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# FINANCIAL STATEMENTS 2003

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## DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for ensuring that the financial statements give a true and fair view of the financial position of the Company and the Group as at 30 June 2003 and their financial performance and cash flows for that year.

The Directors consider that the financial statements of the Company and Group have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates and all relevant reporting and accounting standards have been followed.

The Directors believe that they have ensured that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and the Group and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

The Directors consider that they have taken adequate steps to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

The Directors are pleased to present the Financial Statements of Evergreen Forests Limited for the year ended 30 June 2003.

P D Wilson  
DIRECTOR

W J Falconer  
DIRECTOR

For and on behalf of the Board of Directors who authorised these financial Statements for issue on 22 August 2003.

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**AUDITORS' REPORT** for the year ended 30 June 2003



**To the Shareholders of Evergreen Forests Limited**

We have audited the financial statements on pages 27 to 41. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 30 June 2003 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 30 to 32.

**Directors' Responsibilities**

The Company's Directors are responsible for the preparation and presentation of financial statements which give a true and fair view of the financial position of the Company and Group as at 30 June 2003 and their financial performance and cash flows for the year ended on that date.

**Auditors' Responsibilities**

We are responsible for expressing an independent opinion on the financial statements presented by the Directors and reporting our opinion to you.

**Basis of Opinion**

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

- (a) the significant estimates and judgements made by the Directors in the preparation of the financial statements; and
- (b) whether the accounting policies are appropriate to the circumstances of the Company and Group, consistently applied and adequately disclosed.

We have conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are 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 statements.

We have no relationship with or interests in the Company or any of its subsidiaries other than in our capacity as auditors.

**Unqualified Opinion**

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

In our opinion:

- (a) proper accounting records have been kept by the Company as far as appears from our examination of those records; and
- (b) the financial statements on pages 27 to 41:
  - (i) comply with generally accepted accounting practice in New Zealand, and
  - (ii) give a true and fair view of the financial position of the Company and Group as at 30 June 2003 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 22 August 2003 and our unqualified opinion is expressed as at that date.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

**STATEMENTS OF FINANCIAL PERFORMANCE** for the year ended 30 June 2003

IN NZ \$000'S	Note	GROUP		COMPANY	
		2003	2002	2003	2002
<b>CONTINUING ACTIVITIES</b>					
Operating revenue	1	36,672	21,755	37,898	40,505
Operating expenses	1	(29,598)	(14,787)	(32,494)	(40,992)
<b>Net operating surplus (deficit)</b>		<b>7,074</b>	<b>6,968</b>	<b>5,404</b>	<b>(487)</b>
Nuhaka Farm Forestry Fund investment	10	(1,086)	(222)	(1,086)	(222)
Write-down of forests	8	(27,787)	-	3,489	-
Unrealised foreign exchange gain on borrowings	6	1,317	-	1,317	-
Write-off of convertible notes issue costs	5	(918)	-	(918)	-
<b>Net surplus (deficit) before taxation</b>		<b>(21,400)</b>	<b>6,746</b>	<b>8,206</b>	<b>(709)</b>
Taxation	2	(15,084)	-	(12,625)	-
<b>Net surplus (deficit) after taxation</b>		<b>(36,484)</b>	<b>6,746</b>	<b>(4,419)</b>	<b>(709)</b>

**STATEMENTS OF MOVEMENTS IN EQUITY** for the year ended 30 June 2003

IN NZ \$000'S	Note	GROUP		COMPANY	
		2003	2002	2003	2002
Net surplus (deficit) after taxation		(36,484)	6,746	(4,419)	(709)
<b>Total recognised revenues &amp; expenses</b>		<b>(36,484)</b>	<b>6,746</b>	<b>(4,419)</b>	<b>(709)</b>
<b>Distributions to owners</b>					
Repurchase of shares	3	(172)	(343)	(172)	(343)
<b>Contributions by owners</b>					
Shares issued	3	3,575	2,790	3,575	2,790
<b>Net change in equity</b>		<b>(33,081)</b>	<b>9,193</b>	<b>(1,016)</b>	<b>1,738</b>
<b>Equity at the beginning of the year</b>		<b>123,540</b>	<b>114,347</b>	<b>101,863</b>	<b>100,125</b>
<b>Equity at the end of the year</b>		<b>90,459</b>	<b>123,540</b>	<b>100,847</b>	<b>101,863</b>

**STATEMENTS OF FINANCIAL POSITION** as at 30 June 2003

IN NZ \$000'S	Note	GROUP		COMPANY	
		2003	2002	2003	2002
<b>EQUITY</b>					
Attributable to parent company shareholders	3	90,459	123,540	100,847	101,863
<b>Total equity</b>		<b>90,459</b>	<b>123,540</b>	<b>100,847</b>	<b>101,863</b>
<b>CONVERTIBLE INSTRUMENTS</b>					
Convertible redeemable preference shares	4	1,293	1,070	1,293	1,070
Ten year zero coupon convertible notes	5	25,882	26,579	25,882	26,579
		<b>27,175</b>	<b>27,649</b>	<b>27,175</b>	<b>27,649</b>
<b>NON CURRENT LIABILITIES</b>					
Borrowings	6	54,198	49,716	52,638	48,906
Provision for deferred taxation	2	15,078	-	12,625	-
		<b>69,276</b>	<b>49,716</b>	<b>65,263</b>	<b>48,906</b>
<b>CURRENT LIABILITIES</b>					
Payables & accruals	7	5,304	2,802	4,303	2,278
Borrowings	6	-	4,000	-	4,000
		<b>5,304</b>	<b>6,802</b>	<b>4,303</b>	<b>6,278</b>
<b>Total liabilities &amp; equity</b>		<b>192,214</b>	<b>207,707</b>	<b>197,588</b>	<b>184,696</b>
<b>NON CURRENT ASSETS</b>					
Land	8	27,400	27,400	24,193	24,684
Roading and land improvements	8	3,240	2,716	3,228	2,702
Forests	8	141,900	161,277	46,946	67,922
Fixed assets	9	2,290	1,285	375	439
Investments	10	3,802	5,952	21,801	23,970
Advances	11	2,116	2,216	2,116	1,995
		<b>180,748</b>	<b>200,846</b>	<b>98,659</b>	<b>121,712</b>
<b>CURRENT ASSETS</b>					
Cash and short term deposits		6,635	2,799	6,041	1,843
Receivables, prepayments and inventories	12	4,831	4,062	92,888	61,141
		<b>11,466</b>	<b>6,861</b>	<b>98,929</b>	<b>62,984</b>
<b>Total assets</b>		<b>192,214</b>	<b>207,707</b>	<b>197,588</b>	<b>184,696</b>

**STATEMENTS OF CASH FLOWS** for the year ended 30 June 2003

IN NZ \$000'S	Note	GROUP		COMPANY	
		2003	2002	2003	2002
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
<b>Cash was provided by (applied to):</b>					
Receipts from customers		35,770	21,428	552	881
Payments to suppliers and employees		(27,455)	(14,968)	(258)	(319)
Interest received		354	194	308	147
Interest paid		(456)	(102)	(357)	(102)
<b>Net cash flows from operating activities</b>	14	<b>8,213</b>	<b>6,552</b>	<b>245</b>	<b>607</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
<b>Cash was provided by (applied to):</b>					
Proceeds from sale of assets		13	97	505	457
Acquisition of fixed assets		(2,037)	(1,236)	(851)	(766)
Acquisition and development of forests		(2,847)	(4,481)	(2,847)	(4,481)
Interest paid		(3,340)	(2,235)	(3,340)	(2,235)
Advances and loans to subsidiaries		-	-	5,332	3,679
Loans and advances		(80)	(1,149)	(121)	(1,000)
Other investments		(19)	-	-	-
Sale of forests		-	-	2,092	1,631
Nuhaka distributions - capital		1,083	184	1,083	184
<b>Net cash flows from investing activities</b>		<b>(7,227)</b>	<b>(8,820)</b>	<b>1,853</b>	<b>(2,531)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
<b>Cash was provided by (applied to):</b>					
Proceeds from term borrowings		2,799	3,410	2,049	2,600
Proceeds from convertible preference shares		223	1,070	223	1,070
Share repurchases		(172)	(343)	(172)	(343)
Convertible notes buy back		-	(5,014)	-	(5,014)
<b>Net cash flows from financing activities</b>		<b>2,850</b>	<b>(877)</b>	<b>2,100</b>	<b>(1,687)</b>
<b>NET INCREASE (DECREASE) IN CASH HELD</b>		<b>3,836</b>	<b>(3,145)</b>	<b>4,198</b>	<b>(3,611)</b>
<b>Add cash at beginning of year</b>		<b>2,799</b>	<b>5,944</b>	<b>1,843</b>	<b>5,454</b>
<b>Total cash at the end of the year</b>		<b>6,635</b>	<b>2,799</b>	<b>6,041</b>	<b>1,843</b>

**STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES** for the year ended 30 June 2003**A] BASIS OF PREPARATION****Reporting Entity**

Evergreen Forests Limited, registered under the Companies Act 1993, is listed on the New Zealand Stock Exchange and is an issuer in terms of the Securities Act 1978. The financial statements are prepared in accordance with the Financial Reporting Act 1993 and the Companies Act 1993. The financial statements presented are those for Evergreen Forests Limited (the Company) and the Evergreen Forests Group (the Group). The Group consists of the Company and its subsidiaries. The Charging Group consists of the Company and all its subsidiaries excluding Forestry New Zealand Limited.

**Measurement Base**

The financial statements are prepared on the basis of historical cost with the exception of forest assets, which are recorded at fair value less estimated point of sale costs at the point of harvest.

**Changes in Accounting Policies**

All policies except the ones noted below have been applied on bases consistent with those used in the previous year.

1. On 30 June 2003, the Group changed its accounting policy in respect of the carrying value of the forest assets from historical cost to fair value less estimated point of sale costs at the point of harvest, as required by Exposure Draft 90 on Agriculture, issued by the Institute of Chartered Accountants of New Zealand. The Board of Directors changed the accounting policy to ensure that forests, as recorded under ED 90, were measured in a manner consistent with most recent practices worldwide and permissible under the Generally Accepted Accounting policies in New Zealand. The change in accounting policy does not affect recognition of operating revenue within the statement of financial performance. The surplus before taxation was reduced by \$27.8 million for the year due to the net write-down of forest assets. The previous policy would also have required a similar write-down. In subsequent years, under the new policy, any changes in the forest asset values will be reflected in the statement of financial performance. The former policy would have limited any increases to the amount of any previous write-down.
2. On 30 June 2003, the Group changed its accounting policy in respect of deferred tax from a partial basis to a comprehensive basis under the liability method. The Board of Directors changed the accounting policy to ensure that the policy for deferred tax was in line with the most recent worldwide practices and permissible under the Generally Accepted Accounting policies in New Zealand, in particular when the forest assets are recorded at fair values. This change in accounting policy resulted in the recognition of a \$15.1 million taxation expense resulting in a lower surplus after tax for the year.
3. On 30 June 2003, the Group changed its accounting policy in respect of issue costs of convertible notes by writing them off in full instead of amortising them over the life of the convertible notes on a yield to maturity basis. The Board of Directors changed the accounting policy because the number of notes on issue has reduced significantly, as a result of buyback and conversions, from 28.5 million originally issued in 1999 to 19.2 million at balance date. This change in accounting policy resulted in a \$0.9 million lower surplus before tax for the year.

**B] BASIS OF RECOGNISING COMPONENTS OF THE FINANCIAL STATEMENTS**

The following general accounting policies are adopted:

**Assets**

A transaction results in an asset being recognised in the statement of financial position when it will probably give rise to ongoing benefits, and those benefits can be measured with reliability.

**Liabilities**

A transaction results in a liability being recognised in the statement of financial position when it will probably give rise to the need to realise assets in the future, and those realisations can be measured with reliability.

**Revenue**

Revenue is recognised in the statement of financial performance when a transaction gives rise to an increase in the value of net assets, and the increase can be measured with reliability.

**Expenses**

An expense is recognised in the statement of financial performance when a transaction results in a decrease in the value of net assets, and that decrease can be measured with reliability.

**Classification of Assets and Liabilities Between Current and Non Current**

An amount is classified as current when it is expected to be settled or extinguished within one year of the date of the financial statements. All other amounts are classified as non current.

**STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES** for the year ended 30 June 2003**C] BASIS OF PREPARING GROUP FINANCIAL STATEMENTS**

The Group financial statements consolidate the financial statements of subsidiaries, using the purchase method.

All intercompany balances and transactions are eliminated on consolidation. Unrealised gains or losses resulting from intercompany transactions are eliminated on consolidation.

All Group companies have a 30 June balance date.

**D] VALUATION OF ASSETS****Land, Permanent Rooding, Land Improvements and Other Fixed Assets**

Land is recorded at cost. Permanent rooding, land improvements, and other fixed assets are recorded at cost less depreciation.

**Forest Assets**

Forests are classified as development forests or production forests. Development forests are those which have yet to undergo their first substantial harvest. Once the first substantial harvest takes place the forest is reclassified as a production forest.

Separate blocks of forestry are aggregated and classified as a single forest if they are in one geographic region, supported by a common logging infrastructure, and have reasonably similar growth maturity profiles.

**- Development Forests**

All costs incurred in acquiring, establishing, cultivating and financing development forests are recognised as a forest asset. The cultivation costs include fertiliser, disease and weed control, thinning and pruning.

**- Production Forests**

Production forests are managed on a sustainable yield basis. Once a forest has been classified as a production forest all costs including harvesting, re-establishment and cultivation of subsequent rotations are recognised as an expense in the current year.

**- Financing Costs**

The amount of interest capitalised to development forests is based on the avoidable funding costs to the Group of the development forest crop. Avoidable funding is the extent to which Group debt could be avoided by the sale of the development forest crop.

**- Valuation**

The Directors obtain an independent valuation at the end of each financial year based on the net present value of the collective forest crop. Where this value is lower than the carrying amount the difference is recognised as an expense in the current year. As indicated in item 1 of changes in accounting policies, with effect from 30 June 2003, the forest assets are now recorded at fair value less estimated point of sale costs on the basis of an independent valuation.

**Depreciation**

Depreciation is provided on a straight line basis on fixed assets other than forests and freehold land, at rates calculated to allocate the assets' cost less estimated residual value, over their estimated useful lives.

The major classes of fixed assets and estimated useful lives are:

- Permanent rooding and land improvements	5-25 years
- Buildings	50 years
- Plant and machinery	10-25 years
- Office equipment	5-15 years

**Disposal of Fixed Assets**

Where a fixed asset is disposed of, the profit recognised in the statement of financial performance is calculated as the difference between the sale price and the carrying value of the fixed asset adjusted for depreciation.

**Accounts Receivable**

Accounts receivable are valued at estimated realisable value.

**Inventories**

Inventories are recognised at the lower of cost, determined on a first-in first-out basis, and net realisable value.

## STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES for the year ended 30 June 2003

### Investments

Investments in subsidiaries and other investments are stated at cost. Where the estimated recoverable amount of the investment is less than its carrying amount, the investment is written down. The impairment loss is recognised in the statement of financial performance. Distributions of a capital nature are applied to reduce the carrying value of investments.

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### E] TAXATION

The tax expense recognised for the year is based on the accounting surplus, adjusted for permanent differences between accounting and tax rules.

The impact of timing differences between accounting and taxable income expected to reverse in the foreseeable future is recognised as a deferred tax liability or asset. This is the partial basis for the calculation of deferred tax under the liability method. As indicated in item 2 of changes in accounting policies, with effect from 30 June 2003, the Group now accounts for deferred tax on comprehensive basis instead of the partial basis.

A deferred tax asset, or the effect of losses carried forward, that exceed the deferred tax liability, is recognised in the financial statements only where there is virtual certainty that the benefit of the timing differences, or losses, will be utilised.

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### F] LEASE COSTS

Payments made under operating leases are recognised in the statement of financial performance.

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### G] FOREIGN CURRENCY

Transactions covered by short term forward exchange contracts are translated and reported at the exchange rates specified in the contract.

