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# FINANCIAL STATEMENTS 2004

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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 2004 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 2004.

P D Wilson  
DIRECTOR

P L Fowler  
DIRECTOR

For and on behalf of the Board of Directors who authorised these financial Statements for issue on 27 August 2004.

## CONTENTS

9	Financial Statements 2004
27	Statutory Information
29	Corporate Governance Statement
29	Disclosure Policy
30	Holder Information
32	Board of Directors
IBC	Corporate Directory

**AUDITORS' REPORT** for the year ended 30 June 2004



**To the Shareholders of Evergreen Forests Limited**

We have audited the financial statements on pages 11 to 25. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 30 June 2004 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 14 to 16.

**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 2004 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 11 to 25:
  - (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 2004 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 27 August 2004 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 2004

IN NZ \$000'S	Note	GROUP		COMPANY	
		2004	2003	2004	2003
<b>CONTINUING ACTIVITIES</b>					
Operating revenue	1	40,247	40,100	7,110	41,302
Operating expenses	1	(41,473)	(32,795)	(12,139)	(35,667)
Revaluation of forests	8/17	(17,298)	(27,787)	(3,618)	3,489
<b>Net operating surplus/(deficit)</b>		<b>(18,524)</b>	<b>(20,482)</b>	<b>(8,647)</b>	<b>9,124</b>
Write-off of convertible notes issue costs	5	-	(918)	-	(918)
<b>Net surplus/(deficit) before taxation</b>		<b>(18,524)</b>	<b>(21,400)</b>	<b>(8,647)</b>	<b>8,206</b>
Taxation	2	6,498	(15,084)	3,104	(12,625)
<b>Net surplus/(deficit) after taxation</b>		<b>(12,026)</b>	<b>(36,484)</b>	<b>(5,543)</b>	<b>(4,419)</b>

**STATEMENTS OF MOVEMENTS IN EQUITY** for the year ended 30 June 2004

IN NZ \$000'S	Note	GROUP		COMPANY	
		2004	2003	2004	2003
Net surplus/(deficit) after taxation		(12,026)	(36,484)	(5,543)	(4,419)
<b>Total recognised revenues &amp; expenses</b>		<b>(12,026)</b>	<b>(36,484)</b>	<b>(5,543)</b>	<b>(4,419)</b>
<b>Distributions to owners</b>					
Repurchase of shares	3	-	(172)	-	(172)
<b>Contributions by owners</b>					
Shares issued	3	2,404	3,575	2,404	3,575
<b>Net change in equity</b>		<b>(9,622)</b>	<b>(33,081)</b>	<b>(3,139)</b>	<b>(1,016)</b>
<b>Equity at the beginning of the year</b>		<b>90,459</b>	<b>123,540</b>	<b>100,847</b>	<b>101,863</b>
<b>Equity at the end of the year</b>		<b>80,837</b>	<b>90,459</b>	<b>97,708</b>	<b>100,847</b>

**STATEMENTS OF FINANCIAL POSITION** as at 30 June 2004

IN NZ \$000'S	Note	GROUP		COMPANY	
		2004	2003	2004	2003
<b>EQUITY</b>					
Attributable to parent company shareholders	3	80,837	90,459	97,708	100,847
<b>Total equity</b>		<b>80,837</b>	90,459	<b>97,708</b>	100,847
<b>CONVERTIBLE INSTRUMENTS</b>					
Convertible redeemable preference shares	4	700	1,293	700	1,293
Ten year zero coupon convertible notes	5	25,278	25,882	25,278	25,882
		25,978	27,175	25,978	27,175
<b>NON CURRENT LIABILITIES</b>					
Borrowings	6	51,758	54,198	50,198	52,638
Provision for deferred taxation	2	8,580	15,078	9,521	12,625
		60,338	69,276	59,719	65,263
<b>CURRENT LIABILITIES</b>					
Payables & accruals	7	4,997	5,304	3,838	4,303
Borrowings	6	1,250	-	1,250	-
		6,247	5,304	5,088	4,303
<b>Total liabilities &amp; equity</b>		<b>173,400</b>	192,214	<b>188,493</b>	197,588
<b>NON CURRENT ASSETS</b>					
Land	8	26,894	27,400	24,178	24,193
Roading and land improvements	8	2,894	3,240	2,861	3,228
Forests	8	119,652	141,900	43,328	46,946
Fixed assets	9	1,966	2,290	210	375
Investments	10	2,029	3,802	20,028	21,801
Advances	11	1,511	2,116	1,511	2,116
Deposits with bank		500	-	500	-
		155,446	180,748	92,616	98,659
<b>CURRENT ASSETS</b>					
Cash and short term deposits		5,211	6,635	5,091	6,041
Other short term deposits with bank		1,500	-	1,500	-
Receivables, prepayments and inventories	12	11,243	4,831	89,286	92,888
		17,954	11,466	95,877	98,929
<b>Total assets</b>		<b>173,400</b>	192,214	<b>188,493</b>	197,588

