

"The Script"

July 2003

The official newsletter of the New Zealand Shareholders' Association Incorporated

BRANCH AGMS

Auckland Branch Tuesday 29 July
Tauranga Branch Thursday 7 August
Wellington Branch Tuesday 5 August

Branch members have already received their Notice of Meeting, details of which are in the Branches Section of this Newsletter. Other NZSA members and visitors are welcome to attend.

TOWER - THE BAND PLAYS ON

The EGM was largely a waste of time, as the only item on the agenda was the removal of a share cap that went in September anyway. In the run up to the meeting the main game had been fully played out with GPG being deprived of their preferred option of a guaranteed 30% stake in Tower giving them control at a discount. All shareholders were now going to be given the opportunity to support the company, or be given the entitlement to sell that right on a pro rata basis, no favor to any shareholder over any other. This was a massive defeat for GPG and an equal victory for all other Tower shareholders and shareholders generally. The meeting itself was tense, clearly the board members that did attend did not enjoy being there and at the close of the meeting the Chairman couldn't wait to wing it back to Melbourne.

Following the meeting the board announced that they would proceed with a GPG underwritten rights issue rather than the First NZ capital underwritten issue that was on the table at the time of the meeting. Apparently it materialized in the hour gap

between the close of the meeting and Mr. O'Duill's flight back to Melbourne. Yet another not quite smells right occurrence. Since then much correspondence and threats of litigation. Despite Tower stating that the sub underwriter's would include major NZ shareholders, Hanover was excluded. From a small shareholders perspective we of course don't care too much who underwrites it so long as in the process they don't end up with control, but regardless the outcome is unfair to Hanover a Tower Shareholder.

On a brighter note the rights have actively traded in considerable volumes, suggesting that shareholders that can not or will not take up their rights are extracting value for them. This has been assisted to a considerable degree by the competition now evident between Hanover and GPG with both increasing their stakes.

This competition should ensure that someone pays a control premium, which is good for all shareholders.

Watch this space.

Bruce Sheppard

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DOUBLE STANDARDS

Last year the Association spent some considerable time and effort, not to mention money, in our fight to try to persuade the Chairman of Fletcher Challenge Limited Forests to abstain from using his discretion and voting the ADRs at the special meeting. As it happened, our efforts supported the strong views presented at the meeting by representatives of Guinness Peat Group (GPG). We now direct the attention of members to the summary of the GPG Annual General Meeting elsewhere in this newsletter. On the question of the issue of grants of options to directors the resolution was passed but following the meeting it was revealed that no less than 74.4 million proxies had voted against the resolution. The votes for the resolution came to 95.3 million but included 22 million discretionary votes that the Chairman chose to vote for the motion. Put in context, the total shares at balance date and before the 1:10 bonus issue exceeded 621 million 5p shares.

In our opinion there was a clear responsibility of the Chairman, in view of his conflict of interest, to advise the meeting before any discussion on this resolution that if it came to a casting vote he would be obliged to use his discretionary powers and vote against the motion. He did not do this. (It should be explained that the usual convention in cases where the Chairman is called to cast a deciding vote, is that the Chairman votes in favour of the status quo - which in this case would have meant a vote against the grant of any new rights).

In our letter to GPG of 10 May 2003 following

receipt of the 2002 Annual Report, which may be found on our website, you will see that we mentioned the lack of independent non-executive directors. You will also note the response by the Chairman to our letter and other matters dealing with corporate governance. Added to this is the response to questions from Mr Tizard on similar subjects at the AGM. We are now presented with a perfect example why all of the present Board cannot be considered independent and why the Remuneration Committee in its present form is a farce and why there should be a truly independent chairman for this company. Sir Ron Brierley has a conflict of interest (indeed any Board member exercising votes in relation to directors remuneration has such a conflict) and it is unfortunate that he does not recognise this fact. All the platitudes he may give cannot disguise the fact that he has utterly failed to look after the interests of **all** shareholders. That is what independence is meant to achieve!

