent at least a day, possibly more, in making sure s/he is absolutely familiar with likely questions that will arise from the floor. When you hear the words 'this is a good question' you can be sure that whilst it may be an appropriate question the response has already been fully rehearsed with management and other directors. For me, the final straw arrived last week at the NZX AGM. There seemed to be a resistance to responding to any question for fear of breaking the sacred listing rules which so far as NZX are concerned take precedence over any Act of Parliament. I can recall no response that was dealt with in a fair and reasonable manner. Trivialities and generalisations were the order of the day.

What is the answer to ensure that all parties are satisfied? After all the Companies Act puts emphasis on the AGM as the sole means of communication that shareholders can enjoy to seek information from the directors, their trustees. There is, tucked away in the First Schedule of the Companies Act 1993, a clause (No 9) that allows a shareholder to give notice to a Board of any matter the shareholder proposes for discussion. I have been reluctant to use this clause until now because it has the ability to impose on the company a significant cost in that written notice of the information and the Board response is required to be given to all shareholders before the meeting. The time has come when this clause should be invoked. As an Association we are no longer prepared to accept the excuse of continuous disclosure that is thrust upon us as a reason for evading questions at meetings. Watch this space!

For those with an inquisitive nature, the best way to obtain a clearer picture of the meaning of continuous disclosure is to type this phrase into the search engine Google and select from the resulting pages. Members may also like to be aware that there is now a website - legislation.govt.nz that provides readers with the text of many Acts of Parliament. This is a temporary website set up by government and sourced, hosted and maintained by Brookers that, when completed, will be replaced by an official website.

THE AUTOPILOT PROVISIONS

To bring members up to date the following is the full list of listed companies that have decided that the listing rules are not the right place for changing their constitutions:

Broadway Industries, Carter Holt Harvey, Contact Energy, NZ Refining, NZ Experience, Port of Tauranga, Sky City and Spectrum Resources.

In addition, undertakings have been obtained from the following companies at their AGM that shareholders will be advised at the first opportunity if the constitution is effectively changed: Cavalier Corporation, Ports of Auckland, Michael Hill International and Skellmex Industries.

If any member is aware of other listed companies that should be included in the above lists we would appreciate a short email or note with details.

MEMBERSHIP BENEFITS

We have been able to arrange for our email members to receive a copy of the newsletter of the Australian Shareholders' Association. The newsletter is usually 16 pages and contains much useful information about Australian shares. You should also be aware that the newsletter, called *Equity* is in full colour, contains a small amount of advertising and as a result can be quite lengthy to download depending on your computer software.

Until further notice please contact Oliver Saint for access to this facility.

We remind members that we mentioned in our February 2005 newsletter that the UKSA newsletter was available to anyone with a computer and email facility.

Please contact Russell Hodge for details.

CAPITAL PROPERTIES NEW ZEALAND

Members who are also shareholders of the above Company and intend to go to the Annual Meeting on 15 July 2005 should read our letter to the chairman which will be placed on our website prior to the meeting.

DISCLAIMER

The comments contained within this Newsletter, or appearing on the website of the Association, should not be construed as providing investment advice or recommendations under the provisions of the Investment Advisors (Disclosure) Act 1996, or otherwise.

AGMs

Briscoes

This was a relatively low key meeting. Rod Duke advised that the company was trading well in the current year, and that the company's cash reserves would now finally be applied in part to the acquisition and roll out of the Sterling Sports brand which will be maintained.

We opposed the company's share option programme, but it still got passed on a show of hands. In private discussions with the board before the meeting they agreed to consider alternatives that are more effective and I am aware of this research proceeding via independent sources.

This company also adopted auto pilot, and did so on a poll. Again I played the minority buy out trick, but pointed out that in this case there was not much mileage in it as the shares were fairly priced by the market.