**STATEMENTS OF CASH FLOWS** for the year ended 30 June 2004

IN NZ \$000'S	Note	GROUP		COMPANY	
		2004	2003	2004	2003
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
<b>Cash was provided by (applied to):</b>					
Receipts from customers		34,347	35,770	2,363	552
Payments to suppliers and employees*		(31,727)	(27,455)	(3,547)	(258)
Interest received		398	354	406	308
Interest paid**		(2,545)	(456)	(1,842)	(357)
<b>Net cash flows from operating activities</b>	14	<b>473</b>	<b>8,213</b>	<b>(2,620)</b>	<b>245</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
<b>Cash was provided by (applied to):</b>					
Proceeds from sale of assets		385	13	36	505
Acquisition of fixed assets		(82)	(2,037)	(82)	(851)
Acquisition and development of forests*		-	(2,847)	-	(2,847)
Interest paid**		-	(3,340)	-	(3,340)
Advances and loans to subsidiaries		-	-	3,916	5,332
Loans and advances		605	(80)	605	(121)
Other investments		-	(19)	-	-
Bank deposits		(2,000)	-	(2,000)	-
Sale of forests		-	-	-	2,092
Nuhaka distributions - capital & sale of units		821	1,083	821	1,083
<b>Net cash flows from investing activities</b>		<b>(271)</b>	<b>(7,227)</b>	<b>3,296</b>	<b>1,853</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
<b>Cash was provided by (applied to):</b>					
Proceeds from/(paid) term borrowings		(1,100)	2,799	(1,100)	2,049
Proceeds from/(redeemed) convertible preference shares		(593)	223	(593)	223
Share issues/(repurchases)		67	(172)	67	(172)
<b>Net cash flows from financing activities</b>		<b>(1,626)</b>	<b>2,850</b>	<b>(1,626)</b>	<b>2,100</b>
<b>NET INCREASE (DECREASE) IN CASH HELD</b>		<b>(1,424)</b>	<b>3,836</b>	<b>(950)</b>	<b>4,198</b>
<b>Add cash at beginning of year</b>		<b>6,635</b>	<b>2,799</b>	<b>6,041</b>	<b>1,843</b>
<b>Total cash at the end of the year</b>		<b>5,211</b>	<b>6,635</b>	<b>5,091</b>	<b>6,041</b>

\* Payments to suppliers and employees includes \$1.9 million in respect of development forests in accordance with NZIAS 41, comparative for which was included in investing activities in 2003.

\*\* Interest paid includes \$2.1 million in respect of development forests in accordance with NZIAS 41, comparative for which was included in investing activities in 2003.

## STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES for the year ended 30 June 2004

### 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 have been applied on bases consistent with those used in the previous year.

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### 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.

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### 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.

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**STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES** for the year ended 30 June 2004**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**

The forest assets are now recorded at fair value less estimated point of sale costs, as required by New Zealand International Accounting Standard NZIAS 41 (formerly these requirements were part of Exposure Draft 90 on Agriculture), issued by the Institute of Chartered Accountants of New Zealand, on the basis of an independent valuation. Any changes in the forest asset values are reflected in the statement of financial performance.

**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.

**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.

**E] TAXATION**

Income tax expense is recognised on the accounting surplus/(deficit) before taxation adjusted for permanent differences between accounting and tax rules.

