

RANGATIRA

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AUDITOR'S REPORT

NOTICE OF ANNUAL MEETING

*Notice is hereby given that the sixty-sixth Annual Meeting of the members of the Company
will be held at The Skyline Restaurant, 1 Upland Road, Kelburn, Wellington,
on Wednesday 23 July 2003 at 4.30 pm for the following purposes:*

BUSINESS

1. To consider and, if approved, to adopt the Report of the Directors and Audited Financial Statements for the year ended 31 March 2003.
2. To confirm the appointment of Mr WL Gillanders who was appointed a director during the year.
3. To elect two directors in place of Messrs BMJ Dineen and DK Gibson who retire in accordance with the Constitution and being eligible, offer themselves for re-election.
4. To record the reappointment, as auditors, of Deloitte Touche Tohmatsu and to authorise the Board of Directors to fix their remuneration for the ensuing year.

OTHER BUSINESS

5. To consider any other business which may properly be submitted to the Annual Meeting.

By order of the Board

C J Bradshaw

Finance Manager

30 May 2003

NOTE

Proxies

- a) "A" Shareholders of the company are entitled to appoint a proxy to attend and vote on their behalf.
- b) A proxy need not be a shareholder in the Company.
- c) Proxies must be received at the Registered Office not later than 48 hours before the time of the meeting.

DIRECTORS

RM Gough OBE

Chairman

EJ Tonks CBE

Deputy Chairman

BMJ Dineen

DK Gibson

WL Gillanders

PH McKenzie

GS Pentecost

EXECUTIVE

IS Frame

Chief Executive

CJ Bradshaw

Finance Manager

REGISTERED OFFICE

Sun Microsystems House

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Wellington

New Zealand

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AUDITORS

Deloitte Touche Tohmatsu

ANNUAL REPORT TO SHAREHOLDERS

The Directors have pleasure in presenting their Annual Report and
Audited Financial Statements for the year ended 31 March 2003

PRINCIPAL AREAS OF INVESTMENT

Portfolio Investments

- Bonds and fixed interest securities
- NZ and Australian equities
 - Short term deposits
 - Packaging
- Dairy processing and marketing
 - Manufacturing
 - Tourism

CONSOLIDATION PROFITS AND APPROPRIATIONS

	2003	2002
	\$000	\$000
Net surplus for the year attributable to shareholders of Rangatira Limited	5,103	9,628
Retained surpluses brought forward	65,314	57,634
Less dividend appropriations	(6,907)	(1,948)
Retained surplus transferred to minority shareholders in subsidiary companies	229	–
Total retained surpluses at end of year	63,739	65,314
Reserves		
Revenue reserves	63,739	65,314
Other reserves	–	6,359
	63,739	71,673

DIVIDENDS

The directors have declared a fully imputed final dividend of 14 cents per share to be paid on 23 June 2003. An interim dividend of 15 cents per share was paid in November 2002. This makes a total of 29 cents per share for the year, partially imputed.

CONSOLIDATION

The results incorporate all trading subsidiaries and associates.

DIRECTORS

Mr WL Gillanders was appointed a director in October 2002. A resolution to confirm his appointment will be submitted to the Annual Meeting.

In accordance with the provisions of the Company's Constitution, Messrs BMJ Dineen and DK Gibson retire by rotation and being eligible offer themselves for re-election.

REMUNERATION OF DIRECTORS

Non Executive Directors

Directors' fees paid to non-executive directors of Rangatira Ltd and subsidiaries during the year were as follows:

BMJ Dineen	\$23,000
NMT Geary	\$41,874
DK Gibson	\$29,500
WL Gillanders	\$10,000
RM Gough	\$36,750
PH McKenzie	\$33,500
GS Pentecost	\$24,000
EJ Tonks	\$32,500

Executive Directors

Remuneration paid to executive directors of Rangatira Limited and subsidiaries during the year was as follows:

RGM Christie	\$259,000
MJ Forster	\$200,000
RDH Grapes	\$70,000
ME Lobb	\$154,000
B Lowe	\$174,000
D Monteath	\$84,000

REMUNERATION OF EMPLOYEES

The number of employees of Rangatira and its subsidiaries, excluding executive directors, whose income during the year was in the specified bands are as follows:

\$130,000 - \$140,000	1
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TRANSACTIONS WITH THE COMPANY

No director has entered into any transaction with the company other than in the normal course of business.

USE OF COMPANY INFORMATION

During the year, the Board received no notices from directors of the company requesting to use company information received in their capacity as directors which would not otherwise have been available to them.

AUDITORS

The Company's Auditors, Deloitte Touche Tohmatsu, continue in office and shareholders will be asked to give approval for the directors to fix their remuneration.

On behalf of the Board

RM Gough
Chairman

Wellington
30 May 2003

CHAIRMAN'S OVERVIEW

The year under review has been particularly challenging for investment funds, and for companies such as Rangatira with a broad portfolio of listed equities. Our results reflect those difficulties, although as I will comment later I believe we have weathered the situation reasonably well.

At the outset I would like to pay tribute to the leadership provided by Norman Geary who retired at the end of March after 6 years as Chairman and 15 years as a Director. Norman made a major contribution to Rangatira, particularly in developing the company's investment strategy. Both current and future shareholders have a great deal to thank him for. The company has been similarly fortunate to have had the services of Rick Christie as Chief Executive over the last 4 years. Rick was instrumental in building the solid portfolio of unlisted investments we now hold, as well as the satisfactory realisation of some of our mature holdings. We wish Norman and Rick well, and welcome Ian Frame, our new Chief Executive, and Lindsay Gillanders, our new Director.

INVESTMENT POLICY

We continue to be encouraged by the performance and prospects of our actively managed unlisted investments. The Board has an inherently cautious approach to selecting the companies we become involved with. As a consequence it is taking time to build a sound portfolio, but the end result should be a diverse group of companies providing returns well above those from most listed equities. Good progress has been made in recent years towards that goal.

We will invest where we see a quality company with believable prospects of good profits, a strong market position, and stable and capable management. We are conservative rather than adventurous. Investment is a serious business and we only invest in what we believe we understand and can add value to. We share with Rangatira's shareholders a strong desire to see the company paying good dividends while achieving at the same time a steady increase in asset value per share.

INVESTMENTS

During the year we made some additional share market investments, particularly in Contact Energy, Kiwi Income Property Trust, and Foodland Associated. Several new unlisted company opportunities were evaluated, some in considerable depth, but only one of these is likely to proceed. The remainder for one reason or another did not fully meet our investment criteria. As indicated in last year's Report our result this year reflects a further reduction in our investment in Tru-Test.

