"The Script"

October 2005

The official newsletter of the New Zealand Shareholders' Association Incorporated

Branches

Waikato

National AGM of the NZSA

The committee of the Waikato Branch of NZSA were delighted by the response from members of the Association to their staging of the national AGM of the New Zealand Shareholders' Association. More than forty members travelled from the Auckland Branch and about twenty from the Bay of Plenty Branch. Thank you to those members for their attendance. Ritchie Mein, the chairman of the recently formed Canterbury Branch, made the journey north. We were delighted to see him and thank him for his attendance. He was pleased to be present.

The local members also turned out in force. The staging of the event in the Waikato proved to be beneficial in recruitment. Seven new members were signed up plus another seven who are showing strong interest. The Branch would like to thank the Board of NZSA for their confidence in giving us the opportunity to host the AGM and for their support in promoting and organising the event.

The morning session involved Simon Botherway (Brook Asset Management) and Andrew Couch (Salvus Strategic Investments) addressing the 150 plus attendees on "Investment Strategies", followed by discussion involving the audience. These leading investment managers proved interesting and confirmed the principles of sound investment. Simon Botherway's involvement in managing part of the NZ Superannuation Fund was of special interest.

The morning was completed by an address from the Hon. Pete Hodgson (Minister of Commerce) which proved of a general nature without any controversial statements - the meeting was three weeks prior to a general election. Corporate tax was a topic of discussion and deference was paid by the Minister of Commerce to the Minister of Finance on this and other matters.

Lunch proved to be a convivial occasion where the sunny weather enhanced the early Spring beauty of Mellow Manor. The opportunity for informal discussion was appreciated by many of the members of the association.

After lunch the AGM was held and proved a rapid and smooth activity. The Board of the NZSA were re-elected – Russell Hodge retiring due to a heavy work commitment.

The meeting was completed by Lloyd Morrison, managing director of Infratil Ltd., delivering an address on "Corporate Governance". The delivery was excellent and we were left with the impression that his company was well managed with investment in successful New Zealand companies plus interests in overseas airports. John Farrar, Dean of the Waikato University Law School, followed the address with a commentary indicating the successful career of his former student.

The committee of the Waikato Branch were delighted to receive warm appreciation from the Board of the way we had organised the day. It was a test to stage the AGM outside Auckland. The Board were pleased with the outcome and recognised the value of Branches being given a significant challenge and involvement in the affairs of the Association. Initially the New Zealand Shareholders' Association was an Auckland organisation but it is now spread throughout the country and consequently a stronger and more robust entity.

Activities of the Waikato Branc

Committee meetings

These have been held on a monthly basis.

Branch AGM

As well as preparing for the national AGM, the branch AGM was held on 26th September 2005.

The chairman, Keith Tanner, in his report highlighted:

i. Growth in membership – 67 memberships, fifteen of which were joint memberships.
ii. Activities throughout the year had been arranged including visits to companies; financial institutions; research organisations. Discussion group meetings had been held on several occasions.
iii. Concerns had been expressed and communicated to appropriate bodies on -
   (a) Loss of imputation credits on overseas investments,
   (b) The introduction of the liability of capital

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gains tax on overseas investments,

(c) The readability of company reports (small print on glossy surfaces was difficult to read by eyes that had lost some of their youthful flexibility).

(d) The companies that now used the NZX constitution as their model and changes therein affecting the management of the companies which were not able to be challenged by shareholders.

iv. The need for the Association to grow so as to increase its influence on the running ofcompanies and for it to be able to afford a professional administration. At present the membership benefits from the dedication of a few members of the Board.

The committee elected at the branch AGM included Barbara Clements. A most welcome female addition to the administration of our affairs.

Further Activities for the Waikato Branch for 2005
1.A discussion group meeting led by Oliver Saint on the topic of "Company Research".
A Christmas gathering with a guest speaker.
Alex Eames

Auckland Branch.

Coming events at Alexandra Park Raceway.
30th November 2005. Speaker Brian Gaynor.

Company visits. Auckland Airport. 17th November at 9.00am to 1.00pm. Meeting point is the Marlborough Room, Second Floor,
International Terminal Building. We can take up to 60 people from around the
country. Please contact Joe Turnbull Ph09-6315071 or rjyturnbull@xtra.co.nz
if you would like to attend. We are looking for your support now the Auckland Airport have offered us two buses to show us around the airport.

