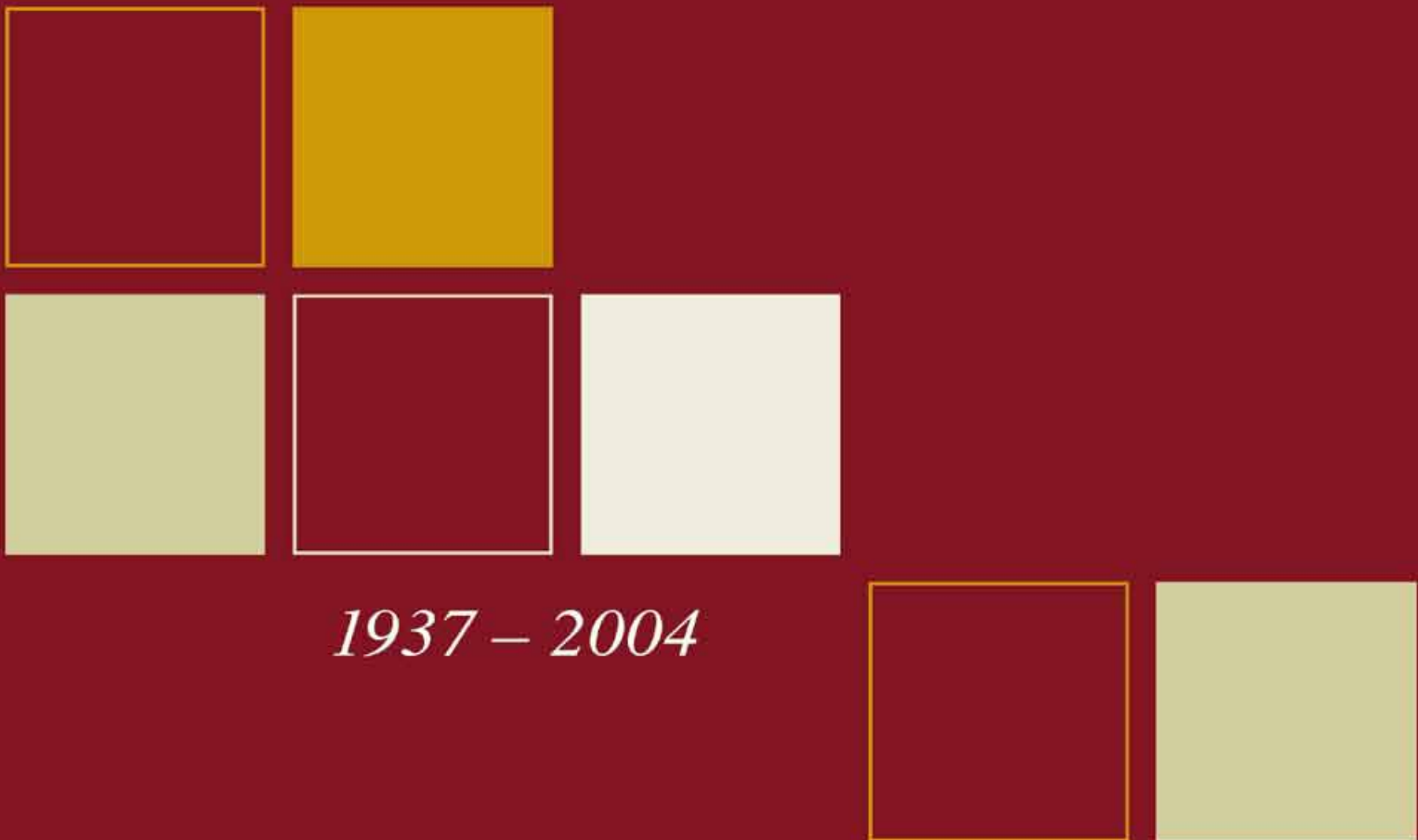


67th  
ANNUAL  
REPORT  
2004



RANGATIRA

*"investing in business for growth"*



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# NOTICE OF ANNUAL MEETING

*Notice is hereby given that the sixty-seventh Annual Meeting of the members of the Company will be held at The Skyline Restaurant, 1 Upland Road, Kelburn, Wellington, on Monday 26 July 2004 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 2004.
2. To elect two directors in place of Messrs RM Gough and EJ Tonks who retire in accordance with the Constitution and being eligible, offer themselves for re-election.
3. To record the reappointment, as auditors, of Deloitte and to authorise the Board of Directors to fix their remuneration for the ensuing year.

## OTHER BUSINESS

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

By order of the Board

C J Bradshaw  
Finance Manager  
8 June 2004

## 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

SolNet House

70 The Terrace

Wellington

New Zealand

P O Box 804

Telephone +64 4 472 0251

Fax +64 4 473 2685

Email [ian.frame@rangatira.co.nz](mailto:ian.frame@rangatira.co.nz)

## AUDITORS

Deloitte

# ANNUAL REPORT TO SHAREHOLDERS

The Directors have pleasure in presenting their Annual Report and

Audited Financial Statements for the year ended 31 March 2004

## CONSOLIDATED PROFITS AND APPROPRIATIONS

	<b>2004</b>	2003
	<b>\$000</b>	\$000
Net surplus for the year attributable to shareholders of Rangatira Limited	<b>10,053</b>	5,103
Retained surpluses brought forward	<b>63,739</b>	65,314
Less dividend appropriations	<b>(5,136)</b>	(6,907)
Retained deficit transferred to minority shareholders in subsidiary companies	–	229
<b>Total retained surpluses at end of year</b>	<b>68,656</b>	63,739
<b>Reserves</b>		
Revenue reserves	<b>68,656</b>	63,739
Other reserves	<b>9,259</b>	–
	<b>77,915</b>	63,739

## DIVIDENDS

The directors have declared a fully imputed final dividend of 16 cents per share to be paid on 28 June 2004. An interim dividend of 15 cents per share was paid in December 2003.

This makes a total of 31 cents per share for the year, partially imputed.

## CONSOLIDATION

The results incorporate all trading subsidiaries and associates.

## DIRECTORS

In accordance with the provisions of the Company's Constitution, Messrs RM Gough and EJ Tonks 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	\$31,000
NMT Geary	\$92,125
DK Gibson	\$31,750
WL Gillanders	\$22,000
RM Gough	\$43,000
PH McKenzie	\$33,500
GS Pentecost	\$25,000
EJ Tonks	\$35,500

### Executive Directors

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

IS Frame	\$300,000
MJ Forster	\$195,833
RD Grapes	\$70,000
ME Lobb	\$186,475
B Lowe	\$157,250
D Monteath	\$85,000

## 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:

\$100,000 – \$110,000	1
\$150,000 – \$160,000	1

## 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, 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

8 June 2004

# CHAIRMAN'S REVIEW

2004 has been a positive year for Rangatira. Highlights have been the strong rise in value of equity markets in both Australia and New Zealand, our acquisition of a 50% shareholding in Heller Tasty, New Zealand's second-largest supplier of bacon, ham and smallgoods, and the sale of our 40% shareholding in Kapiti Cheeses.