Other foreign currency transactions are translated to New Zealand currency at the exchange rates ruling at the dates of the transactions. At balance date, amounts receivable and payable in foreign currencies are translated at the exchange rate ruling at that date. Exchange rate differences arising on the translation of amounts payable and receivable in foreign currencies are recognised in the statement of financial performance.

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### H] DERIVATIVE FINANCIAL INSTRUMENTS

The Group can use derivative financial instruments such as forwards, swaps, options and futures to reduce its exposure to fluctuations in foreign currency exchange rates and interest rates.

Financial instruments that are designated as hedges of specific exposures are recognised on the same basis as the hedged items. The net differential paid or received on swaps is recognised as a component of interest expense or revenue over the period of the agreement. Premiums paid on options, and net settlements of other derivatives, are amortised over the life of the underlying hedged item or the period hedged.

Derivative financial instruments that do not constitute hedges are stated at market value and any resultant gain or loss is recognised in the statement of financial performance.

Where a derivative financial instrument, which is a hedge of an anticipated transaction, is terminated early but the anticipated transaction is still expected to occur, the deferred gain or loss that arose prior to termination continues to be deferred and is recognised as part of the transaction when it occurs. If the transaction is no longer expected to occur, the deferred gain or loss is recognised in the statement of financial performance.

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### I] EMPLOYEE BENEFITS

A liability for annual leave accruing to employees is recognised in the statement of financial position.

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### J] ISSUE COSTS

Costs associated with the issue of convertible notes are amortised over the life of the convertible notes on a yield to maturity basis. As indicated under item 3 of the changes in accounting policy, with effect from 30 June 2003, the Group has written off the costs associated with the issue of convertible notes at the balance date.

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### K] COMPARATIVES

Certain comparative information has been reclassified in order to provide a more consistent basis for comparison.

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**NOTES TO THE FINANCIAL STATEMENTS** for the year ended 30 June 2003

IN NZ \$000'S	GROUP		COMPANY	
	2003	2002	2003	2002
<b>Note 1. OPERATING REVENUE AND EXPENSES</b>				
<b>Operating revenue includes:</b>				
Forest revenue - owned estate	33,976	20,391	412	1,237
Third party trading revenue	2,342	858	-	-
Interest	354	194	308	147
Net surplus on sale of assets	(41)	53	(41)	53
Other revenue	41	259	41	240
Sale of forestry rights	-	-	37,178	38,828
	<b>36,672</b>	<b>21,755</b>	<b>37,898</b>	<b>40,505</b>
<b>Operating expenses include:</b>				
Fees paid to parent company auditors:				
Audit	39	43	29	33
Other services	1	3	1	3
Increase (decrease) in provision for doubtful debts	8	(17)	-	-
Depreciation	454	266	334	253
Directors' fees	93	123	93	123
Foreign exchange loss/(gain)	(2,111)	(350)	(2,087)	(345)
Interest	456	102	357	102
Rental expenses	87	98	87	98
Operating lease expenses	166	102	100	102
Cost of forest sold	-	-	31,233	39,669
Other operating expenses	30,405	14,417	2,347	954
	<b>29,598</b>	<b>14,787</b>	<b>32,494</b>	<b>40,992</b>
<b>Note 2. TAXATION</b>				
<b>a] Income tax expense</b>				
Surplus (deficit) before taxation	(21,400)	6,746	8,206	(709)
Prima facie income tax expense calculated at 33% (2002: 33%) on the surplus (deficit) before taxation	(7,062)	2,226	2,708	(234)
Adjusted for the tax effect of:				
Permanent differences:				
Investment write-down	358	73	358	73
Other	18	27	18	(57)
Timing differences:				
Cost of timber	13,962	632	4,420	4,050
Development costs	(2,799)	(3,235)	(2,257)	(2,697)
Timing differences not recognised	754	(76)	673	52
Prior year adjustments	820	485	227	485
Tax effect of losses not recognised	(6,051)	(132)	(6,147)	(1,672)
<b>Deferred tax provision at year end</b> <small>(refer item 3 of changes in accounting policies)</small>	<b>(15,084)</b>	<b>-</b>	<b>(12,625)</b>	<b>-</b>
<b>Total tax charge reported</b>	<b>(15,084)</b>	<b>-</b>	<b>(12,625)</b>	<b>-</b>

**NOTES TO THE FINANCIAL STATEMENTS** for the year ended 30 June 2003

IN NZ \$000'S	GROUP		COMPANY	
	2003	2002	2003	2002
<b>b] Imputation credits</b>				
\$6,000 (2002: Nil)				
<b>c] Tax losses</b>				
Tax losses available for set off against future assessable income and adjusted within the deferred tax provision at balance date:				
- Tax losses	9,970	28,307	1,328	19,955
<b>Tax savings thereon</b>	<b>3,290</b>	<b>9,341</b>	<b>438</b>	<b>6,585</b>

The ability to utilise these tax losses depends on the generation of sufficient assessable income in future years and shareholder continuity.

**d] Deferred taxation**

Balance at the beginning of the year	-	-	-	-
Movements during the year (adjusted for imputation credits)	(15,078)	-	(12,625)	-
<b>Balance at end of year</b>	<b>(15,078)</b>	<b>-</b>	<b>(12,625)</b>	<b>-</b>
<b>Note 3. EQUITY</b>				
Share capital	107,973	104,570	107,973	104,570
Retained earnings (accumulated losses)	(17,514)	18,970	(7,126)	(2,707)
<b>Balance at end of year</b>	<b>90,459</b>	<b>123,540</b>	<b>100,847</b>	<b>101,863</b>

Share capital comprises 151,629,074 (2002: 145,807,541) fully paid ordinary shares. During the year the company issued 6,500,003 (2002: 5,073,169) shares at \$0.55 per share as a result of conversion of convertible notes.

**Options**

At year end, 802,000 options were on issue, pursuant to the executive share option scheme. The number of options that may be exercised will vary depending on the performance of the Company. At 30 June 2003, 150,000 options maturing on 30 June 2005 and 326,000 options maturing on 30 June 2006 are exercisable. The options do not carry dividend or voting rights, or rights to attend meetings of the Company. Entitlements to bonus and rights issues accumulate during the option period. The number of options on issue at 30 June is as follows:

**Number of options (in 000's)**

Balance at the beginning of the year		1,278	2,118	1,278	2,118
Cancelled during the year		(476)	(840)	(476)	(840)
<b>Balance at end of year</b>		<b>802</b>	<b>1,278</b>	<b>802</b>	<b>1,278</b>
<b>Maturity profile</b>					
Expiry date	Exercise price				
30 June 2005	\$0.55	150	300	150	300
30 June 2006	\$0.55	652	978	652	978
<b>Balance at end of year</b>		<b>802</b>	<b>1,278</b>	<b>802</b>	<b>1,278</b>

**NOTES TO THE FINANCIAL STATEMENTS** for the year ended 30 June 2003**Repurchase of shares**

On 22 August 2002 the company announced that it would repurchase up to 2,200,000 shares over the following twelve months. During the year ending 30 June 2003, the company repurchased 327,607 shares at an average price of \$0.525 per share (2002: 662,470 shares at an average price of \$0.518 per share) as part of this buy back programme. During the same period the Company also cancelled 678,470 (2002: Nil) shares. The shares are held by the Company as treasury stock. Following these repurchases and cancellation, at 30 June 2003, the number of ordinary shares comprise:

	2003	2002
Shares issued to the shareholders	151,317,467	145,145,071
Shares held as treasury stock	311,607	662,470
<b>Total</b>	<b>151,629,074</b>	<b>145,807,541</b>

All ordinary shares rank equally with one vote attached to each ordinary share with the exception of shares held as treasury stock for which rights and obligations are suspended until reissue.