Deferred tax is calculated using the comprehensive basis under the liability method. The liability method involves recognising the tax effect of all timing differences between accounting and taxable income as a deferred tax asset or liability in the statement of financial position.

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.

**F] LEASE COSTS**

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

**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.

**STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES** for the year ended 30 June 2004

**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] 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 2004

IN NZ \$000'S	GROUP		COMPANY	
	2004	2003	2004	2003
<b>Note 1. OPERATING REVENUE AND EXPENSES</b>				
<b>Operating revenue includes:</b>				
Forest revenue - owned estate	28,656	33,976	2,346	412
Third party trading revenue	6,546	2,342	-	-
Interest income	398	354	406	308
Forest exchange gain	3,123	2,111	3,046	2,087
Unrealised foreign exchange gain on borrowings	1,234	1,317	1,234	1,317
Net surplus on sale of assets	220	(41)	39	(41)
Other revenue	70	41	39	41
Sale of forestry rights	-	-	-	37,178
	<b>40,247</b>	<b>40,100</b>	<b>7,110</b>	<b>41,302</b>
<b>Operating expenses include:</b>				
Fees paid to parent company auditors:				
Audit	39	39	28	29
Other services	1	1	1	1
Increase/(decrease) in provision for doubtful debts	-	8	-	-
Depreciation	519	454	340	334
Directors' fees	110	93	110	93
Interest	5,421	456	4,719	357
Rental expenses	72	87	72	87
Operating lease expenses	167	166	10	100
Write-down of Nuhaka Forestry Fund Investment	952	1,086	952	1,086
Restructuring costs	420	-	420	-
Cost of forest sold	-	-	-	31,233
Other operating expenses	33,772	30,405	5,487	2,347
	<b>41,473</b>	<b>32,795</b>	<b>12,139</b>	<b>35,667</b>
<b>Note 2. TAXATION</b>				
<b>a] Income tax expense</b>				
Surplus/(deficit) before taxation	(18,524)	(21,400)	(8,647)	8,206
Prima facie income tax expense calculated at 33% (2003: 33%) on the surplus/(deficit) before taxation	6,113	7,062	2,854	(2,708)
Adjusted for the tax effect of:				
Permanent differences	(232)	(376)	(366)	(376)
Timing differences reversing	478	(5,866)	477	3,311
Prior year adjustments	139	(820)	139	(227)
	<b>6,498</b>	<b>-</b>	<b>3,104</b>	<b>-</b>
<b>Deferred tax provision at year end</b>	<b>-</b>	<b>(15,084)</b>	<b>-</b>	<b>(12,625)</b>
<b>Total tax credit/(charge) reported</b>	<b>6,498</b>	<b>(15,084)</b>	<b>3,104</b>	<b>(12,625)</b>
<b>Current taxation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Deferred taxation</b>	<b>6,498</b>	<b>(15,084)</b>	<b>3,104</b>	<b>(12,625)</b>

**NOTES TO THE FINANCIAL STATEMENTS** for the year ended 30 June 2004

IN NZ \$000'S	GROUP		COMPANY	
	2004	2003	2004	2003
<b>b) Imputation credits</b>	6	6	-	-
<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	23,167	9,970	5,799	1,328
<b>Tax savings thereon</b>	<b>7,645</b>	<b>3,290</b>	<b>1,914</b>	<b>438</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	(15,078)	-	(12,625)	-
Movements during the year (adjusted for imputation credits)	6,498	(15,078)	3,104	(12,625)
<b>Balance at end of year</b>	<b>(8,580)</b>	<b>(15,078)</b>	<b>(9,521)</b>	<b>(12,625)</b>

**Note 3. EQUITY**

Share capital	110,377	107,973	110,377	107,973
Retained earnings/(accumulated losses)	(29,540)	(17,514)	(12,669)	(7,126)
<b>Balance at end of year</b>	<b>80,837</b>	<b>90,459</b>	<b>97,708</b>	<b>100,847</b>