RESULT FOR THE YEAR

Our result this year was a surplus after tax of \$5.1m (last year \$9.6 m). The following table shows the main components –

	2002/3	2001/2
	\$m	\$m
Operating Earnings	3.9	2.4
Gains from Realisation of Investments	5.8	7.2
Revaluation Below Cost of Listed Equities & Property	(2.6)	-
Reduction in Carrying Value of Unlisted Companies	(2.0)	-
	<hr/>	<hr/>
Net Surplus After Tax	5.1	9.6
	<hr/>	<hr/>

The Operating Earnings result reflects a steady flow of dividends and interest from our portfolio investments, and sound results from most of our unlisted companies. Ian Frame will comment more fully on this area in his Chief Executive's Report.

The Revaluation Below Cost item reflects a charge of \$2.6m because our investments in listed equities and property were in aggregate worth that much less than cost on the 31st March 2003 (it's encouraging to note that by 28 May 2003 our listed equities had recovered in value by \$2.5m). Accounting standards require an unrealised fall below cost in the value of investments to be charged against income even though - except for the recovery of a previous write-down - unrealised gains cannot be shown as income and go straight to the Asset Revaluation Reserve through the Movement in Equity Statement.

In total the value of our listed equity and property investments fell by \$9.2m during the year. The Revaluation Below Cost item accounts for \$2.6m of this and the remaining \$6.6m has been charged against the Asset Revaluation Reserve. Our New Zealand shares fell by 5%, and our Australian shares by 27% - generally in line with the fall of 9% in the NZ share market and 24% in currency adjusted terms in Australia. Our policy of restricting investments largely to these two markets has enabled us to avoid the more substantial falls – both in markets and currency – which affected most broadly-based international share portfolios.

In contrast to listed equities and property, the value above book of our unlisted companies remained at much the same level as last year. As at balance date these were assessed by Directors to be worth between \$14m and \$27m above the value shown in our accounts (last year \$16m to \$25m above). This assessment is after a charge of \$2.0m against income for the reduction below cost in the carrying value of two companies where Directors believe there has been permanent impairment in value.

From the foregoing comments it will be obvious that the Net Surplus figure reported in accordance with Accounting Standards is inadequate to explain the performance of a company such as Rangatira. Directors will continue to endeavour to provide shareholders with appropriate additional information to interpret the reported result. This will include continuing with the approach outlined last year of annually reassessing the value of our unlisted investments and reporting the outcome to shareholders. The methodology and values used in this process are reviewed and supported by independent advisors before being considered and approved by Directors.

ASSET VALUE

While our net surplus after tax reflects the difficult year in the equity markets, Rangatira has nevertheless performed well by comparison with most broadly-based investment funds. An approximate total return for shareholders can be calculated by adding dividends paid to the change in asset backing per share –

	\$ per Share as at 31 March 2003	\$ per Share as at 31 March 2002
Asset Backing at Book Value	4.60	5.04
Additional Value of Unlisted Companies*	1.16	1.16
Adjusted Asset Backing	<u>5.76</u>	<u>6.20</u>

(* Calculated using the mid-point of the assessed additional value range.)

	Return for 2002/03 c
Change in Adjusted Asset Backing per Share	(44)
Dividends Paid	<u>39</u>
Total Return	(5)
Total Return on Asset Backing	<u>-0.8%</u>

This total return of -0.8% compares with the average return after management fees for balanced New Zealand investment funds of -9.7%, and for growth funds of -16.7%, as reported in the Eriksen Master Trust Survey. For many of our shareholders these funds are the nearest comparable form of investment to a shareholding in Rangatira – the main differences lie in our involvement in unlisted companies.

DIVIDEND

The opportunity was taken this year to achieve a better balance between interim and final dividends. In the event we overshot with the 15c interim dividend – our crystal ball at the half-year did not foresee the drop below cost in the value of our listed equity investments as at the end of the year. The Board decided to declare a slightly lower final dividend at 14c. While less than initially intended, this pays out all - but no more than that - of our reported surplus. As discussed earlier our accounting surplus is not necessarily particularly meaningful for Rangatira, but the present economic outlook has some uncertainty and Directors decided that a conservative approach was appropriate.

OUTLOOK

Commentators offer a variety of views on where the New Zealand and Australian economies are headed. The overall expectation is for growth to continue in both countries at a somewhat slower pace than in the last year or two. Your Directors share that view, and most of our unlisted companies are planning for a year in which profits will be a little harder to achieve. We are nevertheless looking towards a year in which we expect our results to be fully satisfactory.

In conclusion my thanks go to Rangatira's staff – all three of them – for their unstinting efforts in managing the company, and to my fellow Directors for their work on the company's behalf.



R M Gough
Chairman

CHIEF EXECUTIVE'S REPORT

It is my pleasure to report on Rangatira's investment activities during the year.

LISTED INVESTMENTS

Major new investments included Contact Energy, Kiwi Income Property Trust and Foodland Associated.

UNLISTED INVESTMENTS

During the year we completed the acquisition of 50% of Vita New Zealand Limited (refer detailed comment under Operating Activities later in this report). A further reduction was made in our shareholding in Tru-Test Corporation Limited.

OPERATING ACTIVITIES

Auckland Packaging Company Limited (100% owned)

"Auckland Packaging is a specialist designer and manufacturer of short-run printed corrugated cardboard packaging and quality screen printed point-of-sale displays. It prides itself in a high level of customer service and product quality using advanced technology."

Auckland Packaging had another good year in an increasingly competitive market. We are working closely with management to consider future growth strategies for the business.

GlobalPro International Limited (9% owned)

"GlobalPro is a software development company specialising in Travel and Expense management solutions."

A new web-compatible product is expected to be launched on the market by the end of 2003. As our investment has now been diluted to less than 10%, we no longer have representation on the Board.

Kapiti Cheeses Limited (40% owned)

"Kapiti Cheeses of Paraparaumu is one of New Zealand's most innovative and successful specialty cheese companies, supplying both local and global markets. Along with Kapiti's specialty cheeses, the Company produces its own specialty brand of ice cream, Super Premium."

Kapiti Cheeses has had a year of consolidation in its new factory. Sales have grown with the ongoing launches of new cheese and ice cream products.

There has been major restructuring underway in the dairy industry over the last two years, accompanied by significant corporate rationalisation. As part of this, Kapiti has been approached by a number of parties to consider various strategic options. As a cornerstone shareholder, Rangatira is working closely with the Board and management of Kapiti in considering these options.

Polynesian Spa Limited (51% owned)

“Polynesian Spa is New Zealand’s leading international hot mineral spring spa located on the lakefront in Rotorua.. The spa offers a choice of thirty-four public and private hot mineral bathing pools, a luxury spa and a family spa. The Lake Spa Retreat offers a comprehensive range of spa, body and skin therapies in a luxurious private relaxation haven.”

Polynesian Spa continues to be a star performer in our investment portfolio. The business is well managed and innovative. It continues to successfully expand its range of services to accommodate a very broad range of customers, both foreign and domestic. We are confident that the management team will continue to grow the business despite some immediate threats arising from the impact of SARS on foreign tourist arrivals.

