

"The Script"

October 2001

The official newsletter of the New Zealand Shareholders' Association Incorporated

Up and Running

Over the last couple of months, the New Zealand Shareholders' Association has moved into second gear. The first three months were formative, insofar as procedures, systems and networks needed to be developed.

At a well-attended public meeting the Association's first branch was formed in Tauranga.

In addition, two major initiatives were conducted.

The first involved IT Capital, where considerable effort was put into collecting sufficient proxies to make a point to the Board of that company that change was necessary.

The second major issue was the initiation of a Shareholder Initiative with Air New Zealand to advance a Rights Issue to all shareholders. This was the catalyst for further involvement, albeit peripheral, in the game that ended up being played out.

Membership is now approaching 260, which is exceedingly pleasing. Oliver's Research team is becoming increasingly cohesive and focused, and the research and advocacy functions are operating well. More help is always needed.

Due to pressures of work, James Cornell resigned his position on the Board which was accepted with regret. James' input into the Association has been immense. He alone deserves full credit for the development of our website which, over time, will build its content into a useful reference point for both our members and the public.

If you have an interest in Communications and Membership, we need a person on the Executive Board to take up the excellent work commenced by James. We are also in need of a new Executive Board member to take responsibility for Branch coordination. With the successful roll out of the Bay of Plenty Branch, it is now imperative that branches are formed in Wellington, Auckland and Christchurch. If you feel you can help with either of these please contact Bruce or Chris.

Thank you one and all for your support.

Air New Zealand

Air New Zealand has been done to death, almost. The existing shareholding has been diluted by some 83%, and this is the cost of the Ansett transaction.

It would have been nice for shareholders to have been offered the opportunity to stump up the \$885m, prior to the Government being relied upon. It transpires that the Board attempted to encourage the Government to underwrite a Rights Issue, which would have given shareholders that opportunity. However the Government preferred to stump up the money and take a significant ownership stake.

Most of the Board members responsible for the Ansett debacle are now gone, the CEO is gone, the major shareholders are gone and the newest State owned enterprise is likely to be created.

During this process, quality information has not been available to shareholders and, to date, there is still precious little information available to the market to enable existing shareholders to price the risk of retaining

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their existing Air New Zealand shares or, for that matter, acquiring more. Obviously, in the real world, confidential information that is commercially sensitive has to be managed and it is unfortunate that the New Zealand Stock Exchange allowed Air New Zealand shares to continue trading during this hiatus.

To the extent that live issues remain with Air New Zealand and the handling of the sordid affair, it is now an issue with the Stock Exchange that allowed erratic trading to continue in the absence of useful information, and with the Government that fed that information chain at various times and deprived the company's shareholders of the right to support their company at first instance.

It is a testament to the tenacity of Jim Farmer that the existing shareholders have anything left at all. Brierley Investments and its appointed directors have yet again presided over another record beating commercial disaster. Enough said!

Nuplex Industries

Nuplex is another company that seems to have come to grief with the process of due diligence. Briefly, Nuplex acquired Medihold International 3 Pty Limited, a specialist waste operator, in January 2001. Since acquisition this company has experienced cost overruns resulting in losses. After the Nuplex balance date of 30 June it was also found that the company has lost a major contract. This resulted in the Board writing off \$11.9 million of the \$21 million goodwill paid for this company. The AGM of Nuplex Industries will be held at the Eilerslie Convention Centre, Auckland on 2 November 2001 at 11.00am. We welcome the support of any Nuplex shareholder able to attend this meeting.

Natural Gas Corporation Holdings Limited

Surely a safe utility investment but we have all now heard of the power problems in California. Shareholders of the Company have told us how disgusted they were that the losses incurred in the year to 30 June 2001 were largely put down to the 'unprecedented behaviour of the wholesale electricity market.' This infers

that government was largely responsible for the misfortune. This is by no means the full story.

We are writing to the Company to obtain a clearer picture of their corporate procedures so check out our website next week. Any members who are also shareholders of this company are reminded that the AGM is being held in the Wellington Town Hall at 2.30 PM on Tuesday 30 October 2001.

It is interesting to see that the prospectus that was issued states that hedging limits the potential losses and then what happens - they do not hedge and as a result incur a substantial loss.

IT Capital Limited

In our last newsletter we solicited proxies for the AGM of IT Capital Limited held on 31 August 2001. We also arranged for written communication to be sent to about 400 shareholders whose holdings exceeded 25,000 shares. This compares with a total shareholder base of around 4,500. As a result of these initiatives we were advised before the meeting that valid proxies for over 16.5 million shares were obtained. The final proxy count may have been slightly more as we challenged some deletions from our proxy list. In terms of number of shareholders the proxies we received were close to 200 which was an excellent response.

The result of the voting was, for the re-election of Don Caldwell, - 35,293,364 in favour and 26,685,242 against. We were advised that those on the floor of the meeting held just over 10 million shares. Thus there were a significant number of shareholders who agreed with our arguments.

The resolution seeking the issue of 100 million shares at the discretion of the directors, although passed relatively easily, was strongly criticised. The view of the meeting was that with the current share price below 10 cents, the Board would be unwise to issue further shares and this aspect would be keenly scrutinised at the next AGM.

Since the meeting the Philadelphia based CEO, Jeff Dittus, has resigned from the company.