Shares	Number	Number	Value	Value
Opening balance	151,629,074	145,807,541	107,973	104,570
Conversions during the year @ \$0.55 per share	4,248,426	6,500,003	2,337	3,575
Issued during the year @ \$0.495 under employees incentive scheme	137,412	-	67	-
Cancelled during the year	(311,607)	(678,470)	-	(172)
	<b>155,703,305</b>	<b>151,629,074</b>	<b>110,377</b>	<b>107,973</b>

**Options**

At year end, 206,000 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 2004, 40,000 options maturing on 30 June 2005 and 166,000 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	802	1,278	802	1,278
Cancelled during the year	(596)	(476)	(596)	(476)
<b>Balance at end of year</b>	<b>206</b>	<b>802</b>	<b>206</b>	<b>802</b>

**Maturity profile**

Expiry date	Exercise price				
30 June 2005	\$0.55	40	150	40	150
30 June 2006	\$0.55	166	652	166	652
<b>Balance at end of year</b>		<b>206</b>	<b>802</b>	<b>206</b>	<b>802</b>

**NOTES TO THE FINANCIAL STATEMENTS** for the year ended 30 June 2004**Repurchase of shares**

During the year ending 30 June 2004 the company did not repurchase any shares (2003: 327,607 at an average price of \$0.525). During the same period the Company cancelled 311,607 (2003: 678,470) shares. Following cancellation, at 30 June 2004 the number of ordinary shares comprise:

	2004	2003
Shares issued to the shareholders	155,703,305	151,317,467
Shares held as treasury stock	-	311,607
<b>Total</b>	<b>155,703,305</b>	<b>151,629,074</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	
	2004	2003	2004	2003
Balance at the beginning of the year	1,293	1,070	1,293	1,070
Redeemed during the year	(593)	-	(593)	-
Issue of shares during the year at \$0.77 per share	-	223	-	223
<b>Balance at end of year</b>	<b>700</b>	<b>1,293</b>	<b>700</b>	<b>1,293</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 Nil (2003: 290,000) CRPSs were issued and 770,000 CRPSs (2003: Nil) were redeemed. 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 (2003: \$184,800) and is included in the interest expense.

**Note 5. CONVERTIBLE NOTES**

17,519,314 \$1.00 notes (2003: 19,225,715)	17,519	19,226	17,519	19,226
Interest accrued at 7.18%	7,759	6,656	7,759	6,656
Convertible value of notes on issue	25,278	25,882	25,278	25,882
Issue costs - net of amortisation	-	(918)	-	(918)
Issue costs - written off	-	918	-	918
	<b>25,278</b>	<b>25,882</b>	<b>25,278</b>	<b>25,882</b>

Holders of 1,706,401 (2003: 2,731,768) 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 2004

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	
	2004	2003	2004	2003
<b>Note 6. BORROWINGS</b>				
Bank	35,960	37,060	34,400	35,500
Other	17,048	17,138	17,048	17,138
	<b>53,008</b>	54,198	<b>51,448</b>	52,638
The term borrowings are repayable as follows:				
Less than one year	1,250	-	1,250	-
Between one and two years	2,500	1,250	2,500	1,250
Between two and five years	32,847	36,153	31,287	34,450
Between five and ten years	16,411	16,795	16,411	16,938
	<b>53,008</b>	54,198	<b>51,448</b>	52,638

**Bank Borrowings**

As at 30 June 2004, the total loan facilities available to the Group from Westpac Banking Corporation are \$42 million (2003: \$42 million). The first repayment of \$1.25 million is due in January 2005. Total repayments due between 2 to 5 years amount to \$32.21 million (2003: \$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 \$24.00 million (2003: \$37.06 million) at an average rate of 6.37% (2003: 6.24%) for the next year (refer note 15 on financial instruments for further details).

**Other Borrowings**

In February 2003, 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. During the year NZ\$1.14 million (2003: Nil) of interest was added to the loan and an unrealised net foreign exchange gain of NZ\$1.23 million (2003: NZ\$1.32 million) is included in the net surplus before taxation. The loan was NZ\$17.05 million at balance date (2003: NZ\$17.14 million). 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 commenced in 2003 at 45% and reduces progressively to 34% by 2012.