Precision Dispensing Systems Limited (70% owned)

“Precision Dispensing Systems is a highly innovative designer and manufacturer of sophisticated pumping and dispensing equipment for the food, hospitality and agricultural sectors.”

PDS has continued developing its new Inflex 2 peristaltic pumping system. Test results with a major potential customer in the USA are promising and we are hopeful that 2003/04 will be the year that PDS demonstrates its true commercial potential.

Tecpak Industries Limited (79% owned)

“Tecpak is a Dunedin-based, high technology, injection-moulding company specialising in the design and manufacture of thin-walled plastic containers for the food industry.”

Tecpak continues to successfully expand its production capacity and market opportunities and has achieved solid growth in profits for the year. Increasingly the quality of its products is being recognised by food manufacturers throughout New Zealand and Australia.

During the year Tecpak achieved a significant improvement in production efficiency and this, combined with a \$3 million significant capital expenditure programme during 2003/04, is expected to ensure further gains in the year ahead.

Te Kairanga Wines Limited (28% owned)

“Te Kairanga is one of Martinborough’s largest wine producers and is primarily a producer of premium quality Pinot Noir. Production will increase rapidly from the current 20,000 cases to 60,000 cases in the next few years, as the Company’s existing land bank is developed.”

Like many of the wine producers in New Zealand, Te Kairanga has had a challenging year with frost damage affecting much of the crop. However, the quality of the wine is expected to be very good with a high proportion of reserve grade product.

Te Kairanga currently has an extensive capital programme underway to develop its land bank around the Martinborough region. Rangatira, as a cornerstone shareholder, is actively supporting this programme.

Over recent times there has been widespread debate about the future prospects for wine producers worldwide. We believe that Te Kairanga’s location, grape varieties and quality of winemaking will enable it to succeed in an increasingly competitive world market.

Vita New Zealand Limited (50% owned)

“Vita is New Zealand’s largest producer and processor of polyurethane foam, polyester fibre and polystyrene bean products. It is also a major supplier of consumer goods including furniture to the New Zealand retail market. Vita has three large manufacturing and distribution facilities in Auckland, Wellington and Christchurch.”


Vita has had a very good year, more than meeting our expectations at the time of acquisition. The business is well managed, technically advanced and highly customer focused.

While the coming year may be more challenging, we expect Vita will continue on its current growth path which at this stage is based largely on supplying the New Zealand market.

Property – Bona Venture Limited (100% owned)

Bona Venture owns one property which is based in Wiri, Auckland. It is a good quality industrial property leased to Du Pont NZ Ltd.

We remain comfortable with this investment and will further expand our direct property portfolio if and when appropriate opportunities arise.



I S Frame
Chief Executive

DIRECTORATE

The Boards of subsidiary companies and major investments during the year, include Rangatira directors as follows:-

Auckland Packaging Company Limited

N M T Geary (Chairman)

Kapiti Cheeses Limited

G S Pentecost

Polynesian Spa Limited

E J Tonks (Chairman)
P H McKenzie
G S Pentecost

Precision Dispensing Systems Limited

R M Gough (Chairman)
P H McKenzie

Tepak Industries Limited

D K Gibson (Chairman)
E J Tonks

Te Kairanga Wines Limited

R M Gough
E J Tonks

Vita New Zealand Limited

N M T Geary (Chairman)

Board Committees are as follows:

Audit Committee

B M J Dineen (Chairman)
N M T Geary
(resigned 31 March 2003)
D K Gibson
P H McKenzie
W L Gillanders
(appointed 1 April 2003)

Remuneration Committee

N M T Geary (Chairman)
(resigned 31 March 2003)
R M Gough
(Chairman from 1 April 2003)
E J Tonks
B M J Dineen
(appointed 1 April 2003)
P H McKenzie
(appointed 1 April 2003)

Rangatira Group
STATEMENTS OF FINANCIAL PERFORMANCE
For the year ended 31 March 2003

	Note	Group 2003 \$000	Group 2002 \$000	Parent 2003 \$000	Parent 2002 \$000
Total income	1	33,235	33,522	10,108	10,212
Surplus from operations	2	6,358	11,256	8,873	9,230
Share of retained surplus after tax of associate companies	9	1,126	283	-	-
Net surplus before tax		7,484	11,539	8,873	9,230
Tax expense	3	(1,914)	(1,671)	(587)	(548)
Net surplus after tax		5,570	9,868	8,286	8,682
Less Net surplus after tax attributable to minority shareholders in subsidiary companies	5	(467)	(240)	-	-
Net surplus for the year attributable to shareholders of Rangatira Limited		5,103	9,628	8,286	8,682

Rangatira Group
STATEMENTS OF MOVEMENT IN EQUITY
For the year ended 31 March 2003

	Note	Group 2003 \$000	Group 2002 \$000	Parent 2003 \$000	Parent 2002 \$000
Equity at beginning of year		90,848	80,217	88,333	77,127
Net surplus attributable to shareholders of Rangatira Limited		5,103	9,628	8,286	8,682
Net movement in revaluation reserve	6	(6,359)	3,007	(8,726)	4,472
Retained deficit transferred to minority shareholders in subsidiary companies	5	229	-	-	-
Total recognised revenues and expenses for the year		(1,027)	12,635	(440)	13,154
Movement in minority interests		(717)	(56)	-	-
Dividends - parent entity		(6,907)	(1,948)	(6,907)	(1,948)
Equity at end of year		82,197	90,848	80,986	88,333

- The notes on pages 20 to 30 form part of, and should be read in conjunction with, the above statements -

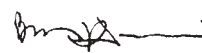
Rangatira Group
STATEMENTS OF FINANCIAL POSITION
As at 31 March 2003

	Note	Group 2003 \$000	Group 2002 \$000	Parent 2003 \$000	Parent 2002 \$000
Equity					
Share capital	4	17,712	17,712	17,712	17,712
Revenue reserves	5	63,739	65,314	52,839	51,460
Revaluation reserve	6	-	6,359	10,435	19,161
Attributable to parent entity shareholders		81,451	89,385	80,986	88,333
Minority interests		746	1,463	-	-
Total equity		82,197	90,848	80,986	88,333
Long term liabilities					
Term loans	7	1,522	2,447	-	-
Current liabilities					
Bank overdraft		-	20	-	-
Accounts payable		2,341	2,313	292	102
Employee entitlements		272	208	-	-
Tax payable		-	47	-	-
Current portion of term liabilities	7	2,369	1,110	-	-
Deposits and short term loans		3,231	2,398	302	298
Owing to subsidiaries		-	-	4,872	4,358
Total current liabilities		8,213	6,096	5,466	4,758
Total equity and liabilities		91,932	99,391	86,452	93,091
Property, plant and equipment	8	12,318	11,309	60	16
Investments					
Shares in listed companies		41,141	47,879	31,139	34,621
Shares in unlisted companies		1,029	4,984	1,029	3,242
Shares in associate companies	9	13,820	3,578	12,492	3,515
Fixed interest securities		-	1,945	-	1,942
Advance to associate company		377	70	377	70
Property investment	10	2,450	2,660	-	-
		58,817	61,116	45,037	43,390
Subsidiaries					
Shares	11			18,164	20,478
Owing by subsidiaries				14,938	14,160
		-	-	33,102	34,638
Goodwill	12	3,236	3,973	-	-
Development costs	13	1,000	1,700	-	-
Deferred tax asset	3	73	358	-	157
Total non current assets		75,444	78,456	78,199	78,201
Current assets					
Bank		1,703	1,304	11	165
Short term investments		8,759	6,377	6,888	6,377
Accounts receivable		3,726	11,302	465	8,348
Prepayments		203	123	-	-
Inventories	14	1,395	1,829	-	-
Tax refund due		702	-	889	-
Total current assets		16,488	20,935	8,253	14,890
Total assets		91,932	99,391	86,452	93,091