Roseanne Meo is a very capable chairwoman, with a good sense of humour. She knows her own mind, but I gained the impression that she does listen and evolve. She acknowledged NZSA's engagement with the company prior to the meeting and stated that she regarded it as positive. Let's see what happens next year.
Bruce Sheppard

CDL Holdings

CDL's AGM has become a well attended affair over the last few years, and it has nothing to do with the after match function.

Unfortunately I thought the meeting was at 4pm, but it started at 3 so I arrived late and missed the operational presentations. Other shareholders were holding the floor admirably, questioning the Chairman extensively on the value of the company's assets and its plans for the \$100m cash slopping around the group. Most of which appears to be in Kingsgate. The company holds in excess of 60%.

There is no doubt that the now immediately past CEO, who has taken the role of chairman has done an excellent job in extracting operating efficiencies from the group and the operational performance can give shareholders little to complain about.

For many years now I have queried the group on its dividend policy and on its balance sheet management issues. This year was no different I and others interrogated the board extensively on these issues and got not much further. The usual we will do what we want line was played like the broken record that it is.

A couple of interesting comments were made by the board however in response to this interrogation:

1 The board regards its dividend policy as progressive, i.e. ever increasing. If this is so

then the special dividend should become the new base for next year.

2 The board admitted that hotel assets can only be bought on an EBITDA multiple of 10, but such assets are now trading at multiples of 14 hence they are not investing. The implication is that they would at a multiple of 10. Such a multiple would imply a PE ratio of about 18, and since the company trades on a multiple of 5 each new acquisition would destroy shareholder value, at current pricing.

3 A new director Richard Bobb, an Australian accountant, has been appointed, and who appears to understand what we are talking about with regard to balance sheet management and will be preparing a paper on the topic, including share buy backs for the Board to consider. Good luck, Dick.

I suggested to them that if they wanted to buy hotels at an EBITDA multiple of 10, they need look no further than the company's own shares at a PE multiple of 5 and I challenged them to develop an on market share buyback plan to allow the company's shares to rise to what appeared to be an agreed value, (on a net asset basis) of \$1.00 plus per share. The board acceded to the analysis that the shares were worth more than a dollar.

The company adopted a new constitution including what we call Auto Pilot. I voted against the resolution and encouraged the meeting do likewise on the basis that it would trigger an entitlement to have your shares bought back by the company at fair value. About double the current share price. As a result the resolution was lost on a show of hands. More than half voted No. The Chairman called a poll, and held proxies from the major shareholder and ACC. The resolution was passed. I have now invoked minority buyout. Watch this space as a new twist on managing NZX and its imposition on companies.

Bruce Sheppard

Dorchester EGM

I don't think I have ever attended an EGM for a small company that was as well attended as this one. The only item on the agenda was the election of two new directors, which was clearly a play by Bridgecorp to attempt to influence Dorchester.

The move was regarded as hostile by the Dorchester board, and the largest shareholder was now clearly Hugh Green Investments, who were regarded by the Dorchester board as friendly. I don't think I have seen as badly a bungled corporate play for a long time, as Bridgecorp have lost out big time.

The interesting point of the meeting was that not only were the board hostile to Bridgecorp, but so were the shareholders in unprecedented numbers. On a show of hands the only vote for the

Bridgecorp man was their own vote, and on a poll, 95% of shareholders excluding the big two voted the Bridgecorp man down and the Hugh Green man in.

Watch this space - Bridgecorp will have to increase their stake and then launch a full bid to get the influence they crave, or alternatively sell-out into an illiquid market. So the share price will either rise sharply or fall gradually.