Oliver Saint

Disclosure of interest:

The writer and his equity portfolio clients have been an enthusiastic supporters of the activities of Sir Ron Brierley through his involvement in Brierley Investments (now BIL), Industrial Equity, Industrial Equity Pacific and Guinness Peat Group; he has, up to now, recognised and accepted the lack of independence in the Board composition and it is a matter of regret that this complete confidence no longer exists.

AGMs

The object of this column is to advise members of meaningful comment that has not already been covered by the media. Do not assume full coverage, and we still expect members to read what has been reported in the press. However be aware that quite often newspaper comment is extracted directly from public relations material forwarded in advance by the company concerned and it is possible that no reporter will have attended the meeting.

Oliver Saint

CDL Hotels

The meeting was held at Quality Hotel, Logan Park on 13 May. The Chairman fielded several questions from your representatives with evasive answers. Asked to clarify the comment that '2003 started positively with good initial trading results,' the Chairman added nothing to the information previously disclosed. Responding to a query on the non-disclosure of director fees paid to main Board members

who were also directors of subsidiary companies, the Chairman advised he would read the Act but gave no firm commitment or undertaking that the position would change if the Act had been misinterpreted. The Chairman also gave no definite commitment that the Board would change its position on the performance of other services by the auditors that involved an element of audit self-review, such as taxation work.

Oliver Saint

Strathmore Group

The Special Meeting was held at City Life Hotel, Auckland on 30 May with little fanfare and no press coverage. The Board was so confident of the result that there was no back up arrangements for a poll.

The Interim Report had been circulated with the agenda for the meeting and the transaction under review dealt with \$3.8 million out of a total asset position of the Company at 31 January 2003 of \$4 million. The assets for sale were the investments of Soft Tech America Inc (shown as a current asset in the last Annual Report) and Global Online Systems Limited (shown as a non-current asset at the last Annual Report). The deal involved no exchange of cash, merely the cancellation of a debt of \$1.3 million with Elders Finance Limited.

Your representative summed up the proposed situation by pointing out that once the transaction was completed the Company would be insolvent and the directors would assume personal responsibility for the debts of the Company if they continued to trade since there would be at least \$2 million of losses crystallized making the Company insolvent.

The result of the voting showed that 4 voted for the resolution and 4 against. At this stage the Chairman decided to hold a poll. After an extended adjournment the Chairman announced that 94 million shares had been voted of which 5.7 million were against. The Chairman agreed to our request that the minutes would indicate that the motion had been lost on a show of hands and, in accordance with the constitution, the Chairman had demanded a poll.

Oliver Saint

Trans Tasman Properties

This would have been one of the most frustrating company AGM's in the portfolios of those shareholders who attended. The

meeting was held on 22 May in the Delightful Lady Lounge of the Alexandra Park Function Centre. Whilst the setting may possibly be described as delightful, shareholders were more concerned with extracting from the Board some positive indications of where the company was going in the years ahead. Undoubtedly at the end of the meeting there was deep dissatisfaction with director response to many shareholders. There remained no clear indication of corporate direction. One of the most disturbing replies was, in talking about results in the immediate future, the Chairman dwelt extensively on property development and referred to the Airport Business Centre. Risks involved in property development are considerably greater than for a property holding company and this possible change in emphasis was clearly worrying members.

The result of the election of the two retiring directors was widely reported in the media. However whilst 14% voted against the appointment of the directors it was more than a little disappointing to realize that holders of over 170 million out of an issued capital of 595 million shares had not taken the trouble to vote. This represents 28% of total capital and is a clear sign that the Association has much to do to encourage members to take a more active role in the governance of their company.

Guinness Peat Group

The GPG AGM on 17 June 2003 was a well attended but uneventful meeting. Shareholders were advised that the new GPG website was launched that day (www.gpgplc.com) and the meeting moved swiftly to the main business. The chairman fielded questions from the floor on a variety of matters including the issue of options to directors, location of the AGM, remuneration levels paid to directors relative to other companies and the purpose and cost of the new convertible loan notes.