On behalf of the Board

RM Gough

BMJ Dineen

- The notes on pages 20 to 30 form part of, and should be read in conjunction with, the above statements -

Rangatira Group
STATEMENTS OF CASH FLOWS
For the year ended 31 March 2003

	Group	Group	Parent	Parent
	2003	2002	2003	2002
	\$000	\$000	\$000	\$000
Cash flows from operating activities				
Cash was provided from:				
Receipts from customers	26,511	22,795	-	-
Dividends received	2,455	2,011	1,846	1,562
Interest received	624	864	973	1,115
Other income	372	125	36	98
Tax refund	57	188	57	188
	30,019	25,983	2,912	2,963
Cash was applied to:				
Payments to suppliers and employees	(22,243)	(20,214)	(1,185)	(893)
Tax paid	(2,626)	(1,029)	(1,158)	(664)
Interest paid	(405)	(180)	(18)	(24)
	(25,274)	(21,423)	(2,361)	(1,581)
Net cash inflows from operating activities	4,745	4,560	551	1,382
Cash flows from investing activities				
Cash was provided from:				
Proceeds from sale of investments	19,653	17,496	18,234	9,740
Proceeds from sale of property, plant and equipment	48	18	-	-
Repayment of advances made to subsidiaries	-	-	789	9,175
	19,701	17,514	19,023	18,915
Cash was applied to:				
Advances made to subsidiaries	-	-	(1,053)	(1,267)
Purchase of property, plant and equipment	(2,379)	(1,354)	(33)	-
Purchase of investments	(12,677)	(14,797)	(12,426)	(13,927)
	(15,056)	(16,151)	(13,512)	(15,194)
Net cash inflows from investing activities	4,645	1,363	5,511	3,721
Cash flows from financing activities				
Cash was provided from:				
Dividends received from subsidiaries	-	-	1,200	310
Proceeds from loans	2,255	1,789	3	-
	2,255	1,789	1,203	310
Cash was applied to:				
Dividends paid to shareholders of parent	(6,908)	(4,605)	(6,908)	(4,605)
Dividends paid to minority shareholders	(1,000)	(295)	-	-
Repayment of loans	(806)	(2,585)	-	(682)
	(8,714)	(7,485)	(6,908)	(5,287)
Net cash outflows from financing activities	(6,459)	(5,696)	(5,705)	(4,977)

- The notes on pages 20 to 30 form part of, and should be read in conjunction with, the above statements -

Rangatira Group
STATEMENTS OF CASH FLOWS (continued)
For the year ended 31 March 2003

	Group	Group	Parent	Parent
	2003	2002	2003	2002
	\$000	\$000	\$000	\$000
Net decrease in cash held	2,931	227	357	126
Cash at beginning of year	7,661	7,463	6,542	6,445
Effect of exchange rate movement	(130)	(29)	-	(29)
Cash at end of year	10,462	7,661	6,899	6,542
Cash balances in Statements of Financial Position				
Bank overdraft	-	(20)	-	-
Bank	1,703	1,304	11	165
Short term investments	8,759	6,377	6,888	6,377
	10,462	7,661	6,899	6,542
Cash flow reconciliation				
Net surplus after tax	5,570	9,868	8,286	8,682
Add/(Less) Non cash items:				
Share of retained surplus/deficit after tax of associate companies	(1,126)	(283)	-	-
Amortisation of fixed interest premium	-	(23)	-	(23)
Amortisation of goodwill	736	223	-	-
Amortisation of development costs	-	3	-	-
Movement in deferred tax asset	285	636	157	(109)
Depreciation	1,322	1,343	13	9
Exchange losses/(gains)	130	29	-	29
Net unrealised losses on other investments	4,336	119	70	-
	5,683	2,047	240	(94)
Add/(Less) Movements in other working capital items:				
Accounts receivable	7,576	(1,541)	7,883	(8,327)
Inventories	434	79	-	-
Tax refund due	(702)	-	(889)	-
Prepayments	(80)	(96)	-	-
Accounts payable	27	(288)	191	8
Employee entitlements	64	52	-	-
Tax payable	(47)	193	-	181
	7,272	(1,601)	7,185	(8,138)
Less items classified as investing activities:				
Net gains on sale of investments	(5,848)	(6,727)	(6,017)	(7,029)
Net loss on sale of property, plant and equipment	11	2	-	-
Settlement transactions relating to purchase of fixed asset settlement	(24)	-	(24)	-
Settlement transactions relating to sale of investment settlements	(7,919)	971	(7,919)	8,271
	(13,780)	(5,754)	(13,960)	1,242
Less items classified as financing activities:				
Dividends received from subsidiaries	-	-	(1,200)	(310)
	-	-	(1,200)	(310)
Net cash inflows from operating activities	4,745	4,560	551	1,382

- The notes on pages 20 to 30 form part of, and should be read in conjunction with, the above statements -

Rangatira Group
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2003

STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

Rangatira Limited is an investment company registered under the Companies Act 1993. The group consists of Rangatira Limited and its subsidiaries. The financial statements of Rangatira Limited and the group have been prepared in accordance with the Companies Act 1993 and the Financial Reporting Act 1993.

GENERAL ACCOUNTING POLICIES

The following general accounting policies are recognised as appropriate for the preparation of these financial statements:

The measurement base adopted is that of historical cost with the exception that shares in companies listed on stock exchanges, property investments and shares in subsidiaries have been revalued as described elsewhere in these accounting policies.

Accrual accounting is used to match revenue with expenses except that dividends from listed shares are only recognised as income when received.

PARTICULAR ACCOUNTING POLICIES

The following particular accounting policies which have a material effect on the measurement of results and financial position have been adopted.

PRINCIPLES OF CONSOLIDATION

The purchase method of consolidation is adopted. The results of any subsidiaries acquired or disposed of during the year are consolidated from the effective dates of acquisition or until the effective dates of disposal. All significant intercompany transactions are eliminated on consolidation.

GOODWILL

The excess of costs over fair values of the net assets of entities acquired is amortised over the period during which the benefit accrues with a maximum amortisation period of 20 years.