Bruce Sheppard

Kingfish

The meeting held at the conference room of the Bruce Mason Centre in Takapuna on 17 June was filled with perhaps one seat unoccupied. The number and quality of questions posed to the chairman certainly kept him on his feet. The queries started with several relating to the performance fee of the managers. Some members felt that the short time frame in which the target value was obtained did not warrant the trigger being achieved. However it was agreed that the fee was in accordance with the agreement and had been clearly spelt out in the prospectus. It is also worth noting that the net asset value of the portfolio will have to exceed approximately \$1.50 before 31 March 2006 if a further performance fee becomes payable. Asked why there was no market performance indicator Ms Carmel Fisher responded that feedback from investors tended to prefer reasonable cash growth in dividends. As a result a benchmark of the bill rate plus 7% per annum was set that on present indications suggests an annual increase of 13% in net asset values. It was confirmed that no interim dividend was anticipated in the near future. On the question of share buy-backs, the chairman advised that the impact on dividends to shareholders would be considered but a discount between share price and net asset value in the 10% to 30% region would be needed before serious consideration was given to this aspect of corporate governance. There was also a query on the non-deductibility for tax purposes of the performance fee. On the third attempt the chairman hit the jackpot by indicating that the only allowable portion of the fee was that part relating to the nursery portfolio. The holding company, whose investments do not generate trading income does not obtain deductibility for the performance fee.

Oliver Saint

NZX

The Elliott Rooms at the Crowne Plaza Hotel were hardly tested by the number of shareholders present; no more than 40 out of 2,500 shareholders attended. The Notice of Meeting encouraged shareholders to send questions in advance to the company so that a detailed response could be provided. The chairman in his address and later during the course of the meeting did not refer to any questions from shareholders. Whether this was because of a reluctance to share any information with shareholders or because there were in fact no questions asked is open to

question. We prefer to assume the latter but our experience at the meeting when important matters were raised, particularly relating to the quantum of the bonus paid to the CEO, suggests that perhaps the former might be an option. Your Association submitted a lengthy letter to NZX outlining some of our concerns. A response may be viewed on our website. There were many questions from the floor mainly related to:

- 1 the remuneration and performance bonus of the CEO
- 2 the special dividend paid during the year
- 3 the share registration and funds management businesses purchased during the period
- 4 the strategy for future acquisitions.

The difficulty of the chairman in responding to any of the above questions adequately stemmed from the one single Board decision that there would be no NZX profit forecast of any description made public. As a result all responses were of necessity in generalities because of the continuous disclosure rules. There will be many shareholders who left the meeting deeply disturbed that any company, let alone one that has the corporate governance oversight of all listed companies under its control, should be so far out of line with present practice.

There was also considerable comment covering the relationship between Board deliberations on regulatory matters and the work of the disciplinary panel that was established in November 2004 but which to date has not been called upon to convene. The panel, it seems, is essentially selected by the Board (the critical might possibly substitute management) with the approval of the Securities Commission. However the panel is paid by the NZX and we are told that all deliberations will be a matter of public record.

The Shareholders' Association was present in strength at the meeting in view of our criticism of the autopilot rules now included in constitutions of most listed companies. A discussion on this topic is covered elsewhere in this newsletter but Ross Dillon did make the point that a paper he prepared for the Law Society had been taken up by Auckland University and students are being taught on the basis of his views which are in direct conflict with NZX practice. We understand there has so far been no counter argument in legal circles. It became apparent that whilst the NZX legal experts were present, the Chairman was determined that they should not participate at the meeting. The argument put forward was that they had an opinion that the proposal was legal, end of story. The Association has never disputed this fact, only that future changes will be illegal and may be avoidable. Legal opinions depend to a great extent on how the question is phrased. A clear majority voted against the motion at the meeting at which stage the Chairman declared that a poll would be taken. In a final token to stress the fundamental conflict and the shareholder strength of management Bruce Sheppard made

his obeisance to King Mark 1. After the meeting the chairman announced that a majority of 92% - or was it 99.2% - supported the poll for a new constitution (Our email query remains unanswered).

Oliver Saint

Property for Industry

Held at 11.00 am on Thursday 19 May 2005. Your representative attended this meeting expecting little of significance. The company has been an excellent performer since listing around a decade ago and the share price has been somewhat slow to follow this growth. However, lessons can be learned at the most unexpected moments.

