"The Script"

August 2005

The official newsletter of the New Zealand Shareholders' Association Incorporated

BEWARE LABELS, BUT FOLLOW THE NAMES.

Director conduct came into focus in the Vertex saga, recently concluded. Vertex was a sharemarket listed plastics company. Board machinations highlighted both the role and performance of directors and some performed badly.

George Gould, Canterbury rainmaker, rich list member and strategic shareholder in Vertex sells his stake to fellow Canterbury rainmaker, Masthead, the investment vehicle of the Stewart family, of PDL(a listed plastics company previously sold to French interests) fame. Masthead also owns a stake in Alto Plastics a Vertex competitor. George is alleged to have promised Masthead significant board representation. An Independent Director of Vertex, Sandy Maier, thought that the Masthead nominees Mark Stewart and sidekick would have difficulty acting as Vertex directors as they also sat on the Alto board. George also advised that Independent Director Humphrey Rolleston would be resigning, and that a new independent director Warren Bell should be appointed. Sandy resisted these appointments. Warren's firm Deloittes were auditors of Alto and he had sat on the PDL board with Mark. George advised that he was no longer a shareholder in Vertex, having sold out minutes before, and accordingly he and his team were independent and could vote on the resolution to appoint the proposed new directors. On a three/two basis the Stewart Clan and Warren were appointed. George uses his casting vote as chairman. George and team then resigned, leaving Sandy and Paddy Boyle, the CEO of Vertex, to manage the mess.

Mark and team insisted on full disclosure of all information relating to Vertex operations, which is their right as directors, including pricing information, which relates directly to Vertex quoting in competition to Alto. Sandy and Paddy object. Warren sits on the fence. Mark through a consistent pattern of behaviour obstructs Vertex capital expenditure and advises Sandy that until the Board considers the acquisition of Alto, he will continue this course of action. Warren sides with Mark.

The board ceases to function and Paddy and Sandy go to court to have all other directors removed, citing appointment irregularities among other things. They might have achieved the same outcome with an EGM. A quick assessment gave this alternative the thumbs down. Masthead 19.9%, a supportive major shareholder and management with between them 10% on the other side, and Accident Compensation and their fund manager Steve Montgomery with around 6%. ACC would be critical. Steve Montgomery is a fellow Canterbury rainmaker with George, Warren and Humphrey and Mark.

In December, a compromise was reached and the court appointed an additional Independent Director and chairman. Enter Tony Frankham, with fees at $400 per hour on time spent rather than set fees as for the other directors.

Sandy and Paddy are relieved. They ask Tony to approve the reimbursement of their legal costs. By end of play $300,000 was

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owed to Simpson Grierson. To get these paid now required Tony's approval. For whatever reason Tony withheld that approval by various means.

Warren, by now a worried man, will only talk to Tony with his lawyers present. (Presumably at Vertex's cost).
Tony's first suggestion to break the deadlock was to stay the litigation, and consider the acquisition of Alto, i.e. exactly what Masthead wanted. Sandy and Paddy are now alienated from Tony and perceive him to be less than independent. Still their costs go unpaid.

In February 2005, after considerable analysis, which is Tony's reputation whether on $400 per hour or on set fees, he deduces that there are only now three alternatives. Masthead makes a takeover bid, Masthead sells, or Masthead's directors resign and they appoint one director who is not on Alto's board as their representative. Seems like common sense.

Masthead then decides to buy and progressively the price rises to $2.09, still below the Grant Samuel independent valuation. Masthead succeeds and all shareholders are bought out. Warren remains on as a director of the privatised Vertex, and the rest go. Paddy loses his job, and the potential action against George by Vertex arising out of the appointment irregularities ceases, as Masthead has no appetite to continue. Alto and Vertex merge.

Shareholders are often confused by the labels attached to directors, and are encouraged to take comfort from the existence of Independent Directors on company boards.