**Note 4. CONVERTIBLE REDEEMABLE PREFERENCE SHARES**

IN NZ \$000'S	GROUP		COMPANY	
	2003	2002	2003	2002
Balance at the beginning of the year	1,070	-	1,070	-
Issue of shares during the year at \$0.77 per share	223	1,070	223	1,070
<b>Balance at end of year</b>	<b>1,293</b>	<b>1,070</b>	<b>1,293</b>	<b>1,070</b>

In November 2001 shareholders approved an issue of up to 2,000,000 convertible redeemable preference shares (CRPS) at \$0.77 per share to employees and the Chairman of the company. During the year, 290,000 (2002: 1,390,000) CRPSs were issued. In accordance with shareholder approvals, the company provided the participants with interest free loans equivalent to the subscription price of the shares. A preference dividend of \$0.11 per CRPS will be paid annually and this dividend less tax must be applied by the participants in repayment of the company loan. CRPSs rank ahead of ordinary shares in the company on a liquidation of the company for an amount equal to their subscription price. Each CRPS can be converted into one ordinary share at any time prior to 9 November 2011 at the option of the participant. A participant must elect between converting or redeeming his or her CRPSs for cash should he or she leave the company. Preference dividend paid during the year was \$184,800 (2002: Nil) and is included in the interest expense.

**Note 5. CONVERTIBLE NOTES**

19,225,715 \$1.00 notes (2001: 21,957,483)	19,226	21,957	19,226	21,957
Interest accrued at 7.18%	6,656	5,623	6,656	5,623
Convertible value of notes on issue	25,882	27,580	25,882	27,580
Issue costs - net of amortisation	(918)	(1,001)	(918)	(1,001)
Issue costs - written off (refer item 3 of changes in accounting policies)	918	-	918	-
	<b>25,882</b>	<b>26,579</b>	<b>25,882</b>	<b>26,579</b>

Holders of 2,731,768 (2002: 2,267,517) convertible notes exercised their option to convert the notes into shares. Refer Note 3 on equity.

**NOTES TO THE FINANCIAL STATEMENTS** for the year ended 30 June 2003

The Ten Year Zero Coupon Convertible Notes accrue interest at the rate of 7.18% per annum and are secured by a second ranking floating charge over the assets of the company and its charging subsidiaries (Charging Group). Each convertible note is redeemable in cash after 10 years (19 March 2009) for \$2.00 each. Noteholders can elect to convert the notes (principal plus accrued interest less any withholding taxes) into shares at any time prior to redemption at a fixed conversion price of \$0.55. Noteholders may reimburse the company for withholding taxes, enabling the noteholders to obtain full conversion. The company has the right to give twenty days notice of early redemption at any time, if after 19 March 2002 the share price is above \$1.10.

The notes are constituted under a trust deed dated 2 February 1999. Incorporated in this trust deed are a number of covenants including the following summarised covenants:

- a) The Charging Group will not allow total secured liabilities (which includes the convertible notes, but based on a sliding scale if the ordinary share price is greater than \$0.55) to exceed 60% of freehold land plus 40% of forestry assets.
- b) The Charging Group will not allow its secured liabilities falling due for payment within 12, 24 and 36 months to exceed the value of its forest trees which are, respectively, at least 25, 24 and 23 years of age.

The notes do not carry voting rights at the shareholder meetings.

IN NZ \$000'S	GROUP		COMPANY	
	2003	2002	2003	2002
<b>Note 6. BORROWINGS</b>				
Bank	37,060	36,310	35,500	35,500
Other	17,138	17,406	17,138	17,406
	<b>54,198</b>	53,716	<b>52,638</b>	52,906
The term borrowings are repayable as follows:				
Less than one year	-	4,000	-	4,000
Between one and two years	1,250	32,310	1,250	31,500
Between two and five years	36,153	17,406	34,450	17,406
Between five and ten years	16,795	-	16,938	-
	<b>54,198</b>	53,716	<b>52,638</b>	52,906

**Bank Borrowings**

As at 30 June 2003, the total loan facilities available to the Group from Westpac Banking Corporation are \$42 million. The first repayment of \$1.25 million is due in January 2005. Total repayments due between 2 to 5 years amount to \$35.81 million. The loan matures on 31 July 2007. The bank borrowings are secured by way of a debenture trust deed over the assets of the Group. Pursuant to the loan agreements, the Group has given undertakings as to the nature and conduct of its business. The principal undertakings are to ensure that the ratio of earnings (EBITDA) to bank interest will not be less than 1.5 times and that total secured liabilities do not exceed 40% of the independent forest and land value.

The interest rate for these borrowings is not fixed but the company has various interest rate swaps for \$37.06 million (2002: \$36.3 million) at an average rate of 6.24% (2002: 7.40%) for the next year (refer Note 15 on financial instruments for further details).

**Other Borrowings**

During the year, the Company obtained a loan of US\$10 million from John Hancock Insurance Company. This loan has a 10 year term and is unhedged. At the date of borrowing, the loan was converted into NZ\$18.46 million. The loan was NZ\$17.14 million at balance date and the unrealised foreign exchange gain of NZ\$1.32 million on the loan is included in the net surplus before taxation. The 10 year fixed interest rate is 6.88% on which an Approved Issuer Levy of 2% is payable, resulting in an effective interest rate of 7.02%. The company has the ability to convert interest payable into the loan until 2006. Repayments of US\$0.2 million are due annually from January 2008 with the balance repayable on 27 February 2013. The company has a prepayment option but such payment will attract penalties which vary depending on the term remaining on the debt and any movement in interest rates. As part of the covenants, the value of each age class within each forest securing the debt has been agreed in advance in US\$ per hectare values. The loan to forest value ratio commences in 2003 at 45% and reduces progressively to 34% by 2012.

Vendor finance carried forward from previous year was settled in full during the year and residual obligations relating to the settlement are fully accrued.

**NOTES TO THE FINANCIAL STATEMENTS** for the year ended 30 June 2003

IN NZ \$000'S	GROUP		COMPANY	
	2003	2002	2003	2002
<b>Note 7. PAYABLES AND ACCRUALS</b>				
Trade payables	2,592	2,172	2,049	1,878
Other accruals	2,216	480	1,761	250
Employee benefits	496	150	493	150
	<b>5,304</b>	<b>2,802</b>	<b>4,303</b>	<b>2,278</b>
<b>Note 8. LAND AND FORESTS</b>				
<b>Freehold land</b>				
At cost	27,400	27,400	24,193	24,684
<b>Roading and land improvements</b>				
At cost	5,180	4,360	5,165	4,345
Accumulated depreciation	(1,940)	(1,644)	(1,937)	(1,643)
	<b>3,240</b>	<b>2,716</b>	<b>3,228</b>	<b>2,702</b>

Based on the most recent government valuations, the value of land and improvements is \$26 million (2002: \$26 million). Valuation dates range from 1 September 2000 to 1 September 2002.

Roading depreciation (in \$000s) for the group as well as the parent company for the year is \$223 (2002: \$162).

<b>Forests</b>				
At beginning of year	161,277	151,650	67,922	99,595
Development costs capitalised during the year	2,847	4,481	2,392	3,874
Interest costs capitalised during the year	5,635	5,322	4,448	4,298
Forests acquired/(sold) during the year	-	-	(31,233)	(39,669)
Amortisation	(72)	(176)	(72)	(176)
Write-up (down) of forests (refer item 1 of changes in accounting policies)	(27,787)	-	3,489	-
<b>At end of year - at valuation</b>	<b>141,900</b>	<b>161,277</b>	<b>46,946</b>	<b>67,922</b>

The Group's forests were independently valued at 30 June 2003 by JP Management Consulting (Asia-Pacific) Ltd (Jaakko Pöyry Consulting) at \$141.9 million (2002: \$162.4 million). Jaakko Pöyry Consulting describes its process as follows:

"The net present value, or 'expectation value' approach was used whereby projected future net cash flows, based on its assessment of current and projected future log prices, were discounted at the rate of 9% applied to pre-tax cash flows to provide a current market value of the collective forest and land resources. An estimate of the land value was then subtracted to provide a value of the tree crop. The following process was adopted in the valuation methodology: (A) A stand-based approach was employed whereby stands are scheduled to be harvested at or near their optimum economic rotation age. (B) The cash flows are those arising from the current rotation of trees only. No account was taken of revenues or costs from re-establishment following harvest, or of land not yet planted. (C) The cash flows do not take into account income taxation, although this is recognised in the implied discount rate. (D) The cash flows have been prepared in real terms and have not therefore included inflationary effects. Future revenues and costs were expressed in current dollar values. (E) The process of projecting log prices has been consistent with that employed in previous valuations that have been prepared for the Group. Prevailing prices have been applied in the first period of modelled cash flows. A progressive movement in prices is then assumed over the course of the next five years. This results in the prices migrating to a level that, in the opinion of Jaakko Pöyry Consulting, represents the long term trend position that a hypothetical buyer of the resource would expect."