In the next two months the NZSA will be attending a number of company AGM's.
We have been given permission to erect our promotional stand at a number of them, so members please make your self known to the people manning the stand. Our goal is to increase our membership so any help you can offer will be appreciated.

Des Hunt(Corporate Liaison) is actively calling on companies so if any members have issues they wish him to consider raising then please e-mail him at the following e-mail address. desdih@xtra.co.nz

Bay of Plenty Branch.

In last months Branch Report our hard working Howard Zingel noted that committee members are now getting the old guard feel and we will soon need new blood. That comment only really hit me when the bottom of the barrel was scraped and I was told yesterday to write this report.
On 23rd September the usual Friday afternoon discussion group meeting was held at the Gate Pa Bowling Club.
Topic—Using the internet to assist investors and sharing web sites you find useful. The last 20 minutes was spent discussing the proposed change to the taxation of offshore investments. The meeting convenor harangued everyone to get submissions in.
On the Thursday to Saturday 13-15th October NZSA Investment Education courses were held. Seminar Room kindly made available by ABN AMRO Craigs.
Bruce Anderson.

THE NEW PROXY FORM

Our Association has persuaded listed companies that there is an urgent need for proxies to be re-modelled. The first listed company to agree to this new procedure is Telecom Corporation of New Zealand Limited who must be commended for introducing the new format to New Zealand shareholders.

The new version contains, under 'Voting Instructions,' four columns. These columns are FOR, AGAINST, PROXY DISCRETION AND ABSTAIN.

A word of caution
On the proxy form, you are now required to tick alongside each resolution, <u>one of the four boxes</u>. In the past it has merely been necessary to complete the name of the proxy and then sign, date and return the form. On the new format proxy, **all resolutions must be completed** by putting a tick against one of the four boxes. This is obligatory otherwise your proxy is not valid and will be returned to you if there is time to change it or will not count if it is improperly completed.

DISCLAIMER

TALK BY CARMEL FISHER

In October the Christchurch branch enjoyed an interesting talk from the experienced Investment Funds manager, Ms Carmel Fisher. Many useful suggestions and helpful strategies on the management of an investment portfolio were made.

They tend to concentrate their investment on small-cap companies (some with a market capitalisation as small as $30 million). The advantages of concentrating on small companies include:

(a) Unlike the large-cap companies there is usually only one easily understood business, and (b) the CEO often has equity in his own business and this provides an incentive for the CEO to grow and develop the company.

The Fisher objective is to select growth-oriented small businesses with committed, long term management. They follow the Warren Buffett model of picking sound, successful companies to buy and sell at the right time but they are not influenced by the share price.

Their share selection philosophy includes:

1. Picking the best stock which has a good future potential.
2. A smaller company often has a better motivated business owner.
3. Focus on earnings growth.
4. Concentrate on a ‘best ideas’ investment portfolio.
5. Buy and hold the shares if the company continues growing.
6. Choose a quality-proven business.
7. Choose N.Z. companies with a small company bias.
8. Diversify their portfolio with ten to 15 different stocks.
9. For flexibility hold five to ten percent cash.
10. No ‘index-hugging’.
11. The companies are selected on their own merits.

After researching a promising company they follow a three-tier approach to investing in that company. Initially they would purchase one to three percent of the company’s shares. Further investment may occur from one month to one year later as confidence in the management and potential for company growth develops. Finally, if the company is meeting all the earnings and performance requirements over ten percent (but less than 20 per cent) of the company’s shares could be bought. If their confidence in the company starts to fall, they gradually reduce their shareholding.

Close attention is paid to any policy changes made by any of their target companies. For example, if a company announces that their CEO is leaving or indicates that a significant merger or takeover of an Australian company is planned, they may start selling their shares. After a year, if the change was successful and the company continues growing, they may start buying shares again.

Over time, as company circumstances change, they continually re-weight their portfolio. Two years ago, their growth fund was reported as holding the following stocks: Infratil, Port of Tauranga, Turners Auctions, Metlifecare, Mainfreight, Briscoe Group, Guiness Peat Group, Michael Hill, Tru-Test, Waste Management, Wrightsons, F&P Appliances, NZ Investment Trust, Sky City and The Warehouse.