**NOTES TO THE FINANCIAL STATEMENTS** for the year ended 30 June 2004

IN NZ \$000'S	GROUP		COMPANY	
	2004	2003	2004	2003
<b>Note 7. PAYABLES AND ACCRUALS</b>				
Trade payables	1,742	2,592	1,328	2,049
Other accruals	3,063	2,216	2,321	1,761
Employee benefits	192	496	189	493
	4,997	5,304	3,838	4,303
<b>Note 8. LAND AND FORESTS</b>				
<b>Freehold land</b>				
At cost	26,894	27,400	24,178	24,193
<b>Roading and land improvements</b>				
At cost	4,989	5,180	4,797	5,165
Accumulated depreciation	(2,095)	(1,940)	(1,936)	(1,937)
	2,894	3,240	2,861	3,228

Based on the most recent government valuations, the value of land and improvements is \$27 million (2003: \$26 million). Valuation dates range from 1 September 2001 to 1 September 2003.

Roading depreciation for the group and the parent company for the year is \$240,000 (2003: \$223,000) and \$230,000 (2003: 223,000) respectively.

<b>Forests</b>				
At beginning of year	141,900	161,277	46,946	67,922
Development costs capitalised during the year*	-	2,847	-	2,392
Interest costs capitalised during the year*	-	5,635	-	4,448
Forests acquired/(sold) during the year	(4,391)	-	-	(31,233)
Amortisation	-	(72)	-	(72)
Write-up (down) of forests (refer note 17)	(17,298)	(27,787)	(3,618)	3,489
<b>At end of year - at valuation</b>	<b>120,211</b>	<b>141,900</b>	<b>43,328</b>	<b>46,946</b>
<b>Forests - Non Current</b>	<b>119,652</b>	<b>141,900</b>	<b>43,328</b>	<b>46,946</b>
<b>Forests - Current, contracted stumpage sales</b>	<b>559</b>	<b>-</b>	<b>-</b>	<b>-</b>
	120,211	141,900	43,328	46,946

The Group's forests were independently valued at 30 June 2004 by JP Management Consulting (Asia-Pacific) Ltd (Jaakko Pöyry Consulting) at \$120.2 million (2003: \$141.9 million). Jaakko Pöyry Consulting has described 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 10% (2003: 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. (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 envisage".

Forest fire and wind damage insurance is carried for all forests for a maximum amount of \$20 million and \$2.5 million respectively.

\* In 2004 development costs of \$1.9 million and interest costs of \$4.9 million relating to development forests was expensed in accordance with NZIAS 41.

**NOTES TO THE FINANCIAL STATEMENTS** for the year ended 30 June 2004

IN NZ \$000'S	GROUP		COMPANY	
	2004	2003	2004	2003
<b>Note 9. FIXED ASSETS</b>				
<b>Buildings</b>				
At cost	189	301	189	301
Accumulated depreciation	(111)	(155)	(111)	(155)
	78	146	78	146
<b>Plant and machinery</b>				
At cost	2,273	2,314	211	260
Accumulated depreciation	(432)	(247)	(126)	(108)
	1,841	2,067	85	152
<b>Office equipment</b>				
At cost	256	255	256	255
Accumulated depreciation	(209)	(178)	(209)	(178)
	47	77	47	77
<b>Total fixed assets</b>	<b>1,966</b>	<b>2,290</b>	<b>210</b>	<b>375</b>

Group depreciation for the year is represented by: buildings \$14,000 (2003: \$23,000), plant and machinery \$200,000 (2003: \$160,000) and office equipment \$42,000 (2003: \$48,000). Parent company depreciation is represented by: buildings \$14,000 (2003: \$23,000), plant and machinery \$37,000 (2003: \$40,000) and office equipment \$42,000 (2003: \$48,000).

**Note 10. INVESTMENTS**

Nuhaka Farm Forestry Fund (market value at 30 June 2004: \$2,047,000 (2003: \$2,941,000))	2,010	3,783	2,010	3,783
Investment in subsidiaries	-	-	18,018	18,018
Other investments	19	19	-	-
	2,029	3,802	20,028	21,801

The Nuhaka Forestry Fund is a Group Investment Fund listed on the New Zealand Stock Exchange. The company's holding at 30 June 2004 was 426,388 units (2003: 525,143). During the year the company sold 98,755 units at a loss of \$116,000 and the value of this investment has been written down by \$836,000 (2003: \$1,086,000) to reflect the Fund's reported net asset backing as at 31 March 2004. This net asset backing is adjusted for dividends subsequently paid in June 2004. Investments have been credited by the distribution received during the year, \$326,000 (2003: \$1,082,000).