Directors are labelled "Executive", "Non Executive", and "Independent". At law, all directors have equal rights and responsibilities. "Rights" are frequently abused and the liability that goes with such abuse is almost impossible to enforce. The Vertex saga underlines this simple reality.

Executive Directors are directors who work for the company in an executive role. Non Executive Directors are the rest. Some Non Executive Directors are also independent. To be independent the presumption is that these directors are free from conflicts of interest real or perceived, and are supposedly the protectors of the company from excesses perpetrated by Non Independent Directors.

Regulators believe that Independent Directors represent some greater good in that they will discharge the common duties of a director more effectively. NZX has mandated that listed companies must have a quota of Independent Directors; motivated by the laudable but unproven hypothesis that this will improve corporate governance and deliver greater shareholder value.

Sir Ron Brierley rightly points out that independence is a state of mind and has nothing to do with labels or rules that attempt to define what is and is not independent.

Major shareholders like George and Mark are in effect your partners, except that you get no real say in the partnership, you just have to trust them. If you had to pick such a partner, would you choose George, Mark or neither?

If you needed an independent director to protect you from people like George and Mark, would you choose, Sandy, Tony, Warren, Humphrey, or George (momentarily independent)?

Independent directors require courage, tenacity, care, diligence, and a desire to protect those who are not at the table to protect themselves. Such people gain their reputations by what they do, and it is this, not the labels that are attached to them that will afford you protection and comfort.
Bruce Sheppard

PERCEPTION

My dictionary provides the following meaning for perception:

The act or the effect of perceiving. The insight or intuition gained by perceiving.

How often do we admire people who are so single-minded in purpose that they always seem to achieve their goals? It is true of many aspects of life as well as sport where the objective always seems to be so clear and unwavering. In business, life is not always quite so simple. Too many legislative changes make life a darker shade of grey. For example, it has been estimated that in Australia the Federal government now passes 350 pages of new laws every week. Half of all legislation passed by the Australian government since Federation has occurred in the past 14 years. Is it little wonder therefore that much of corporate action is subject to doubt; that business transactions always seem hesitant and unclear? Or that Boards are now prone to the view that saying nothing is the only option that offers safety. As you will have noted from the proceedings at the NZX Annual Meeting in the last newsletter the chairman responded to every question with a negative attitude that added nothing to knowledge about the Exchange except perhaps that it was too ready to answer questions with comments that were, in essence, evasions. A perception, I am sure, that was never intended. Is this what we can now expect from chairmen? Let me give you another example. The write up of the general meeting of Capital Properties is given elsewhere in this newsletter. Our letter to the chairman of that company, which is on our website, should be read in tandem with the annual report and meeting because from my interpretation of what was contained in the annual report I came to the conclusion that there was a strong perception that Kiwi Income Properties had more than a hand in the appointment of the new Chairman. But please, read the documents and make up your own minds. It is the perception that is so important. I venture to suggest that with the eventual introduction of International Financial Reporting Standards (IFRS) in a year or so the new chairman, Tony Frankham will, on a present reading of the IFRS, be deemed to be related to Kiwi Income Properties. Hardly the result intended by either Kiwi or AMP, the other major shareholder. Another example of perception that I am in the process of completing a submission for, is what persuaded the Hon Michael Cullen to produce the discussion paper titled ‘Taxation of investment income’. A financial horror story that is not bedside reading! Finally, the Chartered Accountant Annual Environmental Awards have received a customary write up in the CA Journal ever since the awards were first introduced. In all these articles the names of the judges have appeared. Not this year – why not?

Perception is in the mind of the reader. Unfortunately in this day and age, there is too little time to sit back and consider what the reader will think of things when a work is released. I too am prone to this habit, we all are, it is the computer age. David Lange’s now famous remark - it is time for a cup of tea – is a habit worth cultivating.
Oliver Saint

AGM

The Waikato Branch are hosting the AGM of the Association this year.
It will be held on Friday 26 August 2005 at Mellow Manor, 6km south of Hamilton on State Highway 1. Your support will be appreciated and a bus from Auckland has been arranged and there are still seats available. (Contact Roy Turnbull 909 631 5071 for information and to book).