A recent portfolio of growth stocks they hold include: Cadmus Tech, Convita, Kidicorp, Turners and Growers, Freightways, Mainfreight, Metlifecare, Ryman Healthcare, Michael Hill, Turners Auctions, Pumpkin Patch and NZ Exchange. To date only limited investment has been made in the first three listed stocks.To help focus their investment analysis they have developed an investment acronym called STEEPP:

- S Strength of Franchise - does the firm have a sustainable competitive advantage?
- T Track Record - has the firm had success in varying economic scenarios?
- E Earnings History - it needs a minimum of two years earnings growth?
- E Earnings Growth - what is the earnings forecast for the next three years?
- P Pricing - PEG ratio ideally is less than 1.0 (Price to earnings ratio to earnings per share growth.)
- P People - quality, governance, ownership, succession?

Before a share is purchased, a close study is made of the target companies annual report and they try to meet with company directors, the CEO and the Chief Financial Officer. Talks are also held with other investment analysts. For their major growth portfolio, they concentrate on stocks which reinvest all their profits and pay little or no dividends. Recently, however, they have established a separate investment fund which focusses on high yielding stocks (including Sky City and Hallensteins). Another recent innovation has been the establishment of a small Australian share fund. Two staff spend half of every month in Australia looking for companies which meet the Fisher investment philosphy and talking with various Australian company senior staff, directors and other analysts.

Ms Fisher agrees with the Shareholders’ Assn stand on excessive payments of share options made to CEO’s where there is no target incentive for the CEO to meet. On one occasion where this was likely to happen, talks were held with the directors of the company, and company profit target incentives were imposed before any CEO options would apply.

AGMs

Fisher and Paykel Appliances.

The AGM was a low-key affair, with nothing contentious on the agenda for discussion. The meeting was concluded in record time, 55 minutes.

Gary Paykel and John Bongard addressed the meeting and provided an adequate overview of the company's current operating results. In short New Zealand and Australian sales are down on last year, volumes are slightly up, and margin is squeezed due to the high cost of oil and steel and an unfavourable cross rate with the Australian dollar. As a counter balance to this, the US market is performing strongly. While not specifically stated, the half-year result is looking like it will be slightly behind last year, and the full year about the same as last year.

Five shareholders asked questions. In response to one questioner on the planned expansion of US manufacturing capacity, John Bongard made the following comments:
The main driver of the plan to build a washer factory in the USA was the cost of shipping big boxes across the world; it makes sense to place production near demand. Also the USA is offering incentives to reduce water use for which FPA will be eligible. Bongard's best estimate of this is US $2m pa for 2 years. He was asked if FPA would follow other managers into China to exploit cheap labour pools. The answer was a conditional no; the reason being lack of sufficient demand in China to support production facilities and that it makes no more sense to ship boxes across the Pacific into the US from China than it does from New Zealand.

The final question asked was on succession planning. Clearly the board is aging, and exclusively male. Its main customers are women. No convincing answer was provided to this question except to say that the board was constantly reviewing its make up and succession. At least however Gary Paykel retained his youthful sense of humour. When the shareholder suggested that the board had more grey hair than him, he looked along the table, rubbed his head, and said "I'll pay a finder's fee" referring of course to the predominance of baldness among those with grey hair!
Bruce Sheppard

Dorchester
This is without doubt the most shocking AGM I have attended for some time. The chairman Murray Radford and the CEO Brent King reported on the company's operations. The company has for 7 years produced an average rate of return on equity of in excess of 20%, has consistently grown its asset base, important for a finance company, deployed conservative balance sheet gearing, important when measuring return on equity as it is easy to push up return by pushing up gearing and risk, and has consistently followed a progressively increasing dividend policy to shareholders. The current year's results will show a further improvement on last year the meeting was told.

The Chairman then moved to the formal business of the meeting being the appointment of a new director, Peter Drummond, the nominee of Bridgecorp. The board had in its notice of meeting declared that Drummond would be considered an independent director and not the representative of Bridgecorp. Also shareholders had to consider the reappointment of two independent directors, Sir William Birch, and Murray Radford the Chairman.