There are phrases used at many meetings that can raise silent queries in the minds of shareholders. One of these is when a chairman says that the minutes of the previous AGM had been approved at the following Board meeting and there is thus no need for consideration at this meeting, a copy of the minutes being available for inspection at the close of the meeting. Why is it assumed to be unnecessary for shareholders to be reminded of what happened the previous year? Were any promises made that have not been kept? In truth, there are very few companies that go to the trouble of sending copies of minutes to shareholders. There is the occasional company that places a copy on the investor relations section of its website for inspection but the vast majority of companies rely on the nebulous comment that minutes are available for inspection by shareholders and leave it at that. Ask any company secretary how many shareholders take advantage of the brief availability of this document and the reply will usually be – none. I decided to test the system at this meeting and on receipt of a faxed copy of the previous year's minutes I was immediately aware of the inadequacy of my bring-up system. At the last AGM I had raised the question of the automatic re-appointment of directors if there was no contested vote. I suggested that this procedure fell short of latest accepted practice. Additionally David Lawson, a shareholder, asked whether the property at Wiri had a 'for sale' sign outside the property. For both these queries a report was promised for the next AGM; none was forthcoming. I have now revised my systems to incorporate reminders for the following year but a question that members may be prompted to ask chairmen on this matter in the future is - whether there were any matters in the previous year for which a report was promised for the current year.

For the record, I received a faxed a copy of the sign outside the Wiri property within days of the AGM in 2004 and the chairman at the latest meeting asked for a show of hands on the re-appointment of Mr Beverley in spite of the fact that in accordance with the constitution this was not legally necessary.

Oliver Saint

Richina Pacific

The AGM was held on Tuesday 10 May 2005 at 2.00pm at the Eilerslie Convention Centre. The new chairman prepared a long address for shareholders that had the dual effect of introducing his ideas and views to shareholders as well as covering a number of recent major developments that seem to have changed the focus of the group into one of property holders. The word development was mentioned but there seemed no immediate intention to become involved in this area, rather it seemed to be a strategic impulse that at some future date developing the portfolio of properties might become productive. The meeting was advised that the Board would soon be seeking three further outside directors for their subsidiary companies. This factor was mentioned in relation to the increase in directors fees being sought as there was concern that the rise in directors' fees was extremely open ended given the new listing rule that a Board may increase fees on a pro rata basis to accommodate the payment to a newly appointed director. Whilst there were a number of votes against the resolution to increase fees the motion was clearly carried with a good majority. The chairman confirmed that the accounts presented were drawn up under International Accounting Standards and the company must be one of the first with these standards to come up for review by New Zealand shareholders. Shareholders were very aware that the Company is now incorporated under the laws of Bermuda and has a head office in Singapore. With capital being invested in China there is a very real possibility that meetings will in future be held outside New Zealand. The chairman was asked by your representative to give shareholders as much notice as possible if this eventuality is contemplated.

The chairman was keen to complete the agenda, terminate the meeting and continue with the panel discussion as shown on the notice. There are attractions in the idea of having a panel discussion following an annual meeting because there can be greater freedom for an exchange of views. However the 'panel' as such contained the same individuals as the Board and the directors did not in reality move from their seats. As a result the more relaxed and less formal atmosphere that might normally prevail at a panel discussion did not occur. There is another factor that shareholders should bear in mind when the words 'panel discussion' appear on an agenda. If the chairman closes the meeting, as happened here, the discussions are outside the meeting proper and thus there are no minutes of anything discussed. This is a very important point if a shareholder seeks to have the response to a question placed in the minutes of a meeting. For this reason it is advisable for shareholders to continue to ask their serious questions during the meeting and at the time the accounts are being considered rather than wait until the meeting is closed.

Oliver Saint

BRANCHES

Auckland

On 11 May, about 60 members attended a branch meeting to hear Anne Sherry, CEO of Westpac NZ. Anne gave an interesting address on her bank's activities, and an explanation of their treatment of NZ dividends.

On 17 and 18 May, 41 members travelled to Whangarei by coach and cars to visit The New Zealand Refining Company Ltd and Northland Port Corporation (NZ) Ltd.