## INVESTMENT STRATEGY

Our investment strategy has been reviewed and clarified during the year and we are now focussed on two major forms of investment. One is publicly listed shares, essentially in the New Zealand and Australian markets, and the other is investment in unlisted businesses. At balance date we had 42% of our funds in listed shares and 47% in unlisted companies – property and interest-earning investments made up the balance.

We believe this mix of listed and unlisted investments will provide Rangatira with a solid and reasonably reliable income flow – which is needed to support our dividend targets – while creating at the same time an opportunity for capital growth greater than that available from solely passive investments.

## LISTED INVESTMENTS

Following our review of investment strategy, we undertook a major review of our portfolio of listed investments. We concluded that our portfolio contained too many companies, and that we should set a limit to the number of companies we hold. As a consequence we have reduced our portfolio of New Zealand and Australian shares from 45 to 24 companies.

Under the new policy our portfolio now contains only the 24 listed companies that we believe have the very best long-term earnings prospects. Virtually all the shares we now hold are investments we have held for some time, although in some cases we have increased our holding. We have sold our shares in the remaining companies, including Air New Zealand, AMP, Lend Lease and Brambles, and the net overall loss on sale of \$1.0m is included in this year's financial result.

In addition to our New Zealand and Australian share portfolios, we have taken advantage of the rise in the New Zealand dollar to invest around \$0.5m each in two Investment Trusts (RIT Capital Partners and SVG Capital) which operate on a global basis.

## OTHER INVESTMENTS

In June 2003 we acquired a 50% shareholding in Heller Tasty Limited. This opportunity came to us when Heller's two non-executive shareholders decided to exit while the two executive shareholders wished to stay involved. The shareholding change has taken place smoothly, and we believe there is a very good outlook for this investment.

At about the same time, along with the other shareholders of Kapiti Cheeses, we decided to accept an offer from United Milk for the total acquisition of this company. While we had good confidence in the future of Kapiti, we were not in a position to achieve the synergies reflected in the price offered by United Milk.

During the past year we have considered a number of prospective private equity investment opportunities. Some of these were attractive, but very few of them fully met our investment criteria. The private equity market has become increasingly competitive over the last year or two as a range of new investment funds have been created to focus on this sector. Rangatira, however, provides a unique combination of stability and experience and we will continue to be very selective in seeking out companies with which we are compatible, and to which we believe we can add value. We are confident that Rangatira will continue to attract good private equity investment opportunities.

## RESULTS FOR THE YEAR

### (a) Reported Financial Performance

Our financial result for the year was a net surplus after tax of \$10.0m (last year \$5.1m). The following table shows the main components –

	<b>2003/04</b>	<b>2002/03</b>
	<b>\$m</b>	<b>\$m</b>
Operating Earnings	5.0	3.9
Gains from Realisation of Investments	2.4	5.8
Revaluation Below Cost of Listed Equities & Property	2.6	(2.6)
Reduction in Carrying Value of Unlisted Companies	–	(2.0)
Net Surplus After Tax	<u>10.0</u>	<u>5.1</u>

The Operating Earnings result is the best guide to our ongoing income. It is pleasing to see the increase this year which reflects a steady flow of dividends and interest from our portfolio investments, together with positive results from most of our unlisted companies. Ian Frame's report provides further information on this area.

The value of our listed investments rose by \$9.7m during the year. Our portfolio of New Zealand shares rose by 36% (excluding our non-portfolio shareholding in Ebos which rose by 28%), and our Australian portfolio by 30% – generally in line with the rise of 35% in the New Zealand share market and 26% in Australia. The gain in value of our listed investments allowed the \$2.6m Revaluation Below Cost item deducted from last year's result to be reversed, as well as contributing most of this year's \$9.3m Revaluation Reserve increase.

## (b) Change in Value of Unlisted Investments

While our listed company and property investments are recorded at market value, accounting standards require unlisted company investments to be shown at cost (plus any equity accounted profits or losses since acquisition, and subject to reduction if there has been any permanent impairment in value).

Your Directors have a policy of annually reassessing the value of our unlisted investments. This is done with the assistance of specialist independent advice. As at 31 March 2004, we assessed our unlisted investments to be worth between \$6m and \$20m more than the book value shown in our accounts (last year \$14m to \$27m). The lower figures for this year reflect the crystallisation (and therefore removal from these totals) of the gain in value of our holding in Kapiti Cheeses and a net downward revision in the overall premium above book value of our other unlisted investments.

Valuation of unlisted companies is a particularly imprecise science, but we believe it is important for shareholders to have our best assessment of these values in order to be as fully informed as possible about Rangatira's overall performance.

## (c) Total Return

Rangatira's total return to shareholders can be calculated by adding dividends paid to the change in our asset backing per share (including the additional value of our unlisted company investments) as follows –

	<b>\$ per Share</b>	<b>\$ per Share</b>
	<b>31 March 2004</b>	<b>31 March 2003</b>
Asset Backing at Book Value	5.40	4.60
Additional Value of Unlisted Companies*	0.73	1.16
Assessed Asset Backing	<u>6.13</u>	<u>5.76</u>

\*using the mid-point of the assessed additional value range.

(Our assessed asset backing per share at 31 March 2004 is lower than the \$6.31 reported in our half-year result at 30 September 2003. This reduction reflects payment of the 15 cents per share interim dividend in December, weaker operating earnings from some of our unlisted companies during the second half of the year, and the downward revision in the overall premium above book value of our unlisted investments.)

	<b>Return for</b>	<b>Return for</b>
	<b>2003/04</b>	<b>2002/03</b>
	<b>¢/share</b>	<b>¢/share</b>
Change in Assessed Asset Backing	37	(44)
Dividends Paid	29	39
Total Return	<u>66</u>	<u>(5)</u>
Total Return on Assessed Asset Backing	<u>+11.5%</u>	<u>-0.8%</u>

#### **(d) Comparative Performance**

The Eriksen Master Trust Survey reported an average return after management fees for balanced New Zealand investment funds for the 2003/2004 year of +13.5% (previous year -9.7%), and for growth funds +18.5% (previous year -16.7%). These funds are reasonably comparable alternatives for many shareholders to a shareholding in Rangatira.

While Rangatira's performance this year is below the funds' figures, the average of our two years' results is +5.4% compared with +1.9% for balanced funds and +0.7% for growth funds.

Rangatira's strategy of holding shares in both listed and unlisted companies results in a different investment mix to that of most managed funds. Because of this it is inevitable that from time to time we will have a year where we do not do as well as the managed funds – even though we will never be entirely comfortable with that outcome. We believe shareholders want Rangatira to achieve returns which, when averaged over the medium term, are consistently above those of managed investment funds, and our strategies and energies are focused on that outcome.

#### **Dividend**

The Board has declared a final dividend of 16¢ per share (last year 14¢) which, together with the interim dividend of 15¢, resulted in a total dividend of 31¢ (last year 29¢) and represented 55% of our reported surplus (last year 100%). Tax paying shareholders have also benefited from 12¢ of imputation credits attached to this year's dividends (last year also 12¢).