Prior to the meeting I talked with Radford regarding Drummond, as I felt that, regardless of the façade, Drummond might be Bridgecorp's man. I was convinced that this was not the case and that the existing Board welcomed the appointment, Radford describing him as entrepreneurial. Thus I had the impression that all was happy between the board and its major shareholders and that Drummond's appointment was the end of any rift between the Board and its second largest shareholder Bridgecorp. I expected the formal business of the meeting to be dealt with on a show of hands fairly quickly.

On the first motion to reappoint Radford, Mr Petricevic, Bridgecorp's major shareholder and managing director, requested a poll. I immediately leapt to my feet and pointed out that a show of hands would probably reappoint Radford and suggested to him that the only reason that he would request a poll is to vote against the resolution. I said that such a challenge was a surprise, as I understood that his man had board support. I asked him to declare his position on this matter, and also declare that Drummond was not his man on the board. He refused. Hugh Green was silent. Hugh Green is the largest shareholder with 2 out of three seats on the board his appointees.

The poll resulted in the Chairman and Sir William not being re-elected and Drummond being elected. For this to have occurred Hugh Green either voted with Bridgecorp or abstained. Abstention is less likely as with the proxies and votes on the floor the outcome would have been too close to call.

It took about an hour and a half to count the poll, so plenty of time for me to talk to the players in this little game. I immediately identified that Hugh Green's vote would be important, and therefore decided to ask his representatives on the Board for some guidance on this. Paul Byrne and Bob Carter said, "Ask Hugh." So I tapped Hugh on the shoulder and said, "Is there a game going on that shareholders should know about?" He said "If you want to play in the game put some Bikkies on the table". I then asked Radford if he had any reason to suspect that Hugh might not be supporting him. He said that he had had a call from Byrne and Carter on the Friday telling him that Hugh no longer supported him. No reason given. He eventually made contact with Hugh on the weekend and the call was abruptly ended with no explanation given.

Rod Petricevic came up to me after the meeting. Much of what he said is off the record and cannot be quoted. What he did say however is that when I was discussing the desirability of 7 directors for a company the size of Dorchester I was making a logic leap. In short he knew the outcome of the poll before hand. He made some fairly interesting remarks on Peter Drummond, that if I were him I would find offensive, but clearly indicating that he has known him for some time. Petricevic also stated that the company could make much more money and he has a simple plan to do it.
See separate article on the Role of shareholders
Bruce Sheppard

C D Hell (or Heaven?).

When I first bought shares in CDL Hotels Limited, a listed hotel owning and operating company, my stockbroker laughed and said "CD Hell, you are mad?" I said how so, the shares are trading at 15c, and they have assets of 60c, (hotels) and earnings of 3c and they even pay a cent in dividends so why would buying shares in such a company be Hell? "Ah Bruce", he said, "the major shareholder is Asian, they don't think like us, they play for keeps and invest very long term". "So what" said I," I invest long term too". "Yes" he agreed, "but they think in millenniums when investing, you at best think 30 or 40 years, and there lies the difference". CDL owns the Millennium chain of hotels in NZ, so there is something of meaning in names after all. I reaffirmed my buy order, and my final comment was well "logic and rational action is usually obvious across cultures, after all mathematics is universal.""So be it" he said "the investment might pay well if you are lucky but Hell it will still be. He said look no further than the other NZ companies under the control of Asians, TransTasman, BIL and Richina Pacific". He even reminded me that BIL's owner Qwek, was the ultimate owner of CDL.

Shortly after buying, the profit disappeared, but the dividend continued. A new and very competent CEO was appointed, who has since retired and become chairman. Over the intervening 5 years, profits have risen to nearly 7c per share, and dividends have been increased to 2.1c following much nagging from me, and with incredible reluctance on the part of the company. Asian controlled companies don't like parting with assets to shareholders, by way of dividend or otherwise. The share price has increased to 56c and the asset backing to $1.20. So it has been a well-paid Hell.

Progressively over the years the company realised assets and paid off debt. It never was overly geared, so while not an optimal use of cash it was still a rational outcome. Now the group has $100m in the bank, or about 30c per share, so it is time for the board to consider what should be done with what is now surplus cash. This will be the ultimate test of whether mathematics when applied to business is truly universal.