Forest fire and wind damage insurance is carried for all forests for a maximum amount of \$50 million and \$5 million respectively.

**NOTES TO THE FINANCIAL STATEMENTS** for the year ended 30 June 2003

IN NZ \$000'S	GROUP		COMPANY	
	2003	2002	2003	2002
<b>Note 9. FIXED ASSETS</b>				
<b>Buildings</b>				
At cost	301	382	301	382
Accumulated depreciation	(155)	(168)	(155)	(168)
	146	214	146	214
<b>Plant and machinery</b>				
At cost	2,314	267	260	219
Accumulated depreciation	(247)	(87)	(108)	(68)
	2,067	180	152	151
<b>Office equipment</b>				
At cost	255	203	255	203
Accumulated depreciation	(178)	(129)	(178)	(129)
	77	74	77	74
<b>Capital work-in-progress</b>	-	817	-	-
<b>Total fixed assets</b>	<b>2,290</b>	<b>1,285</b>	<b>375</b>	<b>439</b>

Group depreciation (in \$000s) for the year is represented by: buildings \$23 (2002: \$19), plant and machinery \$160 (2002: \$40) and office equipment \$48 (2002: \$45). Parent company depreciation (in \$000s) is represented by: buildings \$23 (2002: \$19), plant and machinery \$40 (2002: \$27) and office equipment \$48 (2002: \$45).

**Note 10. INVESTMENTS**

Nuhaka Farm Forestry Fund (market value at 30 June 2003: \$2,941,000 (2002: \$4,831,000))	3,783	5,952	3,783	5,952
Investment in subsidiaries	-	-	18,018	18,018
Other investments	19	-	-	-
	3,802	5,952	21,801	23,970

The Nuhaka Forestry Fund is a Group Investment Fund listed on the New Zealand Stock Exchange. The company's holding at 30 June 2003 was 525,143 units (2002: 525,143). During the year the value of this investment has been written down by \$1,086,000 (2002: \$222,000) to reflect the Fund's reported net asset backing as at 31 March 2003. This net asset backing is adjusted for dividends subsequently paid in June 2003. Investments have been credited by the distribution received during the year: \$1,082,000 (2002: \$184,000).

Group subsidiaries Ownership	Principal activities	Ownership	
		2003	2002
Evergreen Forests Marketing Limited	Forest ownership and marketing	100%	100%
Rawanui Farm Limited	Forest ownership	100%	100%
Forestry New Zealand Limited	Log procurement and marketing	100%	100%
Evergreen Forests (Otau) Limited	Forest ownership	100%	-
Evergreen Forests (West Coast) Limited	Forest ownership	100%	-

**NOTES TO THE FINANCIAL STATEMENTS** for the year ended 30 June 2003

IN NZ \$000'S	GROUP		COMPANY	
	2003	2002	2003	2002
<b>Note 11. ADVANCES</b>				
Executives - 2003	201	-	201	-
Executives - 2002	963	1,070	963	1,070
Executives - 2001	670	630	670	630
Executives - 1999	282	295	282	295
External advances - secured	-	221	-	-
	<b>2,116</b>	<b>2,216</b>	<b>2,116</b>	<b>1,995</b>

During the year the company provided loans of \$223,000 (2002: \$1,070,000) to executives to purchase convertible redeemable preference shares. These loans are secured by way of mortgage against the convertible redeemable preference shares. During the year dividend of \$124,000 (net of resident withholding tax), was utilised to repay these loans and a further \$5,000 was repaid by the executives. Refer Note 4 for details of issue of convertible redeemable preference shares.

In 2001, the company provided loans to executives to purchase convertible notes. The loans are secured by way of a mortgage against the notes and interest accrues at 7.18% per annum. The loans are repayable in full if the executives cease to be employed and in any event no later than 5 years after the date of the advance. Downside protection is provided to the executives, as the Company will compensate the executives at the time the loans are repaid in the event that the value of the notes acquired with the loans is less than the amount outstanding under the loans.

In 1999, the Company provided loans to executives enabling them to take up their entitlement to convertible notes under the executive share option plan. The loans are secured by way of a mortgage against the notes, and the interest rate is set annually at a market rate equivalent to the company's cost of debt. The annual interest rate set at 19 March 2003 was 6.50% (2002: 6.91%). Loans are repayable in full if the executives cease to be employed by the company.

**Note 12. RECEIVABLES, PREPAYMENTS AND INVENTORIES**

Trade receivables	3,512	2,048	7	1
Other receivables and prepayments	777	1,105	458	694
Inventories	542	909	-	-
Intercompany advances	-	-	92,423	60,446
	<b>4,831</b>	<b>4,062</b>	<b>92,888</b>	<b>61,141</b>

Inventories include wharf stocks and lumber stocks.

**Note 13. RELATED PARTIES**

During the year the Company sold forestry rights, forests and land at an assessed value of \$37.8 million to its wholly owned subsidiaries, Evergreen Forests Marketing Limited, Evergreen Forests (Otau) Limited and Evergreen Forests (West Coast) Limited. These transactions were financed by an intercompany loan. Refer Note 12 for advances to/from related parties.

Refer Note 4 for advances to other related parties.

Guaranty Finance Management, LLC, a party related to Substantial Security Holder, Hambrecht & Quist Guaranty Finance LLC, was paid \$Nil (2002: \$43,000) relating to investment advisory services.

There have been no other significant related party transactions during the year. No related party debts have been written off or forgiven during the year.

**NOTES TO THE FINANCIAL STATEMENTS** for the year ended 30 June 2003

IN NZ \$000'S	GROUP		COMPANY	
	2003	2002	2003	2002
<b>Note 14. OPERATING CASH FLOW RECONCILIATION</b>				
<b>Surplus (deficit) after taxation</b>	<b>(36,484)</b>	6,746	<b>(4,419)</b>	(709)
<b>Adjusted for non cash items:</b>				
Depreciation	454	266	334	253
Write-down of Nuhaka investment	1,086	222	1,086	222
Write-down of Forests	27,787	-	(3,489)	-
Unrealised foreign exchange gain on borrowings	(1,317)	-	(1,317)	-
Write-off of convertible notes issue costs	918	-	918	-
Amortisation	72	176	72	176
Surplus on disposal of assets	41	(53)	41	(53)
Loss/(profit) on sale of forestry rights to subsidiary	-	-	(6,526)	841
Deferred tax movement	15,084	-	12,625	-
Non current advances reclassified into current	180	-	-	-
<b>Adjusted for movements in working capital:</b>				
Accounts payable	1,161	(725)	690	473
Accounts receivable	(769)	(80)	230	(596)
<b>Net cash flows from operating activities</b>	<b>8,213</b>	6,552	<b>245</b>	607

**Note 15. FINANCIAL INSTRUMENTS**

Exposure to currency, interest rate and credit risk arises in the normal course of the company's business. Off-balance sheet instruments are available to be used as a means of reducing exposure to fluctuations in interest rates and foreign currency. While these financial instruments are subject to the risk of market rates changing subsequent to acquisition, such changes would generally be offset by opposite effects on the items hedged.

**a) Foreign currency risk**

The Group incurs foreign currency risk as a result of the export of logs. Where exposures are certain it is the Group's policy to hedge these transactions as they arise. For those exposures less certain in their timing and extent, such as future sales, it is the Group's normal policy to cover a minimum of three months of anticipated exposures and a maximum of 100% anticipated exposures for twelve months, 50% for twenty-four months and 25% for thirty-six months forward. The Group also has exchange risk in relation to a US\$ loan.

The Group uses foreign currency forward exchange contracts and options to manage certain exposures.

**Unrecognised balances**

The foreign currency forward exchange contracts outstanding at the balance date are:

Foreign currency forward exchange contracts:				
Twelve months	17,867	4,443	17,317	14,804
Twelve to twenty-four months	7,810	-	7,810	-
Twenty-four to thirty-six months	3,836	-	3,836	-
	<b>29,513</b>	4,443	<b>28,963</b>	14,804

**NOTES TO THE FINANCIAL STATEMENTS** for the year ended 30 June 2003**b) Interest rate risk**

The Group uses interest rate swaps and options to manage its interest rate risk for its floating interest rate borrowings. The effective interest rate on term borrowings during the year was 6.96% (2002: 6.8%).