#### **Outlook**

The coming year is likely to see weaker activity in the construction sector, while rising energy costs and higher prices for other imports could well bring a measure of inflationary pressure. Higher interest rates appear probable. Offsetting these negative factors are the current strong prices for New Zealand's commodity exports and the planned increase in Government spending outlined in the recent Budget.

Overall we expect a reasonably positive economic environment. Some of our unlisted companies have significant challenges ahead of them to achieve their targets, but in aggregate we are budgeting for a further worthwhile improvement in our Operating Earnings.

Rangatira has enjoyed a very high level of commitment from its management team and Directors, and on your behalf I thank them for their work and support during the year.



**RM Gough**

Chairman

8 June 2004

# CHIEF EXECUTIVE'S REPORT

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

## LISTED INVESTMENTS

We have reduced our portfolio of listed shares from 45 to 24 companies as outlined in the Chairman's Report.

## UNLISTED INVESTMENTS

During the year we acquired 50% of Heller Tasty Limited and sold our 40% shareholding in Kapiti Cheeses 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 faced intense competitive pressure during the year, but finished the year strongly and is well positioned for the coming year.

During the year the founder, Malcolm Forster, retired from the position of Managing Director, and Tim Houlden was recruited as Chief Executive to take his place. Malcolm will remain as a non-executive director until the end of 2004 to ensure a smooth transition.

### **Heller Tasty Limited (50% owned)**

*"Heller Tasty is one of New Zealand's two largest producers of bacon, ham and smallgoods. It is Christchurch-based with production facilities in that city and in Auckland. Heller Tasty sells mainly through supermarket chains – both as branded product and as house-brands."*

Heller Tasty has grown its activity level substantially over recent years and is looking forward to consolidating its market position over the coming year. There continue to be good growth opportunities, particularly in the chilled goods segment of the market.

Heller Tasty is a market leader that is committed to providing good quality, value for money products. The Company and its staff are a welcome addition to Rangatira's investment portfolio.

### **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 made good progress during the year on developing new products and markets and raising the quality of production through the new factory in Paraparaumu. We sold our shareholding in September 2003 in response to an offer from United Milk to acquire 100% of the Company.

**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 has performed well during the year, but was affected by the impact of the SARS epidemic on tourist numbers and the redevelopment of the site. The redevelopment involves some of the older sunken pools being closed with new pools being built at a higher level to provide bathers with a panoramic view of Lake Rotorua. The main redevelopment will be completed in September 2004 and will really enhance the facility.

**Precision Dispensing Systems Limited (72% 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 worked with its local and international partners during the year to further develop and enhance its technology and products. Management has been focussed on licensing the technology offshore and we are hopeful of concluding such an arrangement in the very near future. We are working closely with PDS management to assist.

**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 has been strongly focussed during the year on growing its market presence in Australia. In this respect, it is making good progress, but the market development costs have impacted its financial performance. We see this as a necessary cost to achieve growth and a sustainable investment long term. We will continue to provide close guidance and assistance to Tecpak management through this critical development phase.

**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 in the next few years as the Company’s existing land bank is developed.”*

Te Kairanga has consistently proven to be a reliable producer of quality wine. The Company is in a major development phase which is expected to extend until 2009. By that time, it is expected to produce around 60,000 cases of wine per annum. Its current level of production is 25,000 cases (based on 2004 vintage). This level of activity is expected to provide a sound platform for its ongoing commercial success.

**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 located in Auckland, Wellington and Christchurch.”*

Vita NZ had a good year reflecting its strong relationships with the major players in the New Zealand retail market, and its ability to develop innovative products which can be taken quickly to market.

Competition from imported product, particularly furniture, has increased steadily throughout the year as the NZD exchange rate has risen. Hopefully that trend is now reversing, but there is still an overhang of imported product depressing demand during the early months of 2004/05.

## 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.*

### **Domett Properties Limited (50% owned)**

*Domett Properties owns one property in Kaiapoi, near Christchurch. The property is leased by Heller Tasty Limited.*



### **IS Frame**

Chief Executive

8 June 2004

## DIRECTORATE

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

### **Auckland Packaging Company Limited**

WL Gillanders (Chairman)  
(appointed 15 April 2003)

### **Domett Properties Limited**

BMJ Dineen  
(appointed 22 March 2004)

### **Heller Tasty Limited**

BMJ Dineen  
(appointed 5 February 2004)

### **Kapiti Cheeses Limited**

G S Pentecost  
(resigned 24 September 2003)

### **Polynesian Spa Limited**

E J Tonks (Chairman)  
P H McKenzie  
GS Pentecost

### **Precision Dispensing Systems Limited**

R M Gough (Chairman)  
P H McKenzie

### **Tecpak Industries Limited**

D K Gibson (Chairman)  
E J Tonks  
(resigned 30 September 2003)  
BMJ Dineen  
(appointed 7 May 2003)

### **Te Kairanga Wines Limited**

R M Gough  
(resigned 30 September 2003)  
E J Tonks  
GS Pentecost  
(appointed 23 October 2003)

### **Vita New Zealand Limited**

RM Gough  
(appointed 21 November 2003)

Board Committees are as follows:

### **Audit Committee**

B M J Dineen (Chairman)  
D K Gibson  
P H McKenzie  
W L Gillanders

### **Remuneration Committee**

R M Gough (Chairman)  
E J Tonks  
B M J Dineen  
P H McKenzie

*Rangatira Group*  
**STATEMENTS OF FINANCIAL PERFORMANCE**  
*For the year ended 31 March 2004*

	Note	<b>Group 2004 \$000</b>	Group 2003 \$000	<b>Parent 2004 \$000</b>	Parent 2003 \$000
Total income	1	<b>37,053</b>	33,235	<b>7,782</b>	10,108
Surplus from operations	2	<b>11,319</b>	6,358	<b>6,407</b>	8,873
Share of retained surplus after tax of associate companies	9	<b>367</b>	1,126		
<b>Net surplus before tax</b>		<b>11,686</b>	7,484	<b>6,407</b>	8,873
Tax expense	3	<b>(1,259)</b>	(1,914)	<b>(146)</b>	(587)
<b>Net surplus after tax</b>		<b>10,427</b>	5,570	<b>6,261</b>	8,286
Less Net surplus after tax attributable to minority shareholders in subsidiary companies	5	<b>(374)</b>	(467)		
<b>Net surplus for the year attributable to shareholders of Rangatira Limited</b>		<b>10,053</b>	5,103	<b>6,261</b>	8,286

*Rangatira Group*  
**STATEMENTS OF MOVEMENTS IN EQUITY**  
*For the year ended 31 March 2004*