FOR MEMBERS ONLY

Please be aware that the newsletters of the UK Shareholders’ Association and Australian Shareholders’ Association are available to all those who have Internet connections on request by contacting Oliver Saint – 09 445 1876 or judenol@ihug.co.nz

ANNUAL GENERAL MEETINGS

Capital Properties

"I am going because it was made clear to me by Kiwi Income Property Trust that they would not support my re-election." There was an audible gasp of surprise from the shareholders at the annual general meeting in Wellington on 15 July 2005, when Colin Beyer, who had previously announced that he would not be seeking re-election as a director, revealed this in response to a question from a shareholder.

According to the Dominion Post the following day, "Kiwi Income Properties has claimed its first scalp at Wellington-based Capital Properties." The paper reported that outside the meeting, Colin Beyer told the newspaper that Kiwi Income Properties, which now has a 19.9% shareholding, had not given him reasons for its lack of support.

Richard Didsbury, a director of Kiwi Income Properties Ltd, and Murray Gribben, a director of AMP's Property Opportunity Fund (which has a 10% shareholding on the latest figures available), were each overwhelmingly elected as a director of Capital Properties on a poll, after having been rejected by the shareholders present at the meeting on a show of hands.

Tony Frankham and James Ogden were elected on shows of hands after demonstrating their independence and ability. Tony Frankham will be chairman. Tim Saunders did not seek re-election for private reasons.

The result is that of the six directors on the board (Frankham, Cashin, Coote, Ogden Didsbury and Gribben), two have close connections with competitors of Capital Properties. Although all directors have been reminded that their primary duty is to Capital Properties, it is difficult to see that the connections of these directors will be content to be ignorant of what is happening at Capital Properties.

Didsbury and Gribben were described as being "independent" directors. But what is the meaning of "independence"? Does it mean only that the director is not an executive of the company, or does it also mean that a director should not have any competing interests or loyalties. There is a strong argument that in such circumstances, the voting rights of competing interests should not be able to be counted.

One consequence of these changes is that the new chairman, Tony Frankham, will be based in Auckland, rather than in Wellington where 60% of Capital Properties' portfolio is held and where large developments are taking place. The previous chairman only needed to walk down the road to see what was going on.

The shareholders also voted, on a show of hands, in favour of an amendment to the constitution requiring any disposition of the management rights to be approved by an ordinary resolution of shareholders. While this has all the appearance of a democratic procedure, in practical terms it means that this is another area of the company's business which has been surrendered into the hands of Kiwi Income Properties. At board level, Colin Beyer had opposed this resolution.

The overall conclusion is that a 19.9% shareholding has put Kiwi Income Properties in a powerful position in regard to Capital Properties which it has already exercised by getting rid of the previous chairman.

No one asked whether Capital Properties had any intentions of acquiring shareholdings in Kiwi Income and AMP's Property Fund.
Geoff Fuller

Gullivers Travel Group

When introducing the directors to shareholders each director individually stood in acknowledgement to shareholders. This is a politeness seldom seen at the top table; the perfunctory nod being all that some directors deign to tender shareholders. It was heartening to note this courtesy and was in direct contrast to a recent meeting, which Board should have known better.