At NZRC, the party met at the Visitors Centre where CEO Dr Zengerly and number of his staff met us. He gave the meeting a depth of understanding not only of the processes and business structure of the company but also of the energy needs of the nation. It is clear that New Zealand faces an imminent crisis as the substantial energy contribution from natural gas reduces significantly in 2011. The alternatives are to find more gas and be able to land it economically, switch to coal, reduce demand, or bring in LNG, as recommended by Genesis.

There was a generous amount of time given to presentations including an excellent video of the plant and processes at NZRC. We also toured the site in our coach and visited the control room where we were able to watch the high tech processes in action. Of particular interest were the graphics and controls associated with the flow of various products down the pipeline to the tank farm at Wiri.

We then had lunch with the management of the company and this gave an opportunity to talk with the staff. The impression given was of an efficient operation in an organisation that has a vital role in the energy needs of New Zealand.

The following day there was a session in the conference room of the SettlersHotel with Jim Smellie the General Manager of Northland Port Corporation (NZ) Ltd, and Ken Crean the CEO of North Port Ltd. Northland Port Corporation is an investment company and is the listed entity associated with the port. Its main interest is a 50% shareholding in North Port, with the other 50% owned by Port of Tauranga. As well as this, the corporation has a number of joint ventures. One notable one is North Tugs Ltd, which is a 50/50 JV with Ports of Auckland. Another important operation is at Marsden Cove where there is a JV with Hopper Developments of a canal residential area. Work is progressing at this site. In addition, the Corporation owns 185 Ha of industrial land at Marsden Point.

Ken Crean from North Port outlined the progress at Marsden Point in creating New Zealand's deepest Port. The new work has to an extent been underwritten by a guaranteed throughput of one million tonnes annually by CHH. The development has been at considerable cost including expenditure of \$7million associated with requirements, or in mitigation of provisions, of the RMA.

Following the briefing, the party travelled to Marsden Point to tour the facilities. Ken Crean gave a commentary and showed the many innovative features of the port development. Although there are no immediate plans for handling containers the planning ensures that the port will be able to handle any future business demands.

Bryan Trenwith

On 29 June, over 70 members heard Andrew Couch of Salvus Asset Management, which tends to invest in lower cap stocks in the NZX. Andrew's talk was wide ranging with emphasis on strategies for investing in a declining market and the implications of the proposed tax changes on investment. It was a most interesting and informative evening.

The next company visits are to two North Shore smaller listed companies Wellington Drive Technologies, and Solution Dynamics on Tuesday 2 August, with lunch at a local café between the visits.

Places will be made available in the order received. The numbers are limited to twenty for Wellington Drive and 30 for SDL. Full detail, including a map, will be sent out to those who register.

Contact Bryan Trenwith at 09 814 9669 or bryangay@ihug.co.nz.

The next meeting of the branch is the AGM on 17 August, when the speaker will be NZSA Deputy Chairman, Ross Dillon.

Bay of Plenty

Reaching younger people is a continuing challenge for the Branch. Having a handful of young prospective members attend the recent discussion meeting was encouraging. A panel of wise men led a discussion on "Family Trusts". Serious concerns were expressed about the proliferation of trusts. The protection sought by settlers through the mechanism of a trust identity can very easily be lost through inadequate administration and is of

questionable help it trying to avoid natural or legislative justice. o If you have a trust, make sure the administration is spot on. Yearly written reviews of aims and procedures; an audit trail that is iron tight. Never be a trustee unless you can't help it. Cut corners and that little creep in the Public Trust advert will end up getting half the family home anyway.

A company visit to Balance Agri - Nutrients is planned for 28 July; phone Howard 07 552 5320 if you would like to come along.
Howard Zingel

Canterbury

The inaugural Annual General Meeting of the Canterbury Branch of NZSA was held in the Cashmere Club on Monday 9 May. The executive were re-elected with the exception of Graham Tate who decided not to stand for the committee. Once the formalities of the AGM were completed the members were addressed by Rick Hellings, CEO of Smiths City Group, who gave an interesting talk on the rebirth of Smiths City Group after its financial problems over the last decade or so. Rick also gave members an insight in to the operations and marketing strategies of a large retailer in today's global market. As quite a number of members were shareholders in Smiths City Group they were very interested to hear what Rick had to say and to be reassured that their investment is now being well looked after.