	Note	<b>Group 2004 \$000</b>	Group 2003 \$000	<b>Parent 2004 \$000</b>	Parent 2003 \$000
<b>Equity at beginning of year</b>		<b>82,197</b>	90,848	<b>80,986</b>	88,333
Net surplus attributable to shareholders of Rangatira Limited		<b>10,053</b>	5,103	<b>6,261</b>	8,286
Net movement in revaluation reserve	6	<b>9,259</b>	(6,359)	<b>13,170</b>	(8,726)
Retained deficit transferred to minority shareholders in subsidiary companies	5	<b>–</b>	229		
Total recognised revenues and expenses for the year		<b>19,312</b>	(1,027)	<b>19,431</b>	(440)
Movement in minority interests		<b>91</b>	(717)		
Dividends – parent entity		<b>(5,136)</b>	(6,907)	<b>(5,136)</b>	(6,907)
<b>Equity at end of year</b>		<b>96,464</b>	82,197	<b>95,281</b>	80,986

– The attached notes form part of, and should be read in conjunction with, the above statements –

*Rangatira Group*  
**STATEMENTS OF FINANCIAL POSITION**  
*As at 31 March 2004*

	Note	Group 2004 \$000	Group 2003 \$000	Parent 2004 \$000	Parent 2003 \$000
<b>Equity</b>					
Share capital	4	17,712	17,712	17,712	17,712
Revenue reserves	5	68,656	63,739	53,964	52,839
Revaluation reserve	6	9,259	–	23,605	10,435
Attributable to parent entity shareholders		95,627	81,451	95,281	80,986
Minority interests		837	746		
<b>Total equity</b>		<b>96,464</b>	82,197	<b>95,281</b>	80,986
<b>Long term liabilities</b>					
Term loans	7	1,879	1,522	–	–
<b>Current liabilities</b>					
Accounts payable		2,128	2,341	100	292
Employee entitlements		447	272	–	–
Current portion of term liabilities	7	2,589	2,369	–	–
Deposits and short term loans		2,974	3,231	308	302
Owing to subsidiaries				5,446	4,872
<b>Total current liabilities</b>		<b>8,138</b>	8,213	<b>5,854</b>	5,466
<b>Total equity and liabilities</b>		<b>106,481</b>	91,932	<b>101,135</b>	86,452
<b>Property, plant and equipment</b>					
Investments	8	12,708	12,318	65	60
Shares in listed companies		44,354	41,141	33,125	31,139
Shares in unlisted companies		1,020	1,029	1,020	1,029
Shares in associate companies	9	21,280	13,820	19,819	12,492
Advances to unlisted companies		4,061	377	4,061	377
Property investment	10	2,520	2,450	–	–
		73,235	58,817	58,025	45,037
<b>Subsidiaries</b>					
Shares	11			21,642	18,164
Owing by subsidiaries				12,956	14,938
				34,598	33,102
<b>Goodwill</b>					
Development costs	12	3,043	3,236	–	–
Deferred tax asset	13	1,000	1,000	–	–
	3	–	73	–	–
<b>Total non current assets</b>		<b>89,986</b>	75,444	<b>92,688</b>	78,199
<b>Current assets</b>					
Bank		4,486	1,703	1,862	11
Short term investments		3,977	8,759	3,612	6,888
Accounts receivable		5,207	3,726	2,157	465
Prepayments		265	203	–	–
Inventories	14	1,640	1,395	–	–
Tax refund due		920	702	816	889
<b>Total current assets</b>		<b>16,495</b>	16,488	<b>8,447</b>	8,253
<b>Total assets</b>		<b>106,481</b>	91,932	<b>101,135</b>	86,452

On behalf of the Board

RM Gough

BMJ Dineen




– The attached notes 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 2004

	<b>Group</b> <b>2004</b> <b>\$000</b>	Group 2003 \$000	<b>Parent</b> <b>2004</b> <b>\$000</b>	Parent 2003 \$000
<b>Cash flows from operating activities</b>				
Cash was provided from:				
Receipts from customers	<b>26,981</b>	26,511	–	–
Dividends received	<b>4,479</b>	2,455	<b>3,905</b>	1,846
Interest received	<b>438</b>	624	<b>791</b>	973
Other income	<b>110</b>	372	<b>83</b>	36
Tax refund	–	57	–	57
	<b>32,008</b>	30,019	<b>4,779</b>	2,912
Cash was applied to:				
Payments to suppliers and employees	<b>(23,153)</b>	(22,243)	<b>(1,201)</b>	(1,185)
Tax paid	<b>(1,513)</b>	(2,626)	<b>(231)</b>	(1,158)
Interest paid	<b>(570)</b>	(405)	<b>(165)</b>	(18)
	<b>(25,236)</b>	(25,274)	<b>(1,597)</b>	(2,361)
<b>Net cash inflows from operating activities</b>	<b>6,772</b>	4,745	<b>3,182</b>	551
<b>Cash flows from investing activities</b>				
Cash was provided from:				
Proceeds from sale of investments	<b>11,961</b>	19,653	<b>10,919</b>	18,234
Proceeds from sale of property, plant and equipment	<b>2</b>	48	–	–
Repayment of advances made to subsidiaries			<b>3,661</b>	789
	<b>11,963</b>	19,701	<b>14,580</b>	19,023
Cash was applied to:				
Advances made to subsidiaries			<b>(1,105)</b>	(1,053)
Purchase of property, plant and equipment	<b>(2,162)</b>	(2,379)	<b>(48)</b>	(33)
Purchase of investments	<b>(13,472)</b>	(12,677)	<b>(13,472)</b>	(12,426)
	<b>(15,634)</b>	(15,056)	<b>(14,625)</b>	(13,512)
<b>Net cash inflows from investing activities</b>	<b>(3,671)</b>	4,645	<b>(45)</b>	5,511
<b>Cash flows from financing activities</b>				
Cash was provided from:				
Dividends received from subsidiaries			<b>568</b>	1,200
Proceeds from equity	<b>10</b>	–	–	–
Proceeds from loans	<b>1,697</b>	2,255	<b>6</b>	3
	<b>1,707</b>	2,255	<b>574</b>	1,203
Cash was applied to:				
Dividends paid to shareholders of parent	<b>(5,136)</b>	(6,908)	<b>(5,136)</b>	(6,908)
Dividends paid to minority shareholders	<b>(292)</b>	(1,000)		
Repayment of loans	<b>(1,379)</b>	(806)	–	–
	<b>(6,807)</b>	(8,714)	<b>(5,136)</b>	(6,908)
<b>Net cash outflows from financing activities</b>	<b>(5,100)</b>	(6,459)	<b>(4,562)</b>	(5,705)