Group subsidiaries Ownership	Principal activities	Ownership	
		2004	2003
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%	100%
Evergreen Forests (West Coast) Limited	Forest ownership	100%	100%

**NOTES TO THE FINANCIAL STATEMENTS** for the year ended 30 June 2004

IN NZ \$000'S	GROUP		COMPANY	
	2004	2003	2004	2003
<b>Note 11. ADVANCES</b>				
Executives - 2003	179	201	179	201
Executives - 2002	382	963	382	963
Executives - 2001	234	670	234	670
Executives - 1999	36	282	36	282
External advances - secured	680	-	680	-
	<b>1,511</b>	2,116	<b>1,511</b>	2,116

Advances to executives in 2002 & 2003 are secured by way of a mortgage against the convertible redeemable preference shares. During the year a dividend of \$124,000 (net of resident withholding tax) was utilised to repay these advances and a further \$5,000 was repaid by the executives. 770,000 CRPSs were redeemed by employees during the year and the proceeds were utilised to repay their advances. 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 2004 was 6.49% (2003: 6.50%). Loans are repayable in full if the executives cease to be employed by the company.

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

Trade receivables	4,183	3,512	80	7
Receivables in respect of sale of land and forests	4,900	-	-	-
Other receivables and prepayments	1,052	777	407	458
Inventories	549	542	-	-
Contracted stumpage sales	559	-	-	-
Intercompany advances	-	-	88,799	92,423
	<b>11,243</b>	4,831	<b>89,286</b>	92,888

Inventories include wharf stocks.

**Note 13. RELATED PARTIES**

Refer note 11 for advances to/from related parties and refer note 4 for advances to other related parties.

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 2004

IN NZ \$000'S	GROUP		COMPANY	
	2004	2003	2004	2003
<b>Note 14. OPERATING CASH FLOW RECONCILIATION</b>				
<b>Surplus/(deficit) after taxation</b>	<b>(12,026)</b>	<b>(36,484)</b>	<b>(5,543)</b>	<b>(4,419)</b>
<b>Adjusted for non cash items:</b>				
Depreciation	519	454	340	334
Write-down of Nuhaka investment	952	1,086	952	1,086
Write-down/(up) of Forests	17,298	27,787	3,618	(3,489)
Unrealised foreign exchange gain on borrowings	(1,234)	(1,317)	(1,234)	(1,317)
Write-off of convertible notes issue costs	-	918	-	918
Amortisation	38	72	-	72
Interest	2,876	-	2,877	-
Surplus on disposal of assets	(220)	41	(39)	41
Loss/(profit) on sale of forestry rights to subsidiary	-	-	-	(6,526)
Deferred tax movement	(6,498)	15,084	(3,104)	12,625
Non current advances reclassified into current	-	180	-	-
<b>Adjusted for movements in working capital:</b>				
Payables and accruals	(307)	1,161	(465)	690
Receivables, prepayments and inventories	(925)	(769)	(22)	230
<b>Net cash flows from operating activities</b>	<b>473</b>	<b>8,213</b>	<b>(2,620)</b>	<b>245</b>

**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	10,511	17,867	10,440	17,317
Twelve to twenty-four months	5,396	7,810	5,396	7,810
Twenty-four to thirty-six months	988	3,836	988	3,836
	<b>16,895</b>	<b>29,513</b>	<b>16,824</b>	<b>28,963</b>

**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 6.51% (2003: 6.96%).

At balance date, the Group held interest rate swaps of \$24.0 million (2003: \$37.1 million) giving an effective interest rate for the next year of 6.37% (2003: 6.24%). The rest of the bank debt is on floating interest rate.