Two years ago I had a call from the then Chairman of Thistle Hotels. With hindsight this should have been a warning to me that business logic between Asians and Western cultures is not the same, more so since the conversation involved Qwek, the ultimate owner of CDL. Thistle was a listed UK chain of hotels, owned as to about 40% by Qwek controlled BIL. By then BIL was a Bermuda based company, listed in Singapore. Qwek is Singapore based. BIL made a low bid for the remaining shares in Thistle, way below asset backing and fair value. The independent directors of Thistle recommended that the bid not be accepted, but appreciated that with BIL already holding 40% something needed to be done to resolve what was becoming an impasse on the management of the company. They felt that the best way to achieve this would be to get a competing bid for the group at a considerably higher price. Rational enough. Clearly for such a bid to succeed would require BIL to behave rationally and to sell into the superior bid and take a handsome gain on their investment. Seems like a logical assumption. A discussion ensues between representatives of Qwek and/or BIL and the Chairman of Thistle. It is made clear that BIL will never sell its stake in Thistle no matter the price, Qwek is playing for keeps, so get another bid if you like but it will fail as BIL will never accept. The chairman of Thistle calls me to ask what can be done at a BIL level, as clearly such irrational behaviour is prejudicial to the minority shareholders of both Thistle and BIL. He was right of course; the behaviour was both irrational and prejudicial. There was however nothing to be done, BIL now has its AGM's in Bermuda. Moving right along, BIL end up buying Thistle on the cheap, and a year or two after that Qwek is now offering to mop up minority BIL shareholders also on the cheap, especially when you consider the opportunity loss of his Thistle strategy.

So now comes the Hell in CDL. What will the company do with the cash? Will it decide to buy up Asian hotel assets, just like Trans Tasman has done with Hong Kong property? Will it follow the Richina and BIL model and migrate offshore, so that complaining shareholders are both out of sight and out of mind?

At the last AGM of CDL we have a bit of a clue. Apparently, according to the company's investment director, hotel assets internationally are over inflated, trading at multiples of 19 times earnings before interest, tax, and depreciation. So it begs the question as to whether CDL should be selling its assets into this bubble demand. Asians never sell so forget that. This said the company has looked at foreign hotel assets but would not buy at more that a price multiple of 10. This begs the question why the company would not buy back its own shares that trade at a 50% discount. Mathematics would seem to suggest that it is more logical to buy back your own shares when they are trading at a 50% discount to asset backing rather than buy more assets at full value.

My line at the AGM was, " so you want to buy some cheap hotel assets, look no further than your own shares". The mathematics of this is sound, but the thought of parting with cash to pay out shareholders will probably be too much for our Asian partners to bear.
Watch this space; it will be another case study on how east and west meet as partners.
Bruce Sheppard

Kiwi Income Property Trust (KIP) AGM
Cinema 4, Reading Cinema, North City Shopping Centre, Porirua

MUCH LIGHT SHED, BUT WILL THE HEAT COME ON IN NOVEMBER?

The first mystery of the day was why you would have a meeting at Porirua. This was speedily answered by the Chairman who noted they liked to hold their meetings at the real estate of the company.

In fact the venue was easy to find, there was ample parking, and the door arrangements were seamless. My own holding was recognised, and on introducing myself, the proxies arranged for the Shareholders' Association were presented to me.

There had been an article in the Dominion Post newspaper on the morning of the meeting. It served as a reasonable background on some of the issues, and is worth picking up as a framework for reporting the meeting. Under the heading "Investors force showdown", there were a number of concerns noted in the article and it is perhaps helpful to repeat them here:

1 That the structure of the Trust, governed as it is by the Unit Trusts Act 1960, does not require the same level of governance as the Companies Act.
2 That the Sylvia Park development could use some more scrutiny, particularly its effect on distributions.

The Chairman chose to depart from his prepared text to comment on the Dominion article. We were informed a further meeting would take place, but not why that would happen or what might be discussed at the meeting. On the subject of the different requirements of the Unit Trusts Act, Chairman Sean Waring was very positive on a number of fronts. The Manager had already advised the trustee that the manager would grant their approval for an amendment to the deed to make holding an AGM compulsory. KIP have in fact held an annual general meeting every year for 12 years. Mr Waring was keen to contribute to an overhaul of the Act, and seek the input of interested players, including the Shareholders' Association. Mr Waring was not however keen to have KIP held to different standards from the rest of the market. The responsibility for a solution to the Unit Trusts Act appears to rest at a different level, focussed on the playing field, not any one player. NZX could apply themselves to this in their listing rules, or perhaps change is effected through central government regulation.