– The attached notes 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 2004

	<b>Group</b> <b>2004</b> <b>\$000</b>	Group 2003 \$000	<b>Parent</b> <b>2004</b> <b>\$000</b>	Parent 2003 \$000
<b>Net (decrease)/increase in cash held</b>	<b>(1,999)</b>	2,931	<b>(1,425)</b>	357
Cash at beginning of year	<b>10,462</b>	7,661	<b>6,899</b>	6,542
Effect of exchange rate movement	–	(130)	–	–
<b>Cash at end of year</b>	<b>8,463</b>	10,462	<b>5,474</b>	6,899
<b>Cash balances in Statements of Financial Position</b>				
Bank	<b>4,486</b>	1,703	<b>1,862</b>	11
Short term investments	<b>3,977</b>	8,759	<b>3,612</b>	6,888
	<b>8,463</b>	10,462	<b>5,474</b>	6,899
<b>Cash flow reconciliation</b>				
Net surplus after tax	<b>10,427</b>	5,570	<b>6,261</b>	8,286
Add/(Less) Non cash items:				
Share of retained surplus after tax of associate companies	<b>(367)</b>	(1,126)		
Amortisation of goodwill	<b>193</b>	736	–	–
Movement in deferred tax asset	<b>73</b>	285	–	157
Depreciation	<b>1,569</b>	1,322	<b>19</b>	13
Exchange losses	–	130	–	–
Net unrealised (gains)/losses on other investments	<b>(2,503)</b>	4,336	–	70
	<b>(1,035)</b>	5,683	<b>19</b>	240
Add/(Less) Movements in other working capital items:				
Accounts receivable	<b>(1,481)</b>	7,576	<b>(1,692)</b>	7,883
Inventories	<b>(245)</b>	434	–	–
Tax refund due	<b>(218)</b>	(702)	–	(889)
Prepayments	<b>(62)</b>	(80)	–	–
Accounts payable	<b>(213)</b>	27	<b>(190)</b>	191
Employee entitlements	<b>175</b>	64	–	–
Tax payable	–	(47)	<b>73</b>	–
	<b>(2,044)</b>	7,272	<b>(1,809)</b>	7,185
Less items classified as investing activities:				
Net gains on sale of investments	<b>(2,407)</b>	(5,848)	<b>(2,505)</b>	(6,017)
Net loss on sale of property, plant and equipment	<b>175</b>	11	–	–
Settlement transactions relating to purchase of fixed asset settlement	–	(24)	–	(24)
Settlement transactions relating to sale of investment settlements	<b>1,656</b>	(7,919)	<b>1,784</b>	(7,919)
	<b>(576)</b>	(13,780)	<b>(721)</b>	(13,960)
Less items classified as financing activities:				
Dividends received from subsidiaries			<b>(568)</b>	(1,200)
			<b>(568)</b>	(1,200)
<b>Net cash inflows from operating activities</b>	<b>6,772</b>	4,745	<b>3,182</b>	551

– The attached notes 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 2004*

## **STATEMENT OF ACCOUNTING POLICIES**

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### **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 2004*

**STATEMENT OF ACCOUNTING POLICIES** *continued*

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**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 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**

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 2004

**NOTE 1 Total income**

	<b>Group</b>	Group	<b>Parent</b>	Parent
	<b>2004</b>	2003	<b>2004</b>	2003
	<b>\$000</b>	\$000	<b>\$000</b>	\$000
Total income comprises:				
Sales	<b>26,524</b>	27,097	–	–
Dividends	<b>4,538</b>	2,429	<b>4,467</b>	3,020
Share of retained surplus after tax of associate companies	<b>367</b>	1,126		
Other interest income	<b>343</b>	656	<b>759</b>	1,004
Net realised/unrealised gains on investments	<b>4,910</b>	1,512	<b>2,505</b>	6,017
Rent	<b>301</b>	300	<b>1</b>	10
Gain on foreign exchange	<b>13</b>	–	–	–
Sundry income	<b>57</b>	115	<b>50</b>	57
<b>Total income</b>	<b>37,053</b>	33,235	<b>7,782</b>	10,108

**NOTE 2 Surplus from operations**

	<b>Group</b>	Group	<b>Parent</b>	Parent
	<b>2004</b>	2003	<b>2004</b>	2003
	<b>\$000</b>	\$000	<b>\$000</b>	\$000
Surplus from operations is determined after charging:				
Amortisation of goodwill	<b>193</b>	736	–	–
Audit fees	<b>75</b>	65	<b>39</b>	40
Other fees paid to auditors	<b>55</b>	156	<b>2</b>	–
Bad debts	<b>9</b>	8	–	–
Depreciation – leasehold buildings	<b>205</b>	226	–	–
Depreciation – plant, vehicles and furniture	<b>1,364</b>	1,096	<b>19</b>	13
Directors' fees	<b>327</b>	253	<b>272</b>	199
Interest				
Term loans and bank borrowings	<b>410</b>	274	<b>158</b>	18
Other	<b>162</b>	130	<b>7</b>	–
Leasing and rental costs	<b>998</b>	929	<b>55</b>	48
Net realised/unrealised loss on foreign exchange	<b>11</b>	344	–	–
Net loss on disposal of property, plant and equipment	<b>175</b>	11	–	–

*Rangatira Group*  
**NOTES TO THE FINANCIAL STATEMENTS** (continued)  
For the year ended 31 March 2004

**NOTE 3 Tax expense**

	<b>Group</b>	Group	<b>Parent</b>	Parent
	<b>2004</b>	2003	<b>2004</b>	2003
	<b>\$000</b>	\$000	<b>\$000</b>	\$000
Surplus from operations	<b>11,319</b>	6,358	<b>6,407</b>	8,873
Dividend withholding payment credits	<b>32</b>	18	<b>25</b>	13
Imputation credits attached to dividend income	<b>2,009</b>	1,219	<b>1,737</b>	1,011
Taxable income	<b>13,360</b>	7,595	<b>8,169</b>	9,897
Tax at 33 cents	<b>(4,409)</b>	(2,506)	<b>(2,696)</b>	(3,266)
Tax effects of permanent differences:				
Non deductible expenditure and non assessable income	<b>1,371</b>	(70)	<b>1,061</b>	2,174
Group loss offset	<b>-</b>	-	<b>(35)</b>	-
Dividend withholding payment credits	<b>32</b>	18	<b>25</b>	13
Imputation credits	<b>2,009</b>	1,219	<b>1,737</b>	1,011
Withholding payments on offshore dividends	<b>(259)</b>	(467)	<b>(238)</b>	(411)
Prior year adjustment	<b>(3)</b>	(108)	<b>-</b>	(108)
Tax expense	<b>(1,259)</b>	(1,914)	<b>(146)</b>	(587)
Tax expense comprises:				
Current tax	<b>(1,050)</b>	(1,874)	<b>(146)</b>	(587)
Deferred tax	<b>(209)</b>	(40)	<b>-</b>	-
	<b>(1,259)</b>	(1,914)	<b>(146)</b>	(587)
<b>Deferred tax asset</b>				
Balance at beginning of year	<b>73</b>	358	<b>-</b>	157
Current year's timing differences	<b>(209)</b>	(40)	<b>-</b>	-
Tax loss recognised	<b>-</b>	(87)	<b>-</b>	-
Transfer from / (to) tax payable	<b>136</b>	(158)	<b>-</b>	(157)
<b>Balance at end of year</b>	<b>-</b>	73	<b>-</b>	-

The deferred tax asset, which forms part of the current tax balance, 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.