**NOTES TO THE FINANCIAL STATEMENTS** for the year ended 30 June 2004

IN NZ \$000'S	GROUP		COMPANY	
	2004	2003	2004	2003
Interest rate swap for one year @ 6.01%	-	13,060	-	11,500
Interest rate swap for two years @ 6.29%	12,000	-	12,000	-
Interest rate swap for three years @ 6.29%	-	12,000	-	12,000
Interest rate swap for four years @ 6.45%	12,000	-	12,000	-
Interest rate swap for five years @ 6.45%	-	12,000	-	12,000
	<b>24,000</b>	<b>37,060</b>	<b>24,000</b>	<b>35,500</b>

**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 73% (2003: 70%) of trade receivables at 30 June 2004 owing from three customers. Payments received up to 31 July 2004 in the normal course of business from these customers amounted to approximately 43% (2003: 71%) of the outstanding balance. 48% of the outstanding balance as at 30 June 2004 owed from these customers is fully secured. There are no other significant concentrations of credit risk in relation to trade receivables.

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 gain of \$726,000 (2003: Loss of \$99,000). Unexercised forward foreign exchange contracts would have had a fair value gain of \$2.7 million (2003: \$2.9 million) as at balance date.

**Note 16. LEASE COMMITMENTS**

Not later than one year*	144	146	78	80
Later than one, but not later than two years*	135	80	68	80
Later than two but not later than five years*	34	120	34	120
	<b>313</b>	<b>346</b>	<b>180</b>	<b>280</b>
Commitments under forestry rights arrangements – per annum	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>

\* In respect of these commitments, there is a lease receivable of \$68,000 for each of the years 2005 and 2006 and \$34,000 for 2007 for the Group as well as the Company.

**Note 17. REVALUATION OF FORESTS - REVENUE/(EXPENSE)**

Growth, replanting and yield adjustments	18,082	-
Harvesting	(10,687)	-
Price assumptions	(8,473)	-
Change in discount rate	(16,220)	-
Write-down of forests	-	(27,787)
	<b>(17,298)</b>	<b>(27,787)</b>

Also refer note 8 on land and forests.

**Note 18. 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.

**Note 19. SUBSEQUENT EVENTS**

Total available loan facilities from the bank were reduced to \$37 million with effect from 1 July 2004.

## SHAREHOLDER INFORMATION

	AS AT 30 JUNE 2004		AS AT 30 JUNE 2003	
	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	77,000	1,500
DM Campbell	1,763,800	260,000	1,763,800	260,000
PL Fowler	-	-	-	-
RA Kriscunas	-	-	-	-
<b>Convertible Notes</b>				
PD Wilson	90,000	-	90,000	-
DM Campbell	1,226,118	242,176	621,318	242,176
PL Fowler	-	-	-	-
RA Kriscunas	-	-	-	-

### 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 27 August 2004 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.	63,276,236	36.53%
Cynthia Douglas	}	}
James E Douglas & Jean A Douglas		
Kevin Douglas & Michelle Douglas		
James Douglas III		
Arnhold & S Bleichroeder, Inc.	13,004,293	7.51%
DIP - Danske civil-og akademiingeniorere Pensionskasse (The Danish Pension Fund for Engineers)	14,255,541	8.23%
Laerernes Pension A/S (Teachers Pension and Life)	14,255,541	8.23%
Hambrecht & Quist Guaranty Finance, LLC	8,674,739	5.01%
Fully paid ordinary shares on issue	<b>155,703,305</b>	
Convertible Notes on issue	<b>17,519,314</b>	
<b>Total Voting Securities</b> (as defined by the Securities Amendment Act 1988)	<b>173,222,619</b>	

**STATUTORY INFORMATION** for the year ended 30 June 2004**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. Westpac Banking Corporation, 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>P L Fowler</b>	Director of numerous subsidiaries of Zinifex Ltd and Geo Smart Limited. Partner in Puriri Hills Management Limited, a family business.
<b>R A Kriscunas</b>	Director of World Timberfund Inc, which is a partner in a joint venture between Global Forest Partners and Weyerhaeuser Forests International.