It is unfortunate that the intended visit to Mooring Systems has had to be postponed due to pressures on the Company's executive over the next few months. We look forward to re-arranging our visit for later in the year.

On 27 June we were addressed by Alex Dalzell of Greenslades, Sharebrokers. Alex gave us an insight into the workings of a sharebroker and what services members should be looking for from a stockbroker.

On 12 July we will be visiting Skellerup Industries for a tour round the factory and an address by Company Executives. Later on in October we hope to have Carmel Fisher of Fisher Funds Management to give us a talk. We are still working on something for August and September.

Your committee is working hard to give members value for their subscriptions and we hope to put on something at least every second month. We look for support for our efforts from members as we do not want the embarrassment of inviting guest speakers to come along to address an empty hall.

Ritchie Mein

Chairman, Canterbury Branch

Waikato

No Report

Wellington

The Wellington Branch held its AGM last month. All current committee members were re-elected, Matthew Underwood, Ray Jack, Peter Nalder, Martin Dowse, Michael Hurren, Brian Absolum and Phil Kelliher. The final composition of the committee will be decided at the next committee meeting.

The key highlight of the AGM was our guest speaker Bruce Sheppard. Bruce gave an entertaining talk on a number of investment issues faced by investors including, the proposed changes to the way investments are taxed, financial planners and what value they add, the recent changes to company constitutions and the impact on shareholder rights, downfalls of investing in investment funds versus doing it yourself.

Overall it was a very successful meeting and a big thanks goes to First New Zealand Capital for hosting us.

The next morning Bruce Sheppard addressed the Wellington Branch of the Institute of Directors on the topic of "Does the Shareholders Association add value". Bruce walked through how shareholders influence companies and identified the critical points of influence. The audience agreed that it was the directors' responsibility to add value. Bruce received wide support for his view that shareholders should forgive single events of business risk that go against a company in the normal course of business, but be very upset when a Board allows management to repeat past mistakes. Bruce also received positive support for his continued campaign to position the Shareholders Association as a force for good.

Finally, we will be hosting the Shareholder Education courses in Wellington on the 20 and 23 of July, see the NZSA website or later in this Newsletter for further details.

We look forward to seeing you all at the next meeting.

Ray Jack/Matthew Underwood

NZSA Investment Education

"Great courses – thanks. Lots of useful info. Not a sales pitch"

Register now.

Whangarei

Register through Northland Polytechnic
0800 162 100
Saturday 9 July 2005
Starting in the Sharemarket 9.00–12.00
Investing in Shares 1.00 – 4.30
Room B18A, Raumanga Valley Road

Saturday 30 July 2005
Investing in Shares 9.00 - 12.00
Understanding Company Reports 1.00 - 4.30
Institute of Chartered Accountants
27-33 Ohinerau St, Remuera

Auckland

Ph Graham 027 4767368 or 09 3767368
Saturday 8 October 2005
Investing 9.00 - 12.00
Starting in the Sharemarket 1.00 - 4.30

Wellington

Ph Martin 04 971-1500
Wednesday 20 July 2005
Starting in the Sharemarket 6.30 – 9.00 pm

Saturday 23 July 2005
Investing in Shares 9.00 – 12.00
Understanding Company Reports 1.00 - 4.30
Turnbull House, Bowen St (opp Beehive)

All Courses Limited to 22

Register online: www.nzshareholders.co.nz - click "Shareholder Education"

Register by mail : Complete form below

Questions? Phone numbers above or email nzsaeducation@invested.co.nz
or Graham 027 4767368 or 09-3767368

NZSA Investment Education Course Registration Form (Auckland and Wellington)

Bring an acquaintance to join NZSA and save!