During his address the chairman indicated profits for the first quarter of the current year were, 'pleasing'. When this comment is placed in the context of advice from the managing director that on present trading the 2006 forecast made at the time of the issue of the prospectus would be met, shareholders will have been satisfied. The chairman advised that there were three written questions sent in by shareholders. A query as to why the share price has fallen and did the company cash in on the Lions tour were covered by the chairman advising that yes they did take advantage of the Lions tour although it should be appreciated that group operations are more outbound than inbound. The second question covered the setting up of a dividend reinvestment option and the chairman advised that this matter was under consideration. Finally a query as to whether shareholders would receive special benefits, to which the response was that this was of benefit to the few who could afford the gesture. However the Company brands offer advance notice of specials to their customers and if shareholders would like to be advised of such offers they could provide their contact details. The UBS representative queried the substantial cash resources and the chairman indicated that strategic thinking played a significant part and it was useful to have cash for acquisitions. I wonder perhaps if this is not also a deliberate policy to maintain a positive working capital until the company accumulates reserves over time and the net current assets position can be allowed to drop. Even now the working capital is small ($700,000) compared with total current assets of $43.5 million.

The opportunity to meet the Board and Management was useful and the Company had certainly been successful in trying to focus the meeting on the right policies. Whilst the addresses were perhaps overly long the lack of slide shows or other marketing devices was pleasing and the willingness of the chairman to respond to written questions was in contrast to a recent meeting where shareholders were asked to send in questions with no comment that any had been received on the day of the meeting. In summary, a good start to communications with shareholders.
Oliver Saint

Infratil Group
This was held at the Tamaki Yacht club on 8 August 2005, a great place for shareholders living in Remuera but quite hard to get to for some. Expectation of shareholder numbers was seriously under-estimated and for about a dozen members it was standing room only. However this is only the third annual meeting held in Auckland, the two previous attendances had been 100 and 50 respectively. In this instance the decline in numbers attending was reversed. I was keen to see how David Newman conducted his first meeting as chairman of the company and it was clear that he had an excellent grasp of the group and did not need any prompting on some quite curly questions, despite some worried looks from Lloyd Morrison. It was again a real delight to hear Lloyd Morrison addressing shareholders and giving his unscripted vision for the group. Shareholders can be thankful that while he is in control the management fee is a cost well spent. There was considerable comment on the special business item seeking renewal of the buyback arrangements. Many shareholders were concerned that they would be forced to sell their shares but received the message that this certainly was not the case. Lloyd Morrison was rather brave in advising that in the 11 years since the company was listed it had recorded a 20% compound growth rate on after tax profits. This comment, whilst it may have been true, must have created some contradiction in the minds of many shareholders when they queried the dividend rate which certainly did not keep pace with a 20% compound growth rate. The trouble with Lloyd's comment was, as the chairman pointed out, the group is in the investment business and performance should be judged on net equity. Having taken this into account the risk element must then be considered (there was little or no debt for the first three years of operation). Then it is possible to assess the quality of the earnings and return. Probably what is required is a recast trend statement showing clearly what the growth in equity and dividend has been in the last decade. The chairman made it clear that the dividend policy was to pay dividends only to the extent that these could be fully imputed. This policy has been in operation for some time.

Comment: In essence, if shareholders want dividend growth this company is not for them. On the other hand, if they are in for the long haul to grow their investment then there are very few investment companies anywhere in the world whose share price is at such a premium to net assets.
Oliver Saint

Mainfreight
Two major questions were raised at the meeting. Bryan Pippen showed the percentage of previous dividend in relation to after tax profits and sought comment from the chairman on the possibility of increases in the current year. The chairman was not drawn beyond the previous statement in his address to shareholders that there are significant growth opportunities in the near future involving further capital expenditure and the level of interest bearing debt must be reduced. On reflection after the meeting it does seem that with the company earning in excess of 20% on capital employed most shareholders would be delighted to retain their funds with the company if progress continues at this rate. The other query related to the write off of $1 million for bad debts. The chairman responded to this question by suggesting that with over $850 million in turnover the loss in terms of sales percentage was not unrealistic.

The chairman also advised shareholders that the Board had deliberated long and hard before accepting the autopilot provisions in the new constitution. The consensus was that the company would be disadvantaged if they did not accept the changes. Ms Coralie van Camp, NZSA's former Auckland Branch chair, asked that her vote be recorded against the motion as she believed that the NZX had got this provision totally wrong. Your representative was constrained from speaking and voting against the constitutional changes because his proxy had already intimated a 'for' vote on this item.