The appropriate resolutions were passed on a show of hands and resolution 13 on a poll as required. Although when the Company Secretary announced the proxy counts at the end of the meeting it was interesting that there was such a substantial vote against the granting of options to directors that the discretionary votes would have been the deciding factor."

Kate Bird

Disclosure of interest: nil

“AFTERTHOUGHT”

Members may have seen the TV1 Morning Report programme on Monday 7 July where Bill Jamieson, one of our members, was interviewed on how shareholders may be better advised on their investments. In the time available (4 minutes) Bill gave a clear picture of the difficulties involved in understanding annual reports and made the point that most shareholders are unlikely to be in a position to ask meaningful questions (and may be reluctant to be “shot down in flames”) at the Annual General Meeting. This is very true but is not a reason not to go and I would urge all investors to attend Annual General Meetings as often as possible.

One of the major reasons for attending a meeting is to assess the competence and abilities of the directors who are representing your interests. If you feel uncomfortable asking questions let others do that for you. You should be able to assess the worth of the Board from the comments of those who

speak. If they do not speak, as is entirely possible, then do not be afraid to speak to the directors afterwards. Seek information politely as to the length of time they have been on the Board (this is not often revealed), their specific talents they can bring to Board deliberations and generally get a picture of what makes the person tick by listening to the views expressed and then making your own judgement. The appointment or re-appointment of a director is one of the most important events at an AGM and should not pass without the most careful consideration. For example if there has been little comment from the chairman and you are not apprehensive about speaking, it is entirely reasonable to ask through the chair if the director seeking re-election will address the meeting and tell members how value the Board will benefit from his or her presence.”

Oliver Saint

GIVING YOUR VOTE TO THE CHAIRMAN

In previous newsletters and discussions during seminars and meetings we have stressed the importance of behaving like a good owner and voting your shares. We know many of you do this and give the chairman of the company your voting instructions. If you have considered the agenda then you should mark the proxy form on the appropriate boxes in accordance with your wishes. Otherwise you are giving the chairman your discretionary vote.

In discussions with shareholders after some AGM's we have realised that some members are under the impression that once they have mailed their proxy to the Company they are unable to then go to the meeting and participate in the discussions and vote. **This is not the case. Any shareholder, even if a valid proxy has been mailed, may attend, ask questions and vote at a meeting.** It may be advisable for you to tell the Share Registrar on arrival that you are present and your proxy is now no longer valid. This will stop double counting and will allow the Registrar to amend the list of proxies.

WATCH THIS ONE

Still on the subject of proxies, we have come across one piece of quick thinking to which we draw your attention.

It is now mandatory in proxy forms to provide a space for the shareholder to include a proxy in the event that he/she is unable to attend personally. Boxes are also included against which ticks may be placed to indicate voting intentions.

You should be aware that the vote on the day will be made by **the first person named** as proxy. Therefore if you have nominated two proxies and both attend the meeting then the **first named proxy, if attending**, will have your voting instructions. This is important because proxy forms are usually prepared to allow you to nominate your proxy or, if you fail to nominate anybody, the chairman of the meeting is usually inserted so that your instructions can be carried out. However there are instances, happily very few, where the chairman of the meeting is nominated **before** the space available for you to name your proxy. You will now realise what is intended. **The first named proxy is the chairman of the meeting who will always have precedence.** This becomes critical where you have left the voting instructions blank. If you spot this situation cross out the chairman of the meeting, insert the name of your proxy and then, if you are directing your proxy, add ‘or the chairman of the meeting.’

MEMBERSHIP RECRUITMENT

There are a number of members who have not as yet renewed their subscription which was due in April, but our paid-up membership for this year is now over 440, including nearly 200 branch members in Auckland, Tauranga and Wellington.

At the Association's AGM in June, Chairman Bruce called for a target of 700 members by March 31 2004. One of the most effective ways of achieving this goal

is through our members recommending the Association to their friends and business acquaintances. To assist you with this we have enclosed two Application Forms with this Newsletter, and urge you to make every effort to assist in this way. There are Application Forms on our website if you need more, or you can contact me directly by phone or email.