	<b>2004</b>	2003
	<b>\$000</b>	\$000

**Imputation credit account**

**Consolidated tax group**

Balance at beginning of year	<b>579</b>	697
Increase during the year	<b>1,991</b>	2,170
Credits attached to dividends paid	<b>(1,749)</b>	(2,288)
<b>Balance at end of year</b>	<b>821</b>	579

The group has \$1,634,000 imputation credits (2003 \$1,242,000)

	<b>2004</b>	2003
	<b>\$000</b>	\$000

**Dividend withholding payment credit account**

**Consolidated tax group**

Balance at beginning of year	<b>15</b>	71
Increase during the year	<b>433</b>	282
Credits attached to dividends paid	<b>(195)</b>	(338)
<b>Balance at end of year</b>	<b>253</b>	15

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** (continued)  
For the year ended 31 March 2004

**NOTE 4 Share capital**

	<b>Group</b>	Group	<b>Parent</b>	Parent
	<b>2004</b>	2003	<b>2004</b>	2003
	<b>\$000</b>	\$000	<b>\$000</b>	\$000
Ordinary "A" shares (6,165,000 shares)	<b>6,165</b>	6,165	<b>6,165</b>	6,165
Ordinary "B" shares (11,547,000 shares)	<b>11,547</b>	11,547	<b>11,547</b>	11,547
	<b>17,712</b>	17,712	<b>17,712</b>	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**

	<b>Group</b>	Group	<b>Parent</b>	Parent
	<b>2004</b>	2003	<b>2004</b>	2003
	<b>\$000</b>	\$000	<b>\$000</b>	\$000
<b>Revenue reserves</b>				
Balance at beginning of year	<b>63,739</b>	65,314	<b>52,839</b>	51,460
Net surplus after tax	<b>10,427</b>	5,570	<b>6,261</b>	8,286
Retained deficit transferred to minority shareholders in subsidiary companies	-	229		
Net surplus after tax attributable to minority shareholders in subsidiary companies	<b>(374)</b>	(467)		
Dividends – parent entity	<b>(5,136)</b>	(6,907)	<b>(5,136)</b>	(6,907)
<b>Total revenue reserves</b>	<b>68,656</b>	63,739	<b>53,964</b>	52,839

**NOTE 6 Revaluation reserve**

	<b>Group</b>	Group	<b>Parent</b>	Parent
	<b>2004</b>	2003	<b>2004</b>	2003
	<b>\$000</b>	\$000	<b>\$000</b>	\$000
<b>Revaluation reserve</b>				
Balance at beginning of year	-	6,359	<b>10,435</b>	19,161
Revaluation of investment in wholly owned subsidiaries to share of net tangible assets			<b>3,478</b>	(2,314)
Revaluation of other investments to market valuation	<b>9,703</b>	(9,194)	<b>7,576</b>	(6,687)
Revaluation reserve transferred to the statement of financial performance	<b>(2,560)</b>	2,560	-	-
Revaluation reserve applicable to investments realised during the year	<b>2,116</b>	275	<b>2,116</b>	275
<b>Balance at end of year</b>	<b>9,259</b>	-	<b>23,605</b>	10,435

*Rangatira Group*  
**NOTES TO THE FINANCIAL STATEMENTS** (continued)  
For the year ended 31 March 2004

**NOTE 7 Term loans**

	<b>Group</b> <b>2004</b> <b>\$000</b>	Group 2003 \$000	<b>Parent</b> <b>2004</b> <b>\$000</b>	Parent 2003 \$000
Westpac Bank facility	<b>403</b>	–	–	–
National Bank facility	<b>3,988</b>	3,813	–	–
Other	<b>77</b>	78	–	–
	<b>4,468</b>	3,891	–	–
Less Current portion	<b>(2,589)</b>	(2,369)	–	–
Term loans due after 12 months	<b>1,879</b>	1,522	–	–

The current weighted average interest rate on the National Bank facility is 7.00% (2003 7.45%) and 7.85% on the Westpac Bank facility.

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**

	<b>Group</b> <b>2004</b> <b>\$000</b>	Group 2003 \$000	<b>Parent</b> <b>2004</b> <b>\$000</b>	Parent 2003 \$000
<b>Leasehold buildings</b>				
At cost	<b>5,395</b>	5,219	–	–
Less Accumulated depreciation	<b>(1,789)</b>	(1,549)	–	–
Total leasehold buildings	<b>3,606</b>	3,670	–	–
<b>Plant, vehicles and furniture</b>				
At cost	<b>13,602</b>	12,052	<b>116</b>	91
Less Accumulated depreciation	<b>(4,500)</b>	(3,404)	<b>(51)</b>	(31)
Total plant, vehicles and furniture	<b>9,102</b>	8,648	<b>65</b>	60
<b>Total net book value</b>	<b>12,708</b>	12,318	<b>65</b>	60

**NOTE 9 Shares in associate companies**

	<b>Percentage Held</b> <b>2004</b>	2003	<b>Balance Date</b>
<b>Associates:</b>			
Domett Properties Limited	50%	–	31 March
Heller Tasty Limited	50%	–	31 March
Kapiti Cheeses Limited	–	40%	31 May
Te Kairanga Wines Limited	28%	28%	30 June
Vita New Zealand Limited	50%	50%	31 March

Domett Properties Limited is a property investment company. Domett Properties Limited was equity accounted from 13 June 2003.

Heller Tasty Limited is a producer of ham and smallgoods. Heller Tasty was equity accounted from 13 June 2003.

Kapiti Cheeses Limited is a manufacturer and distributor of specialty cheeses and ice creams. Kapiti Cheeses ceased to be equity accounted on 30 September 2003.

Te Kairanga Wine Limited is a producer of fine wines. Te Kairanga Wine 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 2004

**NOTE 9 Shares in associate companies** *continued*

	<b>Group</b> <b>2004</b> <b>\$000</b>	Group 2003 \$000	<b>Parent</b> <b>2004</b> <b>\$000</b>	Parent 2003 \$000
Domett Properties Limited	<b>39</b>	–	<b>51</b>	–
Heller Tasty Limited	<b>7,774</b>	–	<b>8,036</b>	–
Kapiti Cheeses Limited	–	2,494	–	2,260
Te Kairanga Wines Limited	<b>2,520</b>	2,567	<b>2,505</b>	2,505
Vita New Zealand Limited	<b>10,947</b>	8,759	<b>9,227</b>	7,727
<b>Total shares in associate companies</b>	<b>21,280</b>	13,820	<b>19,819</b>	12,492

	<b>Change in carrying value</b>			
	<b>Group</b> <b>2004</b> <b>\$000</b>	Group 2003 \$000	<b>Parent</b> <b>2004</b> <b>\$000</b>	Parent 2003 \$000
At cost	<b>19,819</b>	12,492	<b>19,819</b>	12,492
Retained surplus at beginning of year	<b>1,328</b>	63		
Share of retained surplus before tax of associate companies	<b>4,641</b>	2,394		
Amortisation of goodwill on acquisition of associate companies	<b>(320)</b>	–		
Share of associate companies tax expense	<b>(1,603)</b>	(803)		
Share of retained surplus for the year	<b>2,718</b>	1,591		
Dividends received from associate companies	<b>(2,351)</b>	(465)		
Share in retained surplus after tax of associate companies	<b>367</b>	1,126		
Associate reserves transferred to retained surplus following disposal	<b>(234)</b>	139		
<b>Total shares in associate companies</b>	<b>21,280</b>	13,820	<b>19,819</b>	12,492

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/deficits is based on the unaudited financial statements for these companies.