Ms van Camp also suggested that the constitutional change allowing related party transactions of less than $250,000 before shareholder approval was too high and asked the chairman if he would ensure that shareholders were notified before proceeding. The chairman declined to give this undertaking.
Oliver Saint

THE ASA 2005 CONFERENCE

I attended the above conference as a representative of our Association.

The sessions began on the morning of 12 July and the final curtain fell following a panel discussion on the morning of Thursday 14 July. The format of the gathering was to have two keynote speakers in the morning followed by a breakout session and then two keynote speakers in the afternoon sandwiched between a breakout session. The breakout sessions covered three topics by different speakers, Education, Company Insights and Ask the Experts. The timetable worked well and the pace set meant that the breaks for nourishment and chat were few in between sessions. All the speakers were well qualified even though there were some that were clearly taking the opportunity to heavily market their product. I was struck by the similarities between the problems encountered in the Australian investment scene with our own, particularly in the corporate governance area. There was perhaps a higher degree of taxation consideration apparent across the Tasman but this is always the case when a capital gains tax encroaches on the investment decision. Short term considerations have done much to inhibit investment decision making and a capital gains tax always encourages the artificial adjustment of portfolios just prior to tax year end. We will certainly be experiencing a similar situation in New Zealand if ever the Hon Michael Cullen's unrealised capital gains tax becomes law.

No doubt you will want to know the highlight of the two and a half days. This, naturally, is an entirely subjective opinion but the speaker that had me riveted was Trevor Sykes. Anybody who has ever read the Australian Financial Review will have been in awe at the qualities that the Pierpont column creates in journalistic wizardry. The topic of Trevor's address was 'Fraud and Company Collapses' and he brought back memories of Rothwells, Westmex, Ansett, GIO, One Tel, HIH, FAI and a host of others some of which I had long since forgotten. He did in fact give us pointers and emphasised that the seeds of greed and poor morals are set in good times and not bad ones. Sykes had done some solid research before his address and it was instructive to see his analysis of past collapses. The causes of 85 failures that he analysed were tabulated as follows:

Bad Management	38
Fraud	30
Panic	13
Bad luck	3
Other	1

The Panic heading covered in the main the land bank collapses in Victoria in 1893. Sykes was quick to point out that the headings could be further divided. For example, apart from the 30 collapses that were primarily attributable to fraud, in a further 20, fraud was a contributing but not primary factor and in another 25 a minor factor in the collapse. Thus it will be seen that in almost every case fraud played a part in the downfall of companies.

On the research side there were two interesting participants. One keynote speaker was Michael Blomfield, General Manager of CommSec. CommSec (Commonwealth Securities Limited) is a subsidiary of the Commonwealth Bank of Australia and provides a wide range of stockbroking facilites for its clients. The market commentaries and research tools are exceptionally good and are probably not surpassed in the Australian market; they are available to anyone prepared to take the time to open an account.

The other speaker who featured in one of the breakout session was Dr Patrick Caragata, the CEO of Rapid Ratings. Our organisation has had talks with representatives of the New Zealand operations in the last year or so and it was interesting to see that the Rapid Ratings exhibition tent was well attended during interval sessions.

In the breakout sessions I decided to attend the addresses given by the CEO of the Australian Stock Exchange and the General Manager of the Newcastle Stock Exchange. The latter organisation had quite recently acquired the Bendigo Stock Exchange and now includes 38 listed companies; the one that will be familiar to New Zealand investors is Brumbies the bakery group. At both the

Stock Exchange talks, the question of conflict of interest was raised between rule making and enforcement and the overview by the ASIC. It seems that the conflict as to how to manage these important disciplines is not confined solely to the NZX. Mr D'Aloisio the CEO of ASX preached the same message that he gave to the 2005 Company Directors conference in Perth a couple of months ago in that ASX would not be unhappy to shed its regulatory role.

