



# Tainted directors not wanted

BY ROB STOCK    Last updated 04:00 22/11/2009

One of the sharemarket's own prospectus watchdogs has called for directors who served on collapsed finance companies to be banned from holding directorships in listed companies.

Chris Swasbrook, a member of the NZX sub-listing committee which reviews new prospectuses, said "a line in the sand must be drawn" if investors were to regain trust in the market.

In a letter to investors in his Elevation Capital fund this month, he said: "It is my view and I have conveyed this to the NZX – that any director association with a finance company/fund failure that saw investors suffer permanent capital losses while they were a director of the entity should mean that those directors are not eligible for NZX listed company directorships."

He also accused some listed company directors of airbrushing their pasts.

"I have been dismayed recently to see that it seems those who have been on the board of finance companies which have seen investors suffer 'permanent capital loss' feel that they can omit such important details from their CV.

"I personally question why a company that was seeking outside investor capital would want a director that had any (present or former) association with finance companies given in a large majority of cases they were nothing more than Ponzi schemes – but I guess it reflects on what one can only describe as a dire lack of talent."

There are several directors from failed finance companies holding directorships in listed companies, and it does appear that not all are being entirely upfront about their pasts.

Pumpkin Patch chairman Greg Muir previously served as chairman of the troubled Eric Watson and Mark Hotchin-owned Hanover Group, though his biography on the Pumpkin Patch website fails to mention it. It does list other past roles with The Warehouse, Lion Nathan and Tourism New Zealand.

Hanover has warned investors that it is no longer realistic to expect to get all their capital back, with a figure of around 70 cents in the dollar more realistic. Muir said there was no logic to Swasbrook's call, saying the duties of a finance company director under law were the same as a director of an NZX company, but he denied he was papering over his past. "My profile has been such that hiding it would be a futile exercise. There's been no attempt to hide it. It's been removed [from my CV] because it is no longer current."

He said it was common practice not to list all past directorships.

Richard Bettle is a director of listed firms Goodman Property Trust, Diligent and Eastern Hi Fi, but while his biography on the Goodman and Diligent websites mentions a long list of roles, it excludes a directorship of Dominion Finance, which looks likely to return a mere 10 to 25 cents in every dollar that mum-and-dad debenture investors put into it.

Bettle denied he was trying to hide it, and in prospectuses he was careful to ensure it was there, as in the new bond prospectus for the property trust. "Whenever we have gone out looking for dough, I have been open about it," Bettle said. "I'm not trying to hide it, not that I want to highlight it." He didn't want to comment on Swasbrook's stance, but added he had had many corporate roles. "This [Dominion Finance] is the first one to go south."

The biography of NZ Windfarms director Wyatt Creech similarly does not mention his directorship of Blue

Chip, either in its latest annual report, or on its website.

Not every director is so reticent about their finance company links.

Ruth Richardson is a director of Syft Technologies, but makes no secret in its latest annual report that she's also a director of the disastrous IMP Diversified Income Fund. Similarly, Denis Thom, chairman of Kirkaldie & Stains, reveals his chairmanship of Strategic Finance, a company which has admitted that, of its \$534 million of loans, just \$325m looked collectable.

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