The Dominion's comments attributed to Brook Asset management were refuted by Mr Waring who explained that proposed notices of motion required some lead time to arrange and certain thresholds of investor support. Mr Waring was adamant that, despite relaxing of timetables by the Manager, these conditions had not been able to be met by those interested in proposing a motion.

Only one motion was put to the meeting, as per the order paper, and that was the granting of an option for the manager to take up shares in the trust for the part of the management fee that is a performance fee. This seems like a worthwhile alignment of interests, but the optionality aspect of it did not sit well with me. Ahead of the vote, the Chairman noted the proxies he held, and it looked like a done deal. I voted against the motion both as a unit holder and a note holder based on the optionality, but aware that there was little potential gain to the manager from the option nature of the share issue, such shares to be issued at market. In discussions with one of the Directors later he advised that his original thought had been to make the purchase absolute, and the optional nature of the issue had been inserted in the drafting. Either way we were agreed it was no big issue.

The meeting heard how Sylvia Park was well positioned, with a great site, great tenants, has

81% of stage one leasing income secured a year ahead of completion and great options for future development. Quite a convincing presentation.

The focus of further unit holder activism with KIP probably lies in the Chairman's comments that the managers intend to evolve their philosophy, especially in relation to development activity, and will publish this philosophy once evolved. Questions from the floor on whether there was another cash issue planned and whether there was a development partner being lined up were met with the(probably) necessary comments about active management, options always being considered, but were clear that there were no firm plans on the day.

All this was woven into the separate meetings for the unit holders and note holders, and a well presented overview of the performance of the portfolio and in particular the unfolding of the Sylvia Park development.

There do appear to be some points of principle to address in the governance structure. The evolving clarification between the property investing and development goals of KIP may assuage the concerns of some investors. NZX looks the likely solution to managing the playing field, should they choose to play.

Many investors will be well pleased with the double digit payouts this year, with similar returns on the portfolio revaluation, and feel little enthusiasm for any showdown. It will be interesting to revisit this balance of risk and return if the sparks fly in November!
Matthew Underwood, Wellington Branch

Skellmax AGM.

The Chairman Keith Smith reported Skellmax achieved a solid performance for the 2005 financial year. Revenue rose to $118.54 million, an increase of 7.8% on the previous year or 11% if including the revenues from acquisitions. EBITDA were $24.46 million, 9.4% ahead of the previous year. NPAT at $12.5 million was ahead of last year by 8.4% with interest costs being higher by approximately $0.63 million.
The Chairman then went on to say Skellmax is well positioned to take advantage of opportunities for further expansion into the USA and European markets.

Acquisitions.
Since the close of the 2004/ 2005 year they have completed the acquisition of two companies which supply rubber products complementary to their existing ranges. They have also purchased an Australian supplier of rubber products to the plumbing industry which will be integrated into DEKS Industries-their main operating subsidiary in Australia. They have also acquired a UK based company recognized as the world's leading supplier of dairy hygiene equipment that assist in the detection and prevention of mastitis in dairy cattle. This was one company Tru-Test had evaluated but at the time it was not for sale.

Manufacturing.
Skellmax are well placed to become a low cost manufacturer now they are well established in China as well as New Zealand. The Managing Director, Donald Stewart, stated the quality being produced from both countries is excellent and they now have the capacity to meet future growth opportunities.

Agri Highlights.
Acquisition of Ambic.
Continuing investment in Christchurch to meet Liner demand.
Continuing increase in global market share for rubber liners and tubing.
Having vacuum production in China has resulted in gaining new business with European and Asia customers.
Divestment of Rotomould business.
Industrial Highlights.
Acquisition of Alucobond, Thordon, Rubber Services and Jenco.
Strong NZ Domestic demand from infrastructure investment, e.g. Conveyor and Mining.
Transfer of Deks Mining production to NZ.
Continued growth in Australia for Mining products.
Excellent sales of Industrial Vacuum Pumps in the USA. Particularly in the last six months.
Successful integration of Bisley business into Containment System business. Completed lining of Hampton Downs and Kate Valley Landfills.