Russell Hodge

BRANCHES

Auckland Branch

The Auckland Branch has had a relatively quiet period since the last Newsletter, but its membership has increased dramatically, now over 130. A group toured the South Auckland plant of Nuplex Group on 29 May, and were addressed by Managing Director John Hurst and his senior management team. We learned of the ubiquitous nature of resins, and of the contribution Nuplex makes to NZ's economy.

A good number of branch members attended the Association's AGM on 24 June.

The Branch AGM is on Tuesday of this week at the Horse & Trap, Mt Eden, starting at 7.30pm, and all members received the Notice of Meeting and Annual Report some two weeks ago. The new Committee will meet on 13 August to finalise details of further company visits and plan for the next Branch meeting in September, and for the rest of the year's programme.

Russell Hodge

Tauranga Branch

The branch committee held its pre-AGM meeting on Thursday 17 July when arrangements for the annual meeting were finalised.

The AGM will be held at the same venue as last year, Bureta Park Motor Inn, at 4pm on Thursday 7 August, with guest speakers Andrew von Dadelszen, a local sharebroker (and one of our members) and Russell Hodge representing the NZ Shareholders' Association Board.

Members have been encouraged to invite non members in the hope of increasing our

numbers. All committee members (save Allen Smith) have made themselves available for re-election and it appears likely at this stage that there will be at least one new candidate which is welcome as all committees benefit from regular refreshment. Allen Smith will be sorely missed as he has served most diligently as secretary/treasurer from inception.

Some time was devoted at Thursday's meeting to the current Tower issue, the concern being to assist novice shareholders, issued shares in the public issue and perhaps holding no other shares and unfamiliar with the process. It was decided to offer assistance through a newspaper advertisement emphasising that the rights have value and doing nothing is not an option-in short we are happy to provide directions so that rights can be realised, but recognising that it is no part of our function to advise beyond that.

Our regular monthly meetings have proceeded in May, June and July, generally scheduled a day or so after the monthly NZSA board meetings in Auckland so that members can be brought up to date with matters in which the board is involved. This has been particularly helpful in instances such as the Tower imbroglio when the situation is changing daily if not hourly.

Malcolm Dunphy

Wellington Branch

The month of June was the Wellington Branch's most active so far. A recruiting evening was held and everyone who attended was encouraged to join the

company visit to Infratil scheduled for the following week. The evening was kicked off with a sales pitch from our President Peter Nalder. Following on I gave a speech on "Superior Stock Selection for the Conservative Investor", which was well received. The evening concluded with wine and cheese refreshments and a general discussion of current investment issues. Overall the evening was very successful with over 40 people attending.

The Infratil company visit took place at Wellington Airport. Management gave a presentation covering the 2003 annual result and achievements. They also discussed issues regarding Infratil's key assets such as Wellington airport, Glasgow Prestwick airport, TrustPower, and Energy Developments. The visit was very positive, with management emphasising how the company's strategy has changed from investing in energy distribution and ports to investing in emerging airports and renewable energy.

Ray Jack

The Wellington Branch of the New Zealand Shareholders Association will be holding its AGM on Tuesday 5 August at 7.30pm, Upstairs Room, Johnsonville

Community Centre, Corner Frankmoore Avenue and Moorefield Road, Johnsonville.

The key purpose of the meeting is to elect the Wellington Branch Committee. The election will be followed with an address from the guest speaker Bruce Sheppard. The evening will be concluded with wine and cheese refreshments.

The following nominations have been received:

Chairman - Peter Nalder

Vice Chairman - Murray Cameron

Secretary - Ray Jack

Treasurer - Phil Kelliher

Officer 1 - Ashley Chan

Officer 2 - Jim Belich

Officer 3 - Mathew Underwood

Officer 4 - no nominations

If you would like to put forward a nomination please contact:

Peter Nalder (Chairman) - ph 04 478 5101

Ray Jack (Secretary) - ph 04 577 2623

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