**Goodwill on acquisition of associate companies**

	<b>Group</b> <b>2004</b> <b>\$000</b>	Group 2003 \$000
On acquisition of associate companies at cost	<b>8,128</b>	–
Accumulated amortisation	<b>(320)</b>	–
	<b>7,808</b>	–

**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 2004. The investment property was valued at net current value by a registered valuer, CB Richard Ellis. The revaluation reserve includes property revaluations of \$1,579,000 (2003 \$1,509,000).

*Rangatira Group*  
**NOTES TO THE FINANCIAL STATEMENTS** (continued)  
For the year ended 31 March 2004

**NOTE 11 Subsidiary companies**

(All subsidiary companies balance on 31 March)

	Principal activities	Percentage owned by Rangatira Limited at 31 March	
		2004	2003
Romney (No. 30) Limited	Special purpose investment	100%	100%
Polynesian Spa Limited	Tourism	51%	51%
Romney (No. 11) Limited <sup>1</sup>	Special purpose investment	100%	100%
Romney (No. 19) Limited <sup>1</sup>	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 <sup>2</sup>	Pump developer and manufacturer	72%	70%
PDS Limited	Special purpose investment	100%	100%
Tecpak Industries Limited	Packaging	79%	79%

<sup>1</sup> Non trading subsidiaries

<sup>2</sup> Fully diluted shareholding

**NOTE 12 Goodwill**

	Group 2004 \$000	Group 2003 \$000	Parent 2004 \$000	Parent 2003 \$000
On acquisition of subsidiaries – at cost	4,474	4,474		
Accumulated amortisation	(1,431)	(1,238)		
	<b>3,043</b>	3,236		

**NOTE 13 Development costs**

	Group 2004 \$000	Group 2003 \$000	Parent 2004 \$000	Parent 2003 \$000
On acquisition – at cost	1,789	1,789	–	–
Accumulated amortisation	(789)	(789)	–	–
	<b>1,000</b>	1,000	–	–

**NOTE 14 Inventories**

	Group 2004 \$000	Group 2003 \$000	Parent 2004 \$000	Parent 2003 \$000
Merchandise held for resale	720	519	–	–
Raw materials, manufacturing work in progress and manufactured goods	920	876	–	–
	<b>1,640</b>	1,395	–	–

**NOTE 15 Contingent Liabilities**

There are no contingent liabilities at 31 March 2004 (2003 Nil)

*Rangatira Group*  
**NOTES TO THE FINANCIAL STATEMENTS** (continued)  
For the year ended 31 March 2004

**NOTE 16 Commitments**

**Operating lease commitments**

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

	<b>Group</b>	Group	<b>Parent</b>	Parent
	<b>2004</b>	2003	<b>2004</b>	2003
	<b>\$000</b>	\$000	<b>\$000</b>	\$000
Within one year	<b>982</b>	618	<b>94</b>	94
Greater than one year but less than two years	<b>692</b>	615	<b>94</b>	94
Greater than two years but less than five years	<b>837</b>	1,888	<b>281</b>	281
Greater than five years	<b>250</b>	58	<b>250</b>	344
	<b>2,761</b>	3,179	<b>719</b>	813

**Capital commitments**

There are no capital commitments at 31 March 2004 (2003 Nil).

**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 review provides information on 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 \$19,101,795 (2003 \$19,260,134) in direct foreign investments, principally Australian equities. The group had \$613,587 (2003 \$1,188,927) 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 (2003 Nil).

**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 2004

**NOTE 17 Financial Instruments** *continued*

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

<b>Group 2004</b>	<b>Weighted average effective interest rate %</b>	<b>Current \$000</b>	<b>1-2 years \$000</b>	<b>2-5 years \$000</b>	<b>Over 5 years \$000</b>	<b>Total \$000</b>
Monetary liabilities:						
National Bank facility	7.00%	2,186	983	818	–	3,987
Westpac Bank facility	7.85%	403	–	–	–	403
Deposits and short term loans	8.68%	1,686	–	–	–	1,686
Monetary assets:						
Short term investments	5.50%	3,977	–	–	–	3,977

<b>Group 2003</b>	<b>Weighted average effective interest rate %</b>	<b>Current \$000</b>	<b>1-2 years \$000</b>	<b>2-5 years \$000</b>	<b>Over 5 years \$000</b>	<b>Total \$000</b>
Monetary liabilities:						
National Bank facility	7.45%	2,311	752	750	–	3,813
Deposits and short term loans	9.00%	1,963	–	–	–	1,963
Monetary assets:						
Short term investments	5.50%	8,759	–	–	–	8,759

<b>Parent 2004</b>	<b>Weighted average effective interest rate %</b>	<b>Current \$000</b>	<b>1-2 years \$000</b>	<b>2-5 years \$000</b>	<b>Over 5 years \$000</b>	<b>Total \$000</b>
Monetary liabilities:						
Short term loans	5.00%	308	–	–	–	308
Monetary assets:						
Short term investments	5.25%	3,612	–	–	–	3,612
Owing by subsidiaries/associates (interest bearing assets only)	9.43%	5,687	–	–	–	5,687

<b>Parent 2003</b>	<b>Weighted average effective interest rate %</b>	<b>Current \$000</b>	<b>1-2 years \$000</b>	<b>2-5 years \$000</b>	<b>Over 5 years \$000</b>	<b>Total \$000</b>
Monetary liabilities:						
Short term loans	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

**Off balance sheet financial instruments**

As at balance date a subsidiary had entered into foreign exchange forward contracts maturing during 2004 to purchase the equivalent of NZ\$289,000 (2003 \$761,000) in foreign currency.

*Rangatira Group*  
**NOTES TO THE FINANCIAL STATEMENTS** *(continued)*  
For the year ended 31 March 2004

**NOTE 18 Related party transactions**

During the year the parent company made advances of \$1,105,000 (2003 \$1,053,000) to subsidiary companies and received repayments of \$3,661,000 (2003 \$789,000) from subsidiary companies. At balance date the parent company owed \$5,446,000 (2003 \$4,872,000) to subsidiaries, was owed \$12,956,000 (2003 \$14,938,000) from subsidiaries and was owed \$4,061,000 (2003 \$377,000) by related entities. Interest income of \$528,000 (2003 \$444,000) was received during the year from subsidiary companies in relation to these advances. Dividend income of \$568,000 (2003 \$1,200,000) 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**

	Listed Equity Investments		Unlisted Investments		Group	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000	2004 \$000	2003 \$000
Total income	<b>4,020</b>	1,820	<b>33,033</b>	31,415	<b>37,053</b>	33,235
Segment result before interest and tax	<b>3,950</b>	(1,613)	<b>7,965</b>	8,845	<b>11,915</b>	7,232
Net interest					<b>(229)</b>	252
Tax					<b>(1,259)</b>	(1,914)
Net surplus after tax before minority interests					<b>10,427</b>	5,570
Segment Assets	<b>48,804</b>	41,141	<b>57,677</b>	50,791	<b>106,481</b>	91,932

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

**NOTE 20 Significant events after Balance Date**

**Declaration of dividend**

On 8 June 2004, the Board of Directors approved the payment of a final dividend of \$2.8 million, representing 16 cents per share.