Outlook for 2006.
Similar NPAT growth to that achieved in 2005.
Des Hunt

Nuplex- John Hirst, Managing Director.

I was invited by John to visit their premises recently in Botany Bay, Sydney. Although the manufacturing facilities have been there for a number of years Nuplex have been gradually upgrading the plant to improve productivity. John showed me around and I was very impressed with the results being achieved especially when compared with the previous owner's performance. Each manufacturing facility owned by Nuplex is bench marked against one another to ensure they manufacture products in the most efficient plants in each region of the world.
What did surprise me was the focus on quality, product testing and the development of new products. Some 40 to 50% of sales come each year from products which have been introduced to the market in the last five years. Nuplex have

a policy of working closely with key customers in the product development area.

I came away satisfied Nuplex have the opportunity and the manpower and financial resources to continue to grow their business worldwide. They seem to be well on their way to consolidate Akzo Nobel in to the group.

Des Hunt

Contact Energy AGM

The meeting was well attended at the Sky Casino considering shareholders were concerned about having to pay for parking. The NZSA had a stand which was manned by two people who were handing out our new brochure to shareholders. It will be interesting to see what response we get from this to attract new members.

Grant King and David Hunt both gave good presentations. Higher post-Maui fuel cost tipped to outrun electricity price rises. While the near-term outlook is for constraints on earnings, looking towards the end of the decade, there are larger-scale opportunities further ahead, particularly within Contact's thermal business.

Some of the other key points made were:

Cheap Maui gas is running out, meaning more expensive gas from newer, smaller fields will be needed for Contac's power stations.

Importing liquefied natural gas (LNG) which can fire existing power stations, looks more likely.

Some of Contact's best investment opportunities are in the geothermal sector.

Plans for a new station at its Otahuhu site are proceeding.

Bruce Sheppard gave a good speech to support the resolution the company should refrain from giving political donations. I thanked the chairman for the opportunity we were given to have regular meetings with the company over issues affecting our members and trust this will continue in the future.

Des Hunt

Smiths City Group Ltd.

As usual a good attendance of approximately 70 shareholders. Chairman Craig Boyce opened the meeting by mentioning the passing of David Smith, son of the founder of the Company. He gave an overview of Smith City's place in the market and stressed that the Company was the only "big ticket" retailer currently listed on the NZX. Big ticket items make up about 80% of turnover. Board is disappointed with the present share price considering gross yield is nearly 10% and P/E just over 4.

Smiths City feels the ups and downs of the economy long before the commentators are aware of it. He then went on to detail Warren Buffett's 6 principles of investment and considered the Company has adhered to all of them and should therefore be considered a good long term investment.

Highlights of the 2004/5 operation were

NZX Listing

Completion of negotiations with IRD over the $3.6m tax refund

The purchase of L.V. Martin & Son

To meet the challenge of the impending downturn in the economy the Company will be:

- Increasing the number and size of stores
- Restructuring the Finance Company
- Expanding into the North Island

This latter strategy provoked a shareholder to warn that moving in to the North Island should not repeat the problems of the 80/90's. Craig Boyce assured the meeting that the board was very cognizant of the previous problems which had been caused mainly by due diligence not being carried out on the leases of the stores being purchased and being locked in to high rentals that could not be sustained in the economic downturn. This would not be allowed to happen again.

Another shareholder enquired if the 15% return on Shareholders' Funds could be maintained – the answer was "not sure at this stage".

All the matters on the Agenda including the increase in Directors' Fees were passed without dissent. No other matters of business were brought up.

The writer would like to comment on the courtesy and friendliness extended to the presence of the NZSA Representative and for allowing the display and distribution of brochures etc. A number of shareholders expressed interest in joining the NZSA and took away our new brochure.

Ritchie Mein
Chairman,
Canterbury Branch

FOR MEMBERS ONLY

Members with holdings in the UK might like to know that preliminary results are obtainable via email of any listed company from UK-Wire.com. You will need to register and enter the company code after which an email will be sent.

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