Howard Zingel, a Tauranga Branch member who attended the conference, advised that Bruce Teele, chairman of Australian Foundation Investment Company in an address headed 'Sensible Sharemarket Investing, provided guidelines for his topic. They were:

1 Be aware who is on the Board.
2 Deliberate on what is the value of the business.
3 Look at cash burn – can the company last through the business cycle?
4 What does history say?
5 What is happening in the market? Look at economic factors and investor expectations.

The final session consisted of a panel discussion at which each speaker was given 10 or so minutes to address the audience on corporate governance. The panel comprised – Susan Bray, Australian Stock Exchange; Ralph Evans, Australian Institute of Company Directors; Stephen Matthews, Chairman Australian Shareholders' Association and the moderator for the session, Michael West, Business Journalist of The Australian. The questions from the floor were of good quality and the session was beginning to warm up when a chartered accountant stood up and accused his profession of being responsible for much of the poor management by lax auditing work. Unfortunately time had run out at a very interesting moment and the session closed.

In summary it was an excellent first conference. I had several registrants approach me with the suggestion that New Zealand should put on a conference of this sort, but that is for another day.
Oliver Saint

BRANCHES

Auckland Branch

NORTH SHORE VISITS
On 2ND August, a trip was organised to two smaller companies on the North Shore. Numbers were limited and due to demand there were members on the waiting lists that were unfortunately unable to attend. More and more members are seeing the benefits a visit provides in understanding companies and helping assess management. In the middle of the day, lunch was held in an adjacent cafe and this was a most convivial part of the programme.

Wellington Drive Technologies Ltd
This company produces small electric motors of the type that are applicable to many home appliances, air conditioning, pumps etc. The world market for small motors is large with 1 billion being produced annually but the margins are low. The motors that Wellington produces are electronically commutated and the product uses less steel and copper, is simpler to produce than the conventional motor. They have the advantage of energy efficiency, low noise and the possibility of total integration so that the motor and electronics can lie within the appliance.

Most electronic motors are expensive compared with conventional models. However, the Wellington product has a cost advantage in the electronic motor market. They collaborate with large established companies who put the product into their appliances. There is an extended time line involved in the incorporation of motors into new products . However once the negotiation and development phases are completed the production runs may last for 5 to 10 years. The customers using the products are in Europe, USA and Australia, but their biggest market is Europe.

Chief Executive Dr Ross Green gave a well-illustrated talk and then we toured the factory. Although the product is mainly made on contract in several Asian locations there was some fabrication on site for us to see. Engineers on site are developing new products for the firm.

This is an interesting company with a good product and a potential share of a vast market. However the company has not shown a profit and has not met its 05 forecast. There is however a large intellectual capital and the innovations that they have introduced are as well protected as possible from rip-off

Solution Dynamics Ltd

After lunch we were personally and warmly welcomed to the impressive site for Solution Dynamics Ltd. This company contains four business units that were previously separate companies. These are Complete Data Services , which manages documents for organisations, Complete Print, which are print brokers, Comit, which provides a full outsourcing of transactional, and direct mail processing , and Dejar, which offers firms a digital archive system.

Solution Dynamics is on the NZAX board and the transition from four private companies has added new imperatives and some problems. However, CEO Rob Ford believes that the disciplines associated with the change have resulted in a stronger company. Initially profit forecasts were not met but it is anticipated that there will be a significant improvement

The company has some large customers including Lion Nathan, Telstra Clear, American Express, Waste Management , Taxi Charge, Computershare and a large bank from the Czech Republic. .

Frank and direct responses were given to the Pros and Cons about the company raised by NZSA Auckland members at the last Auckland meeting. These issues had been sent to the company prior to the meeting. Following discussion we went to see the factory and IT areas and mail handling and assembly areas. The work of the company was appreciated as they had recently handled the insertions, addressing and wrapping of the large mail out of the Vector prospectus.