The directors review annually the carrying value of goodwill and any permanent impairment in the value of goodwill is written off in the year of impairment.

DEVELOPMENT COSTS

Development costs are recorded at cost and amortised on a volume of sales basis. Provision is made for any permanent impairment involved.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost.

DEPRECIATION

Property, plant and equipment are depreciated on a straight line or diminishing value basis at rates which will write off their carrying values less estimated residual values over their expected useful lives. The principal rates used are:

Freehold and leasehold buildings	1% to 4%
Plant, vehicles and furniture	5% to 50%

INVENTORIES

Inventories, consisting of merchandise held for resale, manufactured goods, manufacturing work in progress and raw materials have been valued at the lower of cost and net realisable value. Cost has been generally determined on a weighted average basis. Cost of manufactured goods and manufacturing work in progress includes direct labour and a proportion of direct overheads.

ACCOUNTS RECEIVABLE

Accounts receivable are stated at their estimated net realisable value.

Rangatira Group
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2003

INVESTMENTS

Shares in companies listed on stock exchanges, New Zealand government stock and other fixed interest securities are valued at market prices at balance date. Shares in wholly owned subsidiaries are valued in the financial statements of the parent company at their net tangible asset carrying value. Shares in other unlisted companies are valued at the lower of cost or net realisable value.

Associate companies have been reflected in the financial statements on an equity accounting basis which shows the group's share of profits and losses in the consolidated statement of financial performance and its share of post acquisition increases or decreases in net assets in the consolidated statement of financial position.

Property investments are revalued annually by independent registered valuers.

Net movements in revaluations for the year are transferred to the revaluation reserve, except for trading portfolios whose revaluation movements are included in the statements of financial performance. Provision is made for any permanent impairment in the value of investments.

LEASES

Group entities have operating leases in respect of motor vehicles and land and buildings. Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are included in the determination of the net surplus in equal instalments over the lease term.

FOREIGN CURRENCY TRANSLATION

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Overseas monetary assets and liabilities are translated to New Zealand dollars at the rate ruling at balance date or at forward exchange contract rates where applicable. Exchange differences arising from these translations are included in the statements of financial performance.

Assets and liabilities of independent foreign operations are translated at the closing rate. Revenue and expense items are translated at a weighted average of exchange rates over the period, as a surrogate for the spot rates at transaction dates. Exchange differences arising from the foregoing are taken to the foreign exchange translation reserve and recognised in the statements of movements in equity.

TAX

The income tax expense charged to the statements of financial performance includes both the current year's provision and the income tax effect of timing differences calculated using the liability method.

Tax effect accounting has been applied on a comprehensive basis to all timing differences. Deferred tax assets arising from timing differences or income tax benefits from income tax losses are only recognised if there is virtual certainty of realisation.

FINANCIAL INSTRUMENTS

Financial instruments held by the group substantially comprise bank balances, investments, accounts receivable, accounts payable, loans, bank borrowings and deposits received. The group enters into financial instruments with off balance sheet risk for purposes of hedging or reducing its exposure to fluctuations in foreign currency exchange rates and interest rates. Forward exchange contracts entered into as hedges of foreign exchange assets or liabilities are valued at the exchange rates prevailing at year-end. Any realised gains or losses are offset against foreign exchange gains or losses on the related asset or liability. The financial effect of all financial instruments is recognised in the financial statements, and the basis for recognition of financial instruments is disclosed in the preceding notes and in Note 17.

CHANGES IN ACCOUNTING POLICIES

Except for the implementation of FRS 38 "Accounting for Investments in Associates", there have been no changes in accounting policies during the year.

Rangatira Group
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2003

NOTE 1 Total income

	Group	Group	Parent	Parent
	2003	2002	2003	2002
	\$000	\$000	\$000	\$000
Total income comprises:				
Sales	27,097	23,301	-	-
Dividends	2,429	2,172	3,020	1,946
Share of retained surplus after tax of associate companies	1,126	283		
Other interest income	656	745	1,004	1,144
Net realised/unrealised gains on investments	1,512	6,610	6,017	7,029
Rent	300	297	10	11
Sundry income	115	114	57	82
Total income	33,235	33,522	10,108	10,212

NOTE 2 Net surplus before tax

	Group	Group	Parent	Parent
	2003	2002	2003	2002
	\$000	\$000	\$000	\$000
Net surplus before tax is determined after charging:				
Amortisation of goodwill	736	223	-	-
Amortisation of development costs	-	3	-	-
Audit fees	65	75	40	50
Other fees paid to auditors	156	94	-	37
Bad debts	8	17	-	-
Depreciation - leasehold buildings	226	190	-	-
Depreciation - plant, vehicles and furniture	1,096	1,153	13	9
Directors' fees	253	166	199	134
Interest				
Term loans and bank borrowings	274	326	18	-
Other	130	40	-	24
Leasing and rental costs	929	852	48	36
Net realised/unrealised loss on foreign exchange	344	29	-	29
Net loss on disposal of property, plant and equipment	11	2	-	-

Rangatira Group
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2003

NOTE 3 Tax expense

	Group	Group	Parent	Parent
	2003	2002	2003	2002
	\$000	\$000	\$000	\$000
Surplus from operations	6,358	11,256	8,873	9,230
Dividend withholding payment credits	18	11	13	9
Imputation credits attached to dividend income	1,219	514	1,011	314
Taxable income	7,595	11,781	9,897	9,553
Tax at 33 cents	(2,506)	(3,888)	(3,266)	(3,152)
Tax effects of permanent differences:				
Non deductible expenditure and non assessable income	(70)	1,984	2,174	2,496
Dividend withholding payment credits	18	11	13	9
Imputation credits	1,219	514	1,011	314
Withholding payments on offshore dividends	(467)	(243)	(411)	(215)
Prior year adjustment	(108)	(49)	(108)	-
Tax expense	(1,914)	(1,671)	(587)	(548)
Tax expense comprises:				
Current tax	(1,874)	(1,036)	(587)	(131)
Deferred tax	(40)	(635)	-	(417)
	(1,914)	(1,671)	(587)	(548)
Deferred tax asset				
Balance at beginning of year	358	994	157	48
Current year's timing differences	(40)	(635)	-	(417)
Tax loss recognised	(87)	(135)	-	-
Losses transferred to group companies	-	-	-	526
Transfer (to) / from tax payable	(158)	134	(157)	-
Balance at end of year	73	358	-	157

The deferred tax asset largely comprises income tax losses available to be offset against taxable income in future periods. The availability of these losses is subject to the requirements of the relevant income tax legislation being met.

