



RANGATIRA

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CHAIRMAN'S ADDRESS AND COMMENTS

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Sharemarkets in most developed economies have recovered strongly from the extreme lows of the global recession – but are still a long way short of their previous peaks. For the developed world it is increasingly clear that pre-recession consumption levels depended on an unsustainable flow of easy money. For most of these countries the resulting overhang of consumer debt – and, increasingly, government debt - is likely to mean full recovery from the global recession will take several years.

In contrast to the developed economies, strong growth in Asia and other developing regions has continued and appears to be relatively soundly based. Largely because of this, the world as a whole will probably avoid the severe economic collapse that at one stage appeared entirely possible.

New Zealand and Australia are among the more fortunate developed economies in this environment, with demand for food and resources in Asia offsetting constraints on domestic spending and difficulties in traditional export markets. We expect nevertheless that economic activity in both local economies will remain subdued for the foreseeable future. Rangatira's investments continue to be strongly focused on New Zealand and Australia, although always with an eye to opportunities elsewhere.

Rangatira's operating earnings last year increased to \$8.8m, 33% above the prior year and 20% above two years ago. Our investment strategy, coupled with determined and effective management at all levels, has enabled us to cope with the economic downturn and continue to grow the value of your company – as well as maintain a high dividend policy.

The assessed value of Rangatira shares at 31 March 2010 increased to \$8.05, a record high.

As illustrated by the graph in the Annual Report, an investment of \$1,000 in Rangatira seven years ago has produced returns over that period of \$921 - compared with \$634 over the same period from the New Zealand sharemarket, and an average of \$402 from managed growth investment funds.

While there were no major acquisitions or divestments during the past year, there has been ongoing investment and effort in all of our private equity companies to improve efficiency and adjust to the more difficult market conditions most of them have been faced with.

I would like to comment briefly on Te Kairanga.

As noted in the Annual Report, Te Kairanga is suffering - along with most other wine companies - from low prices in both domestic and export markets. This situation is due to a substantial oversupply of grapes in New Zealand and elsewhere, and reduced export demand as a result of the global recession. There is unlikely to be any early improvement, and we have written the value of our Te Kairanga shares down to zero in our accounts. Our accounts do, however, still include the loan owing by Te Kairanga.

It is important that shareholders are informed on the Te Kairanga situation, although it is also important to note that it is one of our smaller investments, representing less than 5% of our total portfolio before the write down.

As indicated by the increase in the assessed asset backing of Rangatira's shares, the write down of Te Kairanga has been more than offset by increases in the value of our other investments.

Directors are relatively conservative in assessing the value of our private equity companies, and our assessed asset backing continues to be based on values for each of these companies that we are confident could be realised if the company were to be sold.

Outlook

There is still a great deal of concern about the speed and extent of economic recovery in the United States, Europe, and Japan – and a distinct lack of confidence on the part of many commentators in these economies.

Growth is likely to continue in Asia, however, and that should benefit New Zealand and Australia - although Asian growth mostly translates into demand that is focused quite narrowly on the food and resource sectors. We expect the general level of domestic activity to remain subdued in New Zealand, and to a lesser extent also in Australia, as household debt is only gradually reduced to sustainable levels.

The investment outlook is accordingly one that requires considerable caution - but that does not mean inactiveness - and we continue to evaluate new opportunities and encourage innovation. Our main focus for the current year, however, will be on ensuring each of our companies is striving to maximise efficiency and reduce cost, rather than expecting any increase in overall demand.

Because of the lack of global confidence there is also uncertainty about how the coming year will turn out for Rangatira. Some of our companies have found conditions so far more difficult than expected, but others are exceeding budget - and our results to date are in line with the indication we gave in the Annual Report of an operating earnings increase in the region of 15%. Uncertainty about the economic outlook is probably greater than it was just two or three months ago, but at this stage we think the 15% outcome remains achievable.

R M Gough
Chairman
04/08/10