# AUDITORS' REPORT



## *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 2004. 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 2004 and of the results of their operations and cash flows for the year ended 31 March 2004.

### **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.

Other than in our capacity as auditor and the provision of taxation 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 2004 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 8 June 2004 and our unqualified opinion is expressed as at that date.

A stylized, handwritten signature of the word "Deloitte" in a cursive script.

**CHARTERED ACCOUNTANTS  
WELLINGTON, NEW ZEALAND**

## COMPARATIVE FINANCIAL SUMMARY

For the Year Ended 31 March 2004

	2004	2003	2002	2001	2000
	\$000	\$000	\$000	\$000	\$000
<b>EARNINGS</b>					
Net surplus before tax	<b>11,686</b>	7,484	11,539	6,925	6,933
Tax expense	<b>(1,259)</b>	(1,914)	(1,671)	(672)	(1,473)
Net surplus after tax	<b>10,427</b>	5,570	9,585	6,253	5,185
Dividends	(1) <b>5,491</b>	5,136	6,201	4,605	4,251
<b>SHAREHOLDERS' FUNDS</b>					
Share Capital	<b>17,712</b>	17,712	17,712	17,712	17,712
Revenue reserves	<b>68,656</b>	63,739	65,314	57,634	56,175
Other reserves	<b>9,259</b>	–	6,359	3,352	4,192
	<b>95,627</b>	81,451	89,385	78,698	78,079
<b>STATISTICS</b>					
Earnings per share, cents	<b>56</b>	29	54	35	29
Dividends per share, cents	(1) <b>31</b>	29	35	26	24
Group asset backing per share, \$	<b>5.40</b>	4.60	5.04	4.44	4.40

(1) Dividends include the final dividend of 16 cents per share which was not provided in the Financial Statements.

## SHAREHOLDER INFORMATION

### COMPANY INFORMATION

Rangatira is developing a website for information on the Company. The website address will be [www.rangatira.co.nz](http://www.rangatira.co.nz)

### SHARE TRADING AND PRICE INFORMATION

Shareholders can trade their shares on "Unlisted". Information on how to trade shares and current share quotes are available at [www.unlisted.co.nz](http://www.unlisted.co.nz) Unlisted also publishes the latest share prices in major newspapers on a weekly basis.

**MAJOR SHAREHOLDINGS IN  
LISTED COMPANIES**

*(As at 31 March)*

<b>New Zealand Shares</b>	<b>2004 NZ\$m</b>	<b>2003 NZ\$m</b>
Ebos	9.6	7.8
Kiwi Income Property Trust	2.5	2.4
GPG	2.4	1.6
Fisher & Paykel Appliances	1.9	1.0
Sky City	1.8	1.6
Fisher & Paykel Healthcare	1.7	1.3
Fletcher Building	1.2	0.9
Contact Energy	1.2	0.9
Tourism Holdings	0.8	0.5
INL	0.7	0.5
<b>Australian Shares</b>	<b>NZ\$m</b>	<b>NZ\$m</b>
B H P	3.7	2.6
JB Were Emerging Leaders Trust	2.9	2.0
Woodside Petroleum	2.0	1.3
Rio Tinto	1.7	1.4
Fosters	1.6	1.6
Macquarie Bank	1.6	1.0
Telstra	1.4	1.2
Commonwealth Bank	1.3	1.0
Foodlands	1.1	1.0
Macquarie Infrastructure Group	0.9	0.9



## 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. In the year to March 2004 the Trust made 568 grants, ranging from \$200 to \$180,000, and totalling \$2.96 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 one in five groups received as much as they requested.

Most grants were made for the operating or development costs of small and medium sized community organisations. The Trust has continued to support a smaller number of new approaches to social issues through its “Innovative Fund”, for example:

- The City of Manukau Education Trust is lead agency for the Otago Digital Opportunities Project – improving the IT capacity of 22 local community groups, and linking them together.
- People First New Zealand is a new “self-advocacy” agency, a voice for people with intellectual disabilities.

- The Community Accounts Mentoring Service, initiated by the Wellington Council of Social Services, offers customised training for community groups in the important area of financial management.

A highlight of the last year was the Trust’s Strategic Review. We engaged a small team of consultants who canvassed the views of many applicant groups (both successful and unsuccessful), funders, policy makers and Trust personnel. Among the lessons learned that will shape our activities for the next five years are:

- The service provided by the Trust is highly regarded by community groups – as are the grants, even though they are usually only a small part of their income.
- The Trust’s activities other than, and complementary to, grant making are also respected and valued.
- The Trust’s ability to make a positive difference to Maori with disadvantage is in need of development, given that socio-economic indicators for Maori continue to lag behind those of non-Maori.
- Multi-year funding commitments are hugely valued by community groups, as they provide a much better platform for service development.

The plan that has emerged from the Review will see the Trust:

- Continue to dedicate the bulk of its resources to grants for community agencies’ operating costs.

- Remain a source of funding for innovation addressing social needs.
- Continue and build a targeted, programmatic approach to selected areas of social need. This approach, involving grant making and other complementary activity, has been trialled over recent years in our work with strengthening Pacific organisations, and increasing refugee employment. The next programme will be focused on some area of Maori disadvantage.
- Increase multi-year funding commitments where appropriate.
- Look for further synergies with Rotary.

Another high point of the year involved looking back rather than forward: the opening at the Trust's office of the "McKenzie Room", an exhibition of the McKenzie family's many contributions.

New Zealand society. The display was largely funded by Sir Roy McKenzie. Visitors are welcome; please contact the office first.

As ever, we are very grateful for the active support of Sir Roy McKenzie and the McKenzie family; the Rotary movement who assist with publicising the Trust and assessing grant applications; our income sources, Rangatira Limited and the Jayar Charitable Trust; and the thousands of people in our community who strive to make life better for New Zealanders facing hardship, adversity and social exclusion.

#### TRUSTEES ARE:

Peter Holst – *Chair*  
 Radha Balakrishnan  
 Pania Ellison  
 Melita Farley  
 Warren Lindberg  
 John McKenzie  
 Peter McKenzie

#### *Regional Chairs:*

Bob Baird – Auckland North  
 Neville Caird – Dunedin  
 Brian Palliser – Christchurch  
 John Spooner – Auckland  
 Tricia Walbridge – Wellington  
 David Wright – Hamilton

For more information about the J R McKenzie Trust and the groups it supports, visit the Trust's website –

[www.jrmckenzie.org.nz](http://www.jrmckenzie.org.nz)

or contact:

*Iain Hines or Alison Glen*

*P O Box 10 006*

*Wellington*

*Phone: (04) 472 8876*

*Fax: (04) 472 5367*

*Email: [info@jrmckenzie.org.nz](mailto:info@jrmckenzie.org.nz)*

***Iti noa ana, he pito mata.***

**With care, a small kumara will produce a harvest.**