	2003	2002
	\$000	\$000
Imputation credit account		
Consolidated tax group		
Balance at beginning of year	697	182
Increase during the year	2,170	762
Credits attached to dividends paid	(2,288)	(247)
Balance at end of year	579	697

The group has \$1,242,000 imputation credits (2002 \$1,481,000)

	2003	2002
	\$000	\$000
Dividend withholding payment account		
Consolidated tax group		
Balance at beginning of year	71	64
Increase during the year	282	255
Credits attached to dividends paid	(338)	(248)
Balance at end of year	15	71

The availability of imputation and dividend withholding payment credits is subject to the requirements of New Zealand tax legislation continuing to be met.

Rangatira Group
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2003

NOTE 4 Share capital

	Group	Group	Parent	Parent
	2003	2002	2003	2002
	\$000	\$000	\$000	\$000
Ordinary "A" shares (6,165,000 shares)	6,165	6,165	6,165	6,165
Ordinary "B" shares (11,547,000 shares)	11,547	11,547	11,547	11,547
	17,712	17,712	17,712	17,712

"A" and "B" shares rank equally, except that "B" shares carry restricted voting rights. These are limited to voting on proposals to:-

- (i) sell the whole of Rangatira Limited's undertaking, or
- (ii) alter its constitution.

The "B" shareholders are not entitled to participate in future cash issues unless the "A" shareholders agree. These matters are set out in full in Clause 3 of Rangatira Limited's constitution.

NOTE 5 Revenue reserves

	Group	Group	Parent	Parent
	2003	2002	2003	2002
	\$000	\$000	\$000	\$000
Revenue Reserves				
Balance at beginning of year	65,314	57,634	51,460	44,726
Net surplus after tax	5,570	9,868	8,286	8,682
Retained deficit transferred to minority shareholders in subsidiary companies	229	-	-	-
Net surplus after tax attributable to minority shareholders in subsidiary companies	(467)	(240)	-	-
Dividends	(6,907)	(1,948)	(6,907)	(1,948)
Total revenue reserves	63,739	65,314	52,839	51,460

NOTE 6 Revaluation reserve

	Group	Group	Parent	Parent
	2003	2002	2003	2002
	\$000	\$000	\$000	\$000
Revaluation Reserve				
Balance at beginning of year	6,359	3,352	19,161	14,689
Revaluation of investment in wholly owned subsidiaries to share of net tangible assets			(2,314)	3,927
Revaluation of other investments to market valuation	(9,194)	5,129	(6,687)	2,667
Revaluation reserve transferred to the statement of financial performance	2,560	-	-	-
Revaluation reserve applicable to investments realised during the year	275	(2,122)	275	(2,122)
Balance at end of year	-	6,359	10,435	19,161

Rangatira Group
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2003

NOTE 7 Term loans

	Group	Group	Parent	Parent
	2003	2002	2003	2002
	\$000	\$000	\$000	\$000
Westpac credit line facility	-	146	-	-
National Bank facility	3,813	3,068	-	-
Other	78	343	-	-
	3,891	3,557	-	-
Less Current portion	(2,369)	(1,110)	-	-
Term loans due after 12 months	1,522	2,447	-	-

The current weighted average interest rate on the National Bank facility is 7.45% (2002 Westpac 7.60% and National 7.43%).

The National Bank facility is repayable over the next 3 years. The loan is secured by a debenture over the assets of the subsidiary concerned.

NOTE 8 Property, plant and equipment

	Group	Group	Parent	Parent
	2003	2002	2003	2002
	\$000	\$000	\$000	\$000
Leasehold buildings				
At cost	5,219	4,675	-	-
Less Accumulated depreciation	(1,549)	(1,363)	-	-
Total leasehold buildings	3,670	3,312	-	-
Plant, vehicles and furniture				
At cost	12,052	10,555	91	125
Less Accumulated depreciation	(3,404)	(2,558)	(31)	(109)
Total plant, vehicles and furniture	8,648	7,997	60	16
Total net book value	12,318	11,309	60	16

NOTE 9 Shares in associate companies

	Percentage Held		Balance Date
	2003	2002	
Associates:			
Kapiti Cheeses Limited	40%	40%	31 May
Te Kairanga Wines Limited	28%	28%	30 June
Vita New Zealand Limited	50%	0%	31 March

Kapiti Cheeses Limited is a manufacturer and distributor of specialty cheeses and ice creams.

Te Kairanga Wines Limited is a producer of fine wines. Te Kairanga Wines Limited was equity accounted from January 2002.

Vita New Zealand Limited is a manufacturer of polyurethane foam and associated products. Vita New Zealand Limited was equity accounted from 1 April 2002.

Rangatira Group
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2003

NOTE 9 Shares in associate companies continued

	Carrying value			
	Group	Group	Parent	Parent
	2003	2002	2003	2002
	\$000	\$000	\$000	\$000
Kapiti Cheeses Limited	2,494	2,308	2,260	2,260
Te Kairanga Wines Limited	2,567	1,270	2,505	1,255
Vita New Zealand Limited	8,759	-	7,727	-
Total shares in associate companies	13,820	3,578	12,492	3,515
	Change in carrying value			
	Group	Group	Parent	Parent
	2003	2002	2003	2002
At cost	12,492	3,515	12,492	3,515
Retained surplus at beginning of year	63	268	-	-
Share of retained surplus before tax of associate companies	2,394	462	-	-
Share of associate companies' tax expense	(803)	(138)	-	-
Share of retained surplus for the year	1,591	324	-	-
Dividends received from associate companies	(465)	(41)	-	-
Share of retained surplus after tax of associate companies	1,126	283	-	-
Associate reserves transferred to retained surplus following disposal	139	(488)	-	-
Total shares in associate companies	13,820	3,578	12,492	3,515

The share of increase in net assets represents the group's share of the post acquisition surpluses of its associate companies. The group's share of surplus is based on the unaudited financial statements for these companies.

NOTE 10 Property Investment

In terms of the group accounting policy, a subsidiary obtained an independent valuation of its investment property as at 31 March 2003. The fall in value of \$210,000 has gone through the revaluation reserve in Note 6. The investment property was valued at net current value by a registered valuer, CB Richard Ellis.

NOTE 11 Subsidiary companies

	Percentage owned by Rangatira Limited at 31 March		
	Principal activities	2003	2002
(All subsidiary companies balance on 31 March)			
Romney (No. 30) Limited	Special purpose investment	100%	100%
Polynesian Spa Limited	Tourism	51%	51%
Romney (No. 11) Limited ¹	Special purpose investment	100%	100%
Romney (No. 19) Limited ¹	Special purpose investment	100%	100%
Tongariro Investments Limited	Special purpose investment	100%	100%
Wainui Investments Limited	Special purpose investment	100%	100%
Watt Land Company Limited	Trading investment	100%	100%
Bona Venture Limited	Property investment	100%	100%
Auckland Packaging Company Limited	Packaging	100%	100%
Precision Dispensing Systems Limited ²	Pump developer and manufacturer	70%	51%
PDS Limited	Special purpose investment	100%	100%
Tecpak Industries Limited	Packaging	79%	79%