At balance date, the Group held interest rate swaps of \$37.1 million (2002: \$36.3 million) giving an effective interest rate for the next year of 6.24% (2002: 7.40%).

IN NZ \$000'S	GROUP		COMPANY	
	2003	2002	2003	2002
Interest rate swap for one year @ 6.01%	13,060	36,300	11,500	36,300
Interest rate swap for three years @ 6.29%	12,000	-	12,000	-
Interest rate swap for five years @ 6.45%	12,000	-	12,000	-
	<b>37,060</b>	36,300	<b>35,500</b>	36,300

**c) Credit risk**

The Group incurs credit risk from transactions with trade receivables and financial institutions in the normal course of its business.

The Group has 70% (2002: 52%) of trade receivables at 30 June 2003 owing from three customers. Payments received up to 15 August 2003 in the normal course of business from these customers amounted to approximately 71% (2002: 100%) of the outstanding balance. There are no other significant concentrations of credit risk in relation to trade receivables. Trade receivables are unsecured.

The counterparties used for banking and finance activities are financial institutions with high credit ratings.

The maximum exposure to credit risk is represented by the carrying value of each financial asset in the statement of financial position.

**d) Fair values**

The carrying amount is considered to be the fair value of each class of the following financial instruments: cash and short term deposits, receivables, advances, borrowings and payables. The interest rate swaps have a fair value loss of \$99,000 (2001: \$53,000). Unexercised forward foreign exchange contracts would have had a fair value gain of \$2.9 million (2002 \$1.3 million) as at balance date.

**Note 16. LEASE COMMITMENTS**

Not later than one year	146	80	80	80
Later than one, but not later than two years	80	80	80	80
Later than two but not later than five years	120	200	120	200
Later than 5 years	-	-	-	-
	<b>346</b>	360	<b>280</b>	360
Commitments under forestry rights arrangements - per annum	40	40	40	40

**Note 17. OTHER MATTERS**

The company operates only in the forestry industry and all operations are carried out within New Zealand.

No significant capital commitments or contingencies exist at balance date.

## SHAREHOLDER INFORMATION

	AS AT 30 JUNE 2003		AS AT 30 JUNE 2002	
	Beneficially held	Held by associated persons	Beneficially held	Held by associated persons
<b>DIRECTORS' SHAREHOLDING</b>				
<b>Ordinary Shares</b>				
PD Wilson	77,000	1,500	70,000	15,000
WJ Falconer	85,000	-	85,000	-
JK McLay	8,000	-	8,000	-
DM Campbell	1,763,800	260,000	1,763,800	260,000
<b>Convertible Notes</b>				
PD Wilson	90,000	-	90,000	-
WJ Falconer	14,168	-	14,168	-
JK McLay	1,334	-	1,334	-
DM Campbell	621,318	242,176	571,818	277,136

### SUBSTANTIAL SECURITY HOLDERS

The following information is given pursuant to section 26 of the Securities Amendment Act 1988.

The following were registered by the Company as at 22 August 2003 as Substantial Security Holders, having declared their relevant interest in voting securities in terms of Section 25 of the Securities Amendment Act 1988:

NAME	VOTING SECURITIES	
	NUMBER	%
Xylem Fund I, L.P.	65,276,236	37.83%
Cynthia Douglas	}	}
James E Douglas & Jean A Douglas		
Kevin Douglas & Michelle Douglas		
James Douglas III		
Arnhold & S Bleichroeder, Inc.	8,508,815	5.09%
DIP - Danske civil-og akademiingeniorers Pensionskasse (The Danish Pension Fund for Engineers)	14,255,541	8.53%
Laerernes Pension A/S (Teachers Pension and Life)	14,255,541	8.53%
Hambrecht & Quist Guaranty Finance, LLC	8,674,739	5.03%

As at 22 August 2003, the Company had on issue 170,854,789 voting securities (as defined by the Securities Amendment Act 1988) being 151,629,074 fully paid ordinary shares and 19,225,715 convertible notes.

**STATUTORY INFORMATION** for the year ended 30 June 2003**DIRECTORS' INTERESTS**

The following Directors have declared that they are to be regarded as having an interest in any contract that may be made with the entities listed below by virtue of their membership or directorship of those entities:

Director	Entity
<b>P D Wilson</b>	Port of Napier Limited, Chairman. Global Equities Market Securities, Chairman. The Colonial Motor Company Limited, Director. Westpac (NZ) Investments Limited, Director. Urbus Properties Limited, Director. Hill County Corporation Limited, Director.
<b>D M Campbell</b>	Guaranty Finance Management, LLC, Chief Executive (which acts as manager of Hambrecht & Quist Guaranty Finance, LLC). New Zealand Investment Trust, Chairman. Moneda Chile Fund, Director. Miller & Paine, Director.
<b>W J Falconer</b>	Hellaby Holdings Limited, Chairman. Westgate Transport Limited, Chairman. Restaurant Brands Limited, Chairman. Oyster Bay Marlborough Vineyards Limited, Chairman. Kiwifruit International Limited, Chairman. New Zealand Stock Exchange Market Surveillance Panel, Chairman. New Zealand Meat Industry Association, Chairman. Westfield Management Limited, Director.
<b>J K McLay</b>	J.K. McLay Limited and associated companies, Director. Macquarie New Zealand Limited and associated companies, Executive Chairman. Unichem Chemists Limited and associated companies, Chairman. Neuronz Limited, Director. Abyssinian Holdings Limited, Director.

**DISCLOSURE OF INTERESTS BY DIRECTORS**

Since the date of the last report, there have been no transactions disclosed in which a Director has an interest (as that term is defined in section 139 of the Companies Act 1993).

**SECURITY DEALINGS BY DIRECTORS**

The following dealings by Directors in securities of the Company were disclosed to the board:

DIRECTOR	Number acquired/(disposed)	Class	Consideration	Date
P D WILSON	7,000	Ordinary Shares	\$5,400	26/8/2002
D M CAMPBELL	474,478	Ordinary Shares	*	5/3/2003
D M CAMPBELL	(-1,474,476)	Ordinary Shares	\$825,706	5/3/2003
D M CAMPBELL	5,483	Convertible Notes	\$6,261	12/7/02-24/8/02
D M CAMPBELL	(-198,435)	Convertible Notes	*	5/3/2003
D M CAMPBELL	5,000	Convertible Notes	\$6,500	4/6/2003
D M CAMPBELL	4,300	Convertible Notes	\$5,160	14/6/2003
D M CAMPBELL	5,200	Convertible Notes	\$6,760	30/6/2003

\* This transaction relates to the conversion of convertible notes into ordinary shares by Hambrecht & Quist Guaranty Finance.

**STATUTORY INFORMATION** for the year ended 30 June 2003**DIRECTORS' REMUNERATION**

Directors' remuneration paid in the year ended 30 June 2003 were as follows:

<b>Directors' fees (In NZ \$):</b>	
P D Wilson	35,000
D M Campbell	17,500
W J Falconer	17,500
S N Hurley	3,234
R M McCluskey	1,806
J K McLay	17,500
<b>Total</b>	<b>92,540</b>

**Special remuneration:\***

P D Wilson	
Remuneration for Management Services	55,899

\* During the year special remuneration was paid for management services provided in a personal capacity by P D Wilson. These services were provided at normal commercial rates. Directors are reimbursed all travelling, accommodation and other expenses properly incurred by them in connection with the business of the Company.

**DIRECTORS' INDEMNITY AND INSURANCE**

In accordance with the Company's constitution, the Company may grant indemnities and effect insurance for Directors and employees to the extent permitted by the Companies Act 1993. The Company has granted indemnities to Directors in respect of costs and liabilities arising from acts or omissions in their capacity as Directors, and has effected Directors' and Officers' liability insurance to cover risks normally covered by such policies arising out of acts and omissions of Directors and Officers in their capacity as such.

**OPTIONS**

During the year the Company cancelled 476,000 ordinary share options pursuant to the Company's executive share option scheme.