There was generous hospitality provided. The visit proved to be most informative and interesting. Those attending will watch the company's progress with interest.

Bryan Trenwith

Awards

Have your say in the NZSA awards programme. Who do you think deserves the Golden Glob?

Ron Brierley and Phil Pryke have in the past been cited for cavalier disregard of shareholder interest. On the other hand the excellence in their endeavours have earned Ralph Waters of FBU and Kevin O'Connor of Infratil " the Beacon" award.

Your choice for 2005? Email howardz@xtra.co.nz or write to Awards P O Box 2003 Tauranga for a nomination form. Any two NZSA members or any Branch are eligible to make a nomination. All nominations are confidential and while the award is contestable and will be judged in good faith; for legal reasons the final decision will rest solely with the national executive committee.

The Awards Committee comprises:- Ritchie Mein ph (03) 332 0052; Joe Turnbull (09) 631 5071 and Howard Zingel (07) 552 5320.

Bay of Plenty Branch:

The 28th July was a big day for the Branch. In the morning a company visit to Ballance Agri-Nutrients Co-op Ltd;one of the two largest national fertilizer manufacturers. Top management gave members and guests an insight into the operations of this quality business that earns operating profits approaching $50 million pa. After a delicious lunch we hurried across the harbour to set up a NZSA information stand at the Trust Power AGM. Enquiry was a little reserved but being able to fly the colours was a first for us and we hope to make this a regular feature at all Bay of Plenty company AGMs. Pre-alerted questions on conflict of interest and auditors' other charges were adequately handled by Harold Titter, who is undoubtedly one of the best chairmen in New Zealand, albeit that he must now be approaching his final term as a director. It was obvious that he and most other Trust Power people were enjoying themselves running this extremely lucrative business Twelve years ago when Trust Power was floated, Infratil was contracted as a cornerstone investor; it was understood that they would support the share price by buying in the market if the then consumers dumped their give away shares. The shares initially traded round about $1.20 . Shareholders were informed that Infratil were unable to buy a significant holding at a reasonable price so were sold several million shares at $1.00 each. The implication that I drew from this was that at about $1.20 the shares were fully priced. Since then there have been a few capital reconstructions [mostly splits] but the short answer is that in the twelve years the share price has gone up more than ten times and there have been generous dividends along the way It has been a run away winner! There is a lesson in all of this - make your own judgments and adapt to change.

The Branch held its AGM on the 19th August. The heavily subsidised lunch ensured that there was a good muster of members to hear Peter Jensen one of our leading local entrepreneurs. Pleasingly, Allen Smith has returned to the committee, otherwise officers are now getting the old guard feel and we will, soon, really need new blood.

Howard Zingel

Mooring Systems Ltd

The AGM was held in the Tower Room of the Chateau on the Park in Christchurch at 1pm on Thursday, 4th August and attended by about 60 shareholders.

Suckers; really big suckers: Mooring Systems Limited is an engineering company developing big suction systems to secure ships to wharves (***www.moormaster.com***). Their AGM was addressed by its Chairman, Mr Michael Cashin, and its CEO, Peter Montgomery, who gave an update to shareholders on progress since the Annual Report which had presented rather disappointing financial results with a slower take-up of their systems than the previous year with a trading loss of $1.166m. for the year to 31st March 2005. A more positive outlook was presented for the future referring to the recently announced sale to Toll Holdings and predicting a financial surplus in the current half year and some twenty serious enquiries in prospect. The company is still looking for the major "breakthrough" into the world market and hopes the trials of the MoorMaster 800 in Dover and of their MoorMaster 400 system being installed in Salalah (Oman) will generate the positive results and impetus for future sales. In response to questions Peter Montgomery explained that the Salalah installations presented a serious challenge as the port was subject to ocean "long waves" which make conventional rope moorings difficult and present particularly hazardous conditions loading container ships. Results from these trials are expected in September and, if successful, could open up opportunities for installations in ports with similar "long wave" characteristics. This could provide the breakthrough into sustained profitability the company and its shareholders have been waiting for. Let us hope that the big suckers will be installed on those ocean going ships and not refer to its shareholders !