¹ Non trading subsidiaries

² Effective shareholding

Rangatira Group
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2003

NOTE 12 Goodwill

	Group	Group	Parent	Parent
	2003	2002	2003	2002
	\$000	\$000	\$000	\$00
On acquisition of subsidiaries - at cost	4,474	4,474	-	-
Accumulated amortisation	(1,238)	(501)	-	-
	3,236	3,973	-	-

NOTE 13 Development costs

	Group	Group	Parent	Parent
	2003	2002	2003	2002
	\$000	\$000	\$000	\$000
On acquisition - at cost	1,789	1,789	-	-
Accumulated amortisation	(789)	(89)	-	-
	1,000	1,700	-	-

NOTE 14 Inventories

	Group	Group	Parent	Parent
	2003	2002	2003	2002
	\$000	\$000	\$000	\$000
Merchandise held for resale	519	493	-	-
Raw materials, manufacturing work in progress and manufactured goods	876	1,336	-	-
	1,395	1,829	-	-

NOTE 15 Contingent liabilities

There are no contingent liabilities at 31 March 2003 (2002 Nil)

NOTE 16 Commitments

Operating lease commitments

Minimum payments under various motor vehicle, office equipment and building lease commitments at balance date are as follows:

	Group	Group	Parent	Parent
	2003	2002	2003	2002
	\$000	\$000	\$000	\$000
Within one year	618	816	94	3
Greater than one year but less than two years	615	796	94	-
Greater than two years but less than five years	1,888	1,435	281	-
Greater than five years	58	311	344	-
	3,179	3,358	813	3

Capital commitments

There are no capital commitments at 31 March 2003 (2002 \$8,100,000)

Rangatira Group
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2003

NOTE 17 Financial Instruments

Financial assets and liabilities

Financial liabilities comprising accounts payable, loans, bank borrowings and deposits received are recorded at the amounts which the group expects to pay as they fall due. The basis of recognition of financial assets and equity instruments is disclosed in the accounting policies.

Fair Value

At balance date, the statements of financial position carrying amounts of all financial instruments approximate their estimated fair values, except that the estimated fair values of investments in unlisted companies have not been determined on this basis as it is impracticable to estimate the values with an acceptable level of reliability within constraints of timeliness and cost. The Chairman's report provides the directors' valuation of the unlisted companies.

Credit risk

The principal financial instruments subject to credit risk comprise interest bearing investments and accounts receivable. No security is required in respect of investments held with banks and the New Zealand government. The group does not require security from trade debtors and borrowers. The concentration of credit risk is limited due to the large number of customer accounts dealt with.

Currency risk

Balances held in foreign currencies are exposed to normal exchange risk. At balance date, the group had \$19,260,134 (2002 \$28,623,467) in direct foreign investments, principally Australian equities. The group had \$1,188,927 (2002 \$231,153) in bank deposits in foreign currencies. The group is also exposed indirectly to currency risk through other investments with overseas operations. A subsidiary enters into foreign exchange forward contracts in order to manage its exposure to fluctuations in foreign currency exchange rates on specific transactions.

Interest rate risk

The group and company have long-term fixed rate borrowings which are used to fund ongoing activities. It is group policy to ensure interest rate exposure is maintained on a floating rate basis. The group and company have entered into interest rate swaps to turn the interest rate exposure inherent in the long-term borrowings from fixed rate to floating rate.

Credit facilities

The group has no bank overdraft facilities (2002 \$100,000). In 2002 \$20,000 had been drawn down at balance date.

Contractual reporting periods and effective interest rates

All financial assets and liabilities subject to interest rate repricing generally reprice within three months.

Rangatira Group
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2003

NOTE 17 Financial Instruments (continued)

The effective interest rates for applicable financial assets and liabilities are:

Group 2003	Effective interest rate %	Current \$000	1-2 years \$000	2-5 years \$000	Over 5 years \$000	Total \$000
Monetary liabilities:						
National Bank facility	7.45%	2,311	752	750	-	3,813
Deposits and short term loan	9.00%	1,963	-	-	-	1,963
Monetary assets:						
Short term investments	5.50%	8,759	-	-	-	8,759

Group 2002	Effective interest rate %	Current \$000	1-2 years \$000	2-5 years \$000	Over 5 years \$000	Total \$000
Monetary liabilities:						
Westpac facility	7.60%	146	-	-	-	146
National Bank facility	7.43%	964	1,375	729	-	3,068
Deposits and short term loan	8.70%	1,421	-	-	-	1,421
Bank overdraft	7.60%	20	-	-	-	20
Monetary assets:						
Fixed interest securities	9.00%	-	-	1,944	-	1,944
Short term investments	4.75%	6,377	-	-	-	6,377

Parent 2003	Effective interest rate %	Current \$000	1-2 years \$000	2-5 years \$000	Over 5 years \$000	Total \$000
Monetary liabilities:						
Short term loan	5.50%	302	-	-	-	302
Monetary assets:						
Short term investments	5.50%	6,888	-	-	-	6,888
Owing by subsidiaries/associates (interest bearing assets only)	9.78%	5,405	-	-	-	5,405

Parent 2002	Effective interest rate %	Current \$000	1-2 years \$000	2-5 years \$000	Over 5 years \$000	Total \$000
Monetary liabilities:						
Short term loan	4.75%	298	-	-	-	298
Monetary assets:						
Fixed interest securities	9.00%	-	-	1,942	-	1,942
Short term investments	4.75%	6,377	-	-	-	6,377
Owing by subsidiaries (interest bearing bonds only)	10.00%	4,262	-	-	-	4,262

Off balance sheet financial instruments

As at balance date a subsidiary had entered into foreign exchange forward contracts maturing during 2003 to purchase and sell foreign currency with a market value of \$761,000 (2002 \$68,800).

Rangatira Group
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2003

NOTE 18 Related party transactions

During the year the parent company made advances of \$1,053,000 (2002 \$1,267,000) to subsidiary companies and received repayments of \$789,000 (2001 \$9,175,000) from subsidiary companies. At balance date the parent company owed \$4,872,000 (2002 \$4,358,000) to subsidiaries, was owed \$14,938,000 (2002 \$14,160,000) from subsidiaries and was owed \$377,000 by an associate company. Interest income of \$444,000 (2002 \$447,000) was received during the year from subsidiary companies in relation to these advances. Dividend income of \$1,200,000 (2002 \$310,000) was received from subsidiary companies.

During the current and prior year no management fees were charged by the parent company to its subsidiaries for services provided during the year.

No related party debts have been written off or forgiven during the current or prior year.

NOTE 19 Segmental information

	Portfolio Investments		Tourism		Group	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000	2003 \$000	2002 \$000
Total income	27,392	28,222	5,843	5,300	33,235	33,522
Segment result before interest and tax	5,778	10,245	2,110	1,660	7,888	11,905
Less interest					(404)	(366)
Less tax					(1,914)	(1,671)
Net surplus after tax before minority interests					5,570	9,868
Segment assets	87,880	95,466	4,052	3,925	91,932	99,391

The group's core operations are predominantly in New Zealand.