**INFORMATION USED BY DIRECTORS**

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.

**EXECUTIVE EMPLOYEES' REMUNERATION**

During the year, the number of employees or former employees of the Company who received remuneration and other benefits in their capacity as employees, the value of which was or exceeded \$100,000 per annum, was as follows:

<b>Remuneration</b> (including share ownership benefits)	<b>No. of Employees</b>
\$100,000 - \$110,000	1
\$120,000 - \$130,000	1
\$150,000 - \$160,000	1
\$200,000 - \$210,000	1
\$270,000 - \$280,000	1

**AUDITORS' REMUNERATION**

During the year the following amounts were payable to the auditors of the Company:

<b>IN NZ \$000'S</b>	<b>2003</b>	<b>2002</b>
Audit	39	43
Other services	1	3

**DONATIONS**

During the year the Company made no donations.

## CORPORATE GOVERNANCE STATEMENT

This statement gives readers an overview of the Company's main corporate governance practices.

### ROLE OF THE BOARD OF DIRECTORS

The Directors are responsible for the proper direction and control of the Company's activities. This responsibility includes such areas of stewardship as the identification and control of the Company's business risks, the integrity of management information systems and reporting to shareholders.

### BOARD COMMITTEES

The Board has a formally constituted Audit Committee and Remuneration Committee.

The role of the **Audit Committee** is to review the Company's financial statements and announcements, to liaise with the external auditors on behalf of the Board of Directors and to review the Company's accounting policies, internal controls and related matters.

The role of the **Remuneration Committee** is to review remuneration structures for the Company's senior executives.

### LEGISLATIVE COMPLIANCE

The Board has policies in place requiring the quarterly reporting of legislative compliance. This includes compliance with securities, environmental, resource management and human resources related legislation.

### MEETING ATTENDANCE

During the year there have been four Board meetings, two Audit Committee meetings and two Remuneration Committee meetings. The table of attendance for these meetings is shown below:

	BOARD MEETINGS		AUDIT COMMITTEE		REMUNERATION COMMITTEE	
	POSSIBLE	ATTENDED	POSSIBLE	ATTENDED	POSSIBLE	ATTENDED
P D Wilson	4	4	2	2	-	-
D M Campbell	4	4	-	-	2	2
W J Falconer	4	4	2	2	2	2
S N Hurley	1	1	-	-	-	-
J K McLay	4	4	2	2	2	2

## DISCLOSURE POLICY

### OBJECTIVES

Evergreen aims to provide the information investors need to make informed decisions.

### INFORMATION DISSEMINATION

To that end, we release, widely and promptly, any information that can reasonably be expected to affect the market value of Evergreen's stock, or investors' attitudes to it. This is accomplished initially through release to the New Zealand Stock Exchange, followed by news release and annual and half-yearly reports, then through meetings with shareholders, convertible noteholders, investment analysts and news media. We also answer reasonable questions of a non-material nature from these groups within the limits of confidentiality. When we do answer such queries, we do not feel obliged to pass on the information to others who have not specifically asked for it.

### CONTACTS FOR INFORMATION

The Chief Executive and the Chairman are authorised to speak directly with investors, investment analysts and reporters.

### PROJECTIONS

We do not usually make earnings forecasts, but we make projections when something happens that seems likely to materially affect results previously expected. We will update these projections as needed in the affected period. We will not normally comment on the estimates of others, but we may comment on the assumptions they have used if these assumptions differ markedly from our own.

### MAILING LIST & RECEIVING NEWS RELEASES BY EMAIL

If you wish to be added to the mailing list for annual and half-yearly reports and other items sent to all shareholders and convertible noteholders, contact the corporate office at the address listed in the corporate directory. If you wish to be added to the mailing list for distribution of news releases, please email us at [info@evergreen.co.nz](mailto:info@evergreen.co.nz).

### FINANCIAL TIMETABLE

Please refer to the corporate directory on the inside back cover of this annual report.

**HOLDER INFORMATION – TOP 20 SHAREHOLDERS** as at 22 August 2003

Shareholder	Shares	Percentage
WESTPAC BANKING CORPORATION - CLIENT ASSETS NO 2 - NZCSD A/C	65,276,236	43.0%
ANZ NOMINEES LIMITED - A/C NZCSD	31,657,582	20.9%
CITIBANK NOMINEES (NEW ZEALAND) LIMITED - A/C NZCSD	10,201,134	6.7%
FORBAR CUSTODIANS LIMITED	8,756,451	5.8%
NATIONAL NOMINEES NEW ZEALAND LIMITED - A/C NZCSD	6,066,056	4.0%
HENDRY NOMINEES LIMITED	4,344,870	2.9%
WESTPAC NOMINEES (NZ) LIMITED - A/C NZCSD	2,606,000	1.7%
DONALD M CAMPBELL	1,198,800	0.8%
STERLING NOMINEES LIMITED - NO 5 ACCOUNT	1,157,666	0.8%
LA GROUW HOLDINGS LIMITED	1,030,029	0.7%
DANIELL CASE 111	787,496	0.5%
PAKIHI INVESTMENTS LIMITED	700,000	0.5%
CHIU-HING CHAN	660,000	0.4%
DANIEL H CASE	512,504	0.3%
EVERGREEN FORESTS LIMITED	311,607	0.2%
MING CHOW & FOOK KOM WONG	309,692	0.2%
PORTFOLIO CUSTODIAN LIMITED	300,000	0.2%
WAI CHUN SO	300,000	0.2%
SELWYN WALTER SKUDDER	280,300	0.2%
CUSTODIAL SERVICES LIMITED	203,334	0.1%

**HOLDER INFORMATION – SPREAD OF SHAREHOLDING BY SIZE** as at 22 August 2003

Size of Holding	Number of Shareholders	% of Shareholders	Number of Shares	% of Shares
1 to 999	138	7.5%	58,587	0.0%
1,000 to 4,999	814	44.1%	1,886,434	1.2%
5,000 to 9,999	391	21.2%	2,298,400	1.5%
10,000 to 49,999	438	23.7%	7,018,994	4.6%
50,000 to 99,999	29	1.6%	1,764,477	1.2%
100,000 to 499,999	22	1.2%	3,647,358	2.4%
500,000 to 999,999	4	0.2%	2,660,000	1.8%
1,000,000+	10	0.5%	132,294,824	87.2%
	1,846	100.0%	151,629,074	100.0%

**HOLDER INFORMATION – TOP 20 NOTEHOLDERS** as at 22 August 2003

Noteholders	Notes	Percentage
NATIONAL NOMINEES NEW ZEALAND LIMITED	6,468,624	33.6%
HAMBRECHT & QUIST GUARANTY FINANCE	5,101,504	26.5%
MICHAEL D FULTON & KATHERYN E COLE	2,306,401	12.0%
HENDRY NOMINEES LIMITED	1,145,640	6.0%
WESTPAC NOMINEES (NZ) LIMITED	1,095,604	5.7%
MARK STAFFORD BOGLE	571,234	3.0%
DELAWARE CHARTER GUARANTY & TRUST	375,000	2.0%
DAVID EDWARD SAYER	225,967	1.2%
DONALD M CAMPBELL	199,800	1.0%
JANE ANNE CAMPBELL	169,000	0.9%
PETER DAVID WILSON	90,000	0.5%
NEW ZEALAND METHODIST TRUST ASSOCIATION	60,000	0.3%
PORTFOLIO CUSTODIAN LIMITED	50,000	0.3%
CRAIG JOHN THOMPSON	50,000	0.3%
BARRY GLEN HERBISON	43,419	0.2%
CHRISTOPHER TONY HATTON	38,334	0.2%
DANIEL H CASE	37,398	0.2%
DONALD THOMAS BRASH	35,000	0.2%
ANDREWS FAMILY NOMINEES LIMITED	28,500	0.1%
NIKLAUS FLORIAN STAEHELI	27,900	0.1%

**HOLDER INFORMATION – SPREAD OF NOTEHOLDING BY SIZE** as at 22 August 2003

Size of Holding	Number of Noteholders	% of Noteholders	Number of Notes	% of Notes
1 to 999	221	44.6%	119,989	0.6%
1,000 to 4,999	200	40.4%	367,352	1.9%
5,000 to 9,999	19	3.8%	115,394	0.6%
10,000 to 49,999	41	8.3%	714,206	3.7%
50,000 to 99,999	4	0.8%	250,000	1.3%
100,000 to 499,999	4	0.8%	969,767	5.0%
500,000 to 999,999	1	0.2%	571,234	3.0%
1,000,000+	5	1.0%	16,117,773	83.8%
	495	100.0%	19,225,715	100.0%

## BOARD OF DIRECTORS

### **PETER D. WILSON**

**Aged 62, has been the Chairman of the Company since 1993.**

Mr. Wilson is a business consultant based in Wellington. A former partner of Ernst & Young, Mr Wilson undertakes a range of directorships and business advisory activities. He is currently the Chairman of the Port of Napier Limited and of Global Equities Market Securities, a Director of The Colonial Motor Company Limited, Urbus Properties Limited, Hill County Corporation Limited and of Westpac (NZ) Investments Limited. Mr. Wilson is a member of the Institute of Chartered Accountants and the Institute of Directors.