Course Location _____

First Name/s Mr/Ms/Mrs/Dr _____ Last Name/s _____

Email (main contact method) _____

Phone _____

Postal Address _____

Course Name	Cost	NZSA Members	Number	Total \$
Investing (Auckland only) -----	\$65	\$55	-----	-----
Starting in the Sharemarket -----	\$65	\$55	-----	-----
Investing in Shares -----	\$65	\$55	-----	-----
Understanding Company Reports -----	\$75	\$65	-----	-----
Lunch -----	\$20	\$20	-----	-----
A \$15 discount applies when taking two courses -----				

Each course fee includes a course book and refreshments

Total \$: -----

Post Form with cheque made out to "IENZ" to
NZSA Investment Education, PO Box 90821 AMSC, Auckland 1030.

Cancellations and Refunds: Cancellations received in writing at PO Box above more than 7 days before course commencement will receive a full refund less administrative fee of \$25. Cancellations seven days or less before course commencement will not receive a refund but substitute attendee is welcome without an additional charge. Please advise of any name changes. Should the course be cancelled by the organisers or by any reason or any factor outside the control of the organisers the course cannot take place the amount of the registration fee will be refunded. The liability of the organizers will be limited to that refund and the organizers will not be liable for any other loss cost or expense, however caused incurred or arising.

LETTERS TO THE EDITOR

Email received from Neil Harvey of Gore

As a lone NZSA member in Gore I envy you guys in the larger centres for your contact with fellow investors to talk things over. However I have a cause which I think you should at least recognize is going to be common to many Kiwi shareholders.

I have been in the market for over thirty years, learnt a lot, lost more than my share in 1987 when I got too greedy and have fought my way back. Thanks to you guys I want to put something back for new investors. However, now major problems seem to be approaching about a capital gains tax on overseas investments. (Courtesy of the last budget but in the mix for several years) I have shares in

UK - Reuters(Since 1986), Glaxo(1993) Cadbury's (1996) and Pilkington (2 000)

USA - Macdonalds(2004) Coca Cola(1995) Microsoft(2002)

Australia - CBA(1994) Telstra (Since float) and AGL since 1998.

NZ-Telecom, FPA and WDT.

Now the government is going to tax my shares, on paper capital gains.

Needless to say small investors have the influence of a gnat on a dinosaur, especially in relation to government.

Retrospective taxing of shares would be totally immoral of the government(most governments especially this one are.....), hopefully a change of government might help.

A balanced portfolio is the goal of most investors. Most investors should have a bank stock, now with Westpac going back to only Australian basis where does that put Kiwi investors>Returns for investors would decline rapidly.,

As well, how much of a double standard it is when much of the Cullen fund is being invested overseas, simply because the rate of return is far greater in the wide world of commerce than in NZ..Imagine if the Cullen fund was invested totally in the NZ market.NZ markets growth has never been great- returns would be poorer and the weight of money going into the market would create a balloon/bubble impact.

What I ask is that as a member of the NZSA I would like the association to provide some basis to distribute information about the new overseas taxation changes and then help battle whatever government there is, to at least a fair and equitable system.Be a lobbyist for us small investors.

Our NZSA does a marvellous job, let's help those "thinking" investors battle the rapacious tax gatherers in Wellington.

Kind regards

Neil Harvey

Gore.

THE UNREALISED CAPITAL GAINS TAX

Following the Budget day announcement the promised discussion paper called *Taxation of Investment Income* is now available for comment until 30 September 2005. The paper has only just been released and I have not yet had an opportunity to read it but I can assure members that the Association intends making a submission. However this is also an opportunity for all members to take up their pens and have their say on this subject. This I suggest is absolutely necessary if government are to get a flavour for the feeling in the investment community. You can say things that we would not dare to mention!

Copies of the discussion paper can be found at www.taxpolicy.ird.govt.nz. It is downloadable in Microsoft Word or Adobe format and is 75 pages long. This is an important piece of proposed legislation and needs our careful attention.

Oliver Saint