Auditors' Report

**Deloitte
Touche
Tohmatsu**

To the Shareholders of Rangatira Limited

We have audited the financial report on pages 16 to 30. The financial report provides information about the past financial performance and financial position of Rangatira Limited and group as at 31 March 2003. This information is stated in accordance with the accounting policies set out on pages 20 and 21.

Board of Directors' Responsibilities

The Board of Directors is responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of a financial report which gives a true and fair view of the financial position of Rangatira Limited and group as at 31 March 2003 and of the results of their operations and cash flows for the year ended 31 March 2003.

Auditor's Responsibilities

It is our responsibility to express an independent opinion to you on the financial report presented by the Board of Directors.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial report. It also includes assessing:

- the significant estimates and judgements made by the Board of Directors in the preparation of the financial report, and
- whether the accounting policies are appropriate to the company and group circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial report is free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial report.

We carry out other assignments on behalf of Rangatira Limited and the group in the areas of accountancy, taxation and consultancy advice. We have no relationship with or interests in Rangatira Limited or any of its subsidiaries.

Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion :

- proper accounting records have been kept by Rangatira Limited as far as appears from our examination of those records, and
- the financial report on pages 16 to 30 :
 - complies with generally accepted accounting practice in New Zealand, and
 - gives a true and fair view of the financial position of Rangatira Limited and group as at 31 March 2003 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 30 May 2003 and our unqualified opinion is expressed as at that date.



Chartered Accountants
Wellington, New Zealand

COMPARATIVE FINANCIAL SUMMARY

For the year ended 31 March 2003

	2003	2002	2001	2000	1999
	\$000	\$000	\$000	\$000	\$000
EARNINGS					
Profit before tax	7,484	11,539	6,925	6,933	2,783
Tax	(1,914)	(1,671)	(672)	(1,473)	(1,344)
Profit after tax	5,103	9,628	6,253	5,185	3,967
Dividends	(1) 5,136	6,201	4,605	4,251	3,188

SHAREHOLDERS' FUNDS

Share Capital	17,712	17,712	17,712	17,712	17,712
Revenue reserves	63,739	65,314	57,634	56,175	55,241
Other reserves	-	6,359	3,352	4,192	3,626
	81,451	89,385	78,698	78,079	76,579

STATISTICS

Earnings per share, cents	29	54	35	29	22
Dividends per share, cents	(1) 29	35	26	24	18
Group asset backing per share, \$	4.60	5.04	4.44	4.40	4.32

(1) Dividends include the final dividend of 14 cents per share which was not provided for in the Financial Statements.

**MAJOR SHAREHOLDINGS
IN LISTED COMPANIES**
(As at 31 March)

New Zealand Shares	2003 NZ\$m	2002 NZ\$m
Ebos	7.8	9.1
Kiwi Income Property Trust	2.4	1.1
GPG	1.6	1.7
Sky City	1.6	1.1
Fisher & Paykel Healthcare	1.3	1.0
Fisher & Paykel Appliances	1.0	1.0
Fletcher Building	0.9	0.5
Contact Energy	0.9	-
INL	0.5	0.6
Tourism Holdings	0.5	0.5
Australian Shares	NZ\$m	NZ\$m
B H P	2.6	3.6
JB Were Emerging Leaders Trust	2.0	3.1
Fosters	1.6	1.8
Rio Tinto	1.4	2.0
Woodside	1.3	2.0
Telstra	1.2	1.7
Macquarie Bank	1.0	1.6
Commonwealth Bank	1.0	1.4
Foodland Associated	1.0	-
Macquarie Infrastructure Group	0.9	1.0



JR MCKENZIE TRUST

ESTABLISHED IN 1940

We are proud to continue to support hundreds of social service organisations throughout New Zealand, many of them reliant on volunteers. However, given that the Trust's goal is "to improve the quality of life of New Zealanders who have special needs, or who face disadvantage", it is sad that there is still so much call on our resources.

In the year to March 2003 the Trust made 546 grants, ranging from \$436 to \$170,000, and totalling \$2.74 million. As usual, most grants aided the ongoing work of groups assisting people with all kinds of disabilities, young people at risk of becoming criminal or depressed, victims and perpetrators of domestic violence, children with learning difficulties, people recovering from mental health problems, frail elderly people in the community, families on low incomes and with high risk of unemployment, and so on. Also as usual, funds requested far exceeded funds available. This resulted in many good applications being reluctantly turned down, or being supported to a lesser extent than desired. Three quarters of applicants were at least partly successful; but only a quarter of successful groups received as much as they requested.

Alongside the Trust's main activity of making modest grants in support of hundreds of community organisations, we have continued to increase emphasis on supporting a small number of innovative programmes. Assisting such initiatives is an important role for philanthropy, especially if it is done with a long term view. It has been great to see some of these initiatives take root and make a positive difference.

Last year the Trust started a three year funding programme through which five agencies have extended their work assisting refugees to get jobs and stay in employment. In addition to receiving funding to carry out and evaluate their projects, participant groups also attend annual workshops focusing on planning, monitoring and evaluation. The groups have agreed to share what they learn from their experience with other agencies working in the field.

In October 2002, the High Court approved a revision of the Trust Deed. This brings the Deed into line with contemporary practice, without limiting the breadth of the Trust's activities. This year the Board will undertake a review of its practices and strategies; such reviews need to occur from time to time to ensure that our organisation is as relevant and effective as possible.

The Executive Director undertook a study tour of several European countries, with support from the Trust and the Winston Churchill Memorial Trust, to look at current practices in philanthropy and gather ideas that might have relevance in New Zealand.

The Rotary contribution to the Trust's work remains as strong as ever, and the Trust Board is very grateful for the voluntary input of many Rotarians, who liaise with applicant organisations and make recommendations on grants. The chairmen of their district committees serve as Board members, and bring regional knowledge to the Board table.

We are also very grateful for the diligence and enterprise of the people at Rangatira Limited as they seek to maximise the contribution the Trust can make, both now and in the long term.

Sir Roy McKenzie also continues to support our work, both visibly and behind the scenes. A display outlining Sir Roy's and the McKenzie family's contribution to New Zealand society is being prepared in the Trust's new premises, and will be complete later this year.

Trustees remain mindful of our responsibilities for the present and the future – to keep the Trust's work relevant to New Zealanders in need, and to maintain the spirit of community service so generously yet humbly displayed by the McKenzie family.

Trustees are:

Peter Holst - *Chair*

Radha Balakrishnan

Diana Crossan

Pania Ellison

Warren Lindberg

John McKenzie

Peter McKenzie

Regional Chairs:

Bob Baird - Auckland North

Stuart Melville - Dunedin

Brian Palliser - Christchurch

John Spooner - Auckland

Tricia Walbridge – Wellington

David Wright - Hamilton

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Iti noa ana, he pito mata.

With care, a small kumara will produce a harvest