Robin Harrison
Committee member Canterbury Branch

Christchurch branch organised a tour to Skellerup Industries Limited on the 12th July. Despite this being a week day approximately twenty people attended. It proved to be an eye opener for us all. The range and extent of Skellerup's operation here is impressive and we were given a comprehensive tour of the factory from the mixing of the raw ingredients through to the final products. Skellerup is of course a significant manufacturer of products for the dairy industry including inflations (used on milking machines) hosing, calf teats etc. A large percentage of this product is exported to the US, Europe and Australia. We learnt that the cows in the US have softer rubber inflation cups than their NZ sisters, the notion being that a comfortable cow is a happy cow and thus, more productive! Are our dairy farmers missing something here?

The other major customer of Skellerup is the mining industry, particularly in Australia. Specialised matting for conveyors and large rubber blocks for crushing ore in the ball mills are made here. The gumboots are made in China!

The staff at Skellerup Industries are justifiably very proud of their quality control which, on a world scale, compares very favourably with their competitors. This is partly attributable to the fact that everything is done in-house but it also reflects the commitment of their staff to strive to keep ahead and to make Skellerup a leader in their field.

To conclude, Mr Mike McKessar, the Chief Operating Officer, gave us a very good run down on the company, and gave us every indication that the future for Skellerups, while it has its challenges, looks very positive indeed.

All came away feeling greatly more informed and proud of the performance of this Canterbury company with its family legacy.

Barbara Duff
Committee member Canterbury Branch
8th August 2005

WAIKATO BRANCH

NEWS for: May – June – July - August 2005

The secretary was overseas in June and July and apologises for the 'No Report' entry for the June edition of ***The Script***.

On 19th April a group of members, plus some members of the Bay of Plenty branch, attended an evening at the Innovation Park in the grounds of the Ruakura Research Institute. We were welcomed by the CEO Derek Fairweather who explained the development of the Park and, through his enthusiasm, we recognised the asset value of the Park to the Waikato business world. The place was undoubtedly a melting pot for ideas and support for embryonic businesses.

The Park had strong connections with research occurring in the Waikato University and the Ruakura Research Institute. We were told that there were ***angels*** – those people prepared to make financial support to developing companies- and who also had managerial experience to offer to the company – in the Waikato. There was always room for more angels.

On 25th May, a meeting was held in Hamilton on the topic 'Demise of a partner'. This meeting was well attended with spouses of members being present. A lawyer, an accountant and a member of the Guardian Trust each gave short addresses and then questions were considered and (anonymous) case histories discussed. The meeting topic was a necessary consideration for all of us, sooner or later, and was well appreciated by those who attended.

An attempt to arrange a visit to the Seeka company has yet to be finalised.

The main preoccupation for the committee in the last two months has been the staging of the national AGM of the NZSA. The Waikato branch was pleased to be asked to host the AGM, giving the branch an opportunity to publicise its activities with the intention of gaining membership.

At present we have 61 subscribing memberships and fourteen of those are husband and wife/partner memberships – we are growing.

By now everyone will be aware of the programme – all members of the NZSA will have received a notice of the AGM and a programme of the day's events. We shall be delighted to see members from the Auckland and Bay of Plenty branches, and we are hopeful that some members from the Wellington and Christchurch branches might be able to make the journey.

At the committee meeting of the Waikato branch, held in May, two remits were discussed relating to the rules of the New Zealand Shareholders' Association. These remits have been forwarded to the national office and will be debated at the national AGM.

We are looking forward to meeting members from other branches of the NZSA on August 26th.

Do not forget the free lunch. It does exist!

Alex Eames

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