### **JAMES K. McLAY**

**Aged 58, has been a Director of the Company since 1995.**

Mr. McLay originally practiced as a barrister and became a Member of the New Zealand Parliament in 1975. Until his retirement in 1987 he was successively, Attorney General, Minister of Justice, Deputy Prime Minister, and on a change of Government, Leader of the Opposition. Mr. McLay is Executive Chairman of Macquarie New Zealand Limited, the principal and Managing Director of J K McLay Limited, business consultants and has served as an adviser to the New Zealand Government in reviews of the wholesale electricity market, defence funding and financial management, accident compensation and roading reform. He is Chairman of Unichem Chemists Limited and associated companies and a Director of Neuronz Limited and of Abyssinian Holdings Limited. He received the Queen's Service Order (QSO), and has obtained a Bachelor of Law (LLB) degree from Auckland University.

### **WILLIAM J. FALCONER**

**Aged 64, has been a Director of the Company since 1995.**

Mr. Falconer has been successively, Deputy Secretary of the New Zealand Ministry of Energy, Managing Director of Petroleum Corporation of New Zealand and Corporate Development Director of Fletcher Challenge Limited. He is currently the Chairman of Hellaby Holdings Limited, Kiwifruit International Limited, Oyster Bay Marlborough Vineyards Limited, Restaurant Brands Limited and Westgate Transport Limited. He is a Director of Westfield Management Limited. In addition he is Chairman of the New Zealand Stock Exchange Market Surveillance Panel. Mr. Falconer was formerly Chairman of the Environmental Risk Management Authority and Accident Rehabilitation Insurance Corporation. He is a Companion of the New Zealand Order of Merit (CNZM), and has a Bachelor of Law (LLB) from Victoria University.

### **DONALD M. CAMPBELL**

**Aged 64, has been a Director of the Company since 1999.**

Mr. Campbell is a consultant in business finance. He serves as the Chief Executive Officer of Guaranty Finance Management, LLC, which serves as manager of Hambrecht & Quist Guaranty Finance, LLC, an affiliate of JP Morgan Chase & Co. Hambrecht & Quist Guaranty Finance provides asset-based financing for emerging technology companies, and maintains a portfolio of marketable securities to underwrite its activities and guarantees. Mr. Campbell has extensive experience in corporate finance. Within technology companies he has been a financial analyst and a financial planner, and has served as Treasurer and Chief Financial Officer of two public companies. He has been a founder and principal of five financial companies, including Hambrecht & Quist Guaranty Finance which was founded in 1983. He is the Managing General Partner of a partnership which owns and operates timberland in California. Mr. Campbell is Chairman of The New Zealand Investment Trust, an investment company listed on the London and New Zealand Stock Exchanges, a Director of the Moneda Chile Fund, an investment company listed on the Irish Stock Exchange, and Manager of the H&Q Argentina 10/10 Fund, a joint venture investing in smaller companies listed on the Buenos Aires Stock Exchange. He is a Director and Executive of Miller & Paine, a manager of commercial real estate in Nebraska, USA. Mr. Campbell has obtained a BSc (Highest Distinction) from Nebraska University and an MBA from Stanford University.

### **PAUL L. FOWLER**

**Aged 55, was appointed a Director in August 2003.**

Mr Fowler has had senior roles in a number of publicly listed companies in the United States, the UK, New Zealand and Australia. These include Chief Executive Officer of Fletcher Challenge Forests and Chief Executive of Forest Resources at Carter Holt Harvey. He is currently Chief Operating Officer of Pasminco Limited, an Australian minerals company which is one of the world's largest zinc and lead producers. Mr Fowler is also a Director of GeoSmart Limited, a high technology company in New Zealand. He obtained a BSc (Marine Engineering) from the US Naval Academy, Master of Engineering (Nuclear) and a MBA (Honours) both from the University of Virginia. Mr Fowler served for 9 years in the US Navy, reaching the rank of Lieutenant Commander.

### **ROBERT A. KRISCUNAS**

**Aged 53, was appointed a Director in August 2003.**

Mr. Kriscunas is currently an attorney in private practice in Dallas, Texas. He is a former business counsel for International Paper, serving as General Counsel to IP's Forest Resources Group from 1985-2002, and is the former General Counsel for IP Timberlands, Ltd - a US publicly traded timberlands partnership (1985-1997). Mr. Kriscunas has extensive experience in a number of sectors, including forestry and wood products law, environmental and endangered species matters, and natural resources management. Mr. Kriscunas obtained a JD from Indiana University (1977), and a BA from DePauw University (1972).

## CORPORATE DIRECTORY as at 22 September 2003

### DIRECTORS

Peter D. Wilson, CA, Chairman  
Resident: Wellington, New Zealand

Donald M. Campbell, BSc (Highest Distinction)  
(Nebraska), MBA (Stanford)  
Resident: San Francisco, California, USA

William J. Falconer, CNZM, LLB  
Resident: Cambridge, New Zealand

The Hon. James K. McLay, QSO, LLB  
Resident: Auckland, New Zealand

Paul L. Fowler, MBA, ME, BSc  
Resident: Clevedon, New Zealand

Robert A. Kriscunas, PLLC  
Resident: Dallas, Texas, USA

### MANAGEMENT

Mark S. Bogle, MPP, CA  
Chief Executive

David E. Sayer, BSc(For), MNZIF  
General Manager

Gregory K. Parker, MBA, BCom, CFIP  
Treasurer

Vivek Singh, BCom, CA  
Chief Financial Officer

### FINANCIAL TIMETABLE

The following is Evergreen's timetable for the scheduled release of information:

Annual result announcement	Third week in August
Annual report distributed	First week in October
Annual general meeting	First week in November
Half year result announced	Third week in February
Half year report distributed	First week in March

### DIRECTORY

#### Registered Office

Level 15, Quay Tower  
29 Customs Street West  
Auckland, New Zealand

#### Postal Address and Investor Enquiries

Private Bag 106 604  
Downtown, Auckland  
New Zealand  
Tel 64-9-307 3240  
Fax 64-9-307 3247  
Email [info@evergreen.co.nz](mailto:info@evergreen.co.nz)

#### Internet Address

This and previous annual and half year reports can be accessed on the website: [www.evergreen.co.nz](http://www.evergreen.co.nz)

#### Share Registrar

Computershare Registry Services Limited  
Private Bag 92 119, Auckland 1020, New Zealand  
Tel 64-9-488 8700 Fax 64-9-488 8787

#### Auditors

PricewaterhouseCoopers, Auckland

#### ADR Depositary Bank

Bankers Trust Company  
4 Albany Street  
New York, New York 10006  
Tel 1-212-250 8500 Fax 1-212-250 5644

#### Bankers

Westpac Banking Corporation

#### Solicitors

Russell McVeagh

#### Trustee

Perpetual Trust Limited

#### Listings

The Ordinary Shares and Convertible Notes are traded on the New Zealand Stock Exchange ("NZX"). The American Depositary Receipts (ADRs) are traded on the "Pink Sheets" in the United States of America (20 Ordinary Shares comprise one ADR).

#### Codes

	NZ	USA
Ordinary Shares	EVF	-
Convertible Notes	EVFGA	-
ADRs	-	EVFSY