**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
D M CAMPBELL	4,800	Convertible Notes	\$6,048	1/7/2003
D M CAMPBELL	600,000	Convertible Notes	US\$391,080	7/10/2003

**STATUTORY INFORMATION** for the year ended 30 June 2004

**DIRECTORS' REMUNERATION**

Directors' remuneration paid in the year ended 30 June 2004 was as follows:

<b>Directors' fees (In NZ \$):</b>	
P D Wilson	35,000
D M Campbell	17,500
W J Falconer	13,892
P L Fowler	15,027
R A Kriscunas	15,027
J K McLay	13,892
<b>Total</b>	<b>110,338</b>
<b>Special remuneration:*</b>	
P D Wilson	51,392

\* During the year 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 596,000 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 (including share ownership benefits)</b>	<b>No. of Employees</b>
\$120,000 - \$130,000	1
\$140,000 - \$150,000	1
\$150,000 - \$160,000	1
\$240,000 - \$250,000	1
\$260,000 - \$270,000	1
\$630,000 - \$640,000	1

3 of the above employees no longer work with the Company and of these 2 had remuneration packages which included a severance component.

**AUDITORS' REMUNERATION**

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

<b>IN NZ \$000'S</b>	<b>2004</b>	<b>2003</b>
Audit	39	39
Other services	1	1

**DONATIONS**

During the year the Company donated \$1,000 to the Westpac Rescue Helicopter.

## 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 seven 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	7	7	2	2	-	-
D M Campbell	7	7	-	-	2	2
W J Falconer	5	5	2	2	2	2
P L Fowler	7	7	-	-	-	-
R A Kriscunas	7	7	-	-	-	-
J K McLay	5	5	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 Chairman is 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 27 August 2004

Shareholder	Shares	Percentage
WESTPAC BANKING CORPORATION - Client Assets No 2 - A/C NZCSD	63,276,236	40.64%
NATIONAL NOMINEES NEW ZEALAND LIMITED - A/C NZCSD	24,123,575	15.49%
ANZ NOMINEES LIMITED - A/C NZCSD	17,178,541	11.03%
CITIBANK NOMINEES (NEW ZEALAND) LIMITED - A/C NZCSD	10,374,534	6.66%
FORBAR CUSTODIANS LIMITED	8,807,451	5.66%
HENDRY NOMINEES LIMITED	4,324,870	2.78%
WESTPAC NOMINEES (NZ) LIMITED - A/C NZCSD	2,912,750	1.87%
ACCIDENT COMPENSATION CORPORATION	2,000,000	1.28%
DONALD MILLER CAMPBELL	1,198,800	0.77%
STERLING NOMINEES LIMITED	1,157,666	0.74%
JOHANNES LA GROUW (JNR)	1,030,029	0.66%
DANIELL CASE 111	787,496	0.51%
PAKIHI INVESTMENTS LIMITED	700,000	0.45%
DANIEL H CASE	512,504	0.33%
PETER MILLIKEN	435,354	0.28%
DAVID WALTER ILES	386,470	0.25%
CHIU-HING CHAN	350,000	0.23%
MING CHOW & FOOK KOM WONG	309,692	0.20%
WAI CHUN SO	300,000	0.19%
SELWYN WALTER SKUDDER	280,300	0.18%
	140,446,268	90.20%
TOTAL ON ISSUE	155,703,305	
TOTAL SHAREHOLDERS	1,734	

**HOLDER INFORMATION – SPREAD OF SHAREHOLDING BY SIZE** as at 27 August 2004

Shareholding Size	Holder Count	% of Shares
1 to 999	133	0.04%
1,000 to 4,999	746	1.10%
5,000 to 9,999	360	1.36%
10,000 to 49,999	426	4.50%
50,000 to 99,999	32	1.30%
100,000 to 499,999	23	2.82%
500,000 to 999,999	3	1.28%
1,000,000 to 999,999,999,999	11	87.60%

**HOLDER INFORMATION – TOP 20 NOTEHOLDERS** as at 27 August 2004

Noteholders	Holding	Total	Percentage
NATIONAL NOMINEES NEW ZEALAND LIMITED		6,944,624	39.63%
HAMBRECHT & QUIST GUARANTY FINANCE		5,101,504	29.11%
HENDRY NOMINEES LIMITED		1,126,261	6.42%
WESTPAC NOMINEES (NZ) LIMITED		1,095,604	6.25%
MARK STAFFORD BOGLE		572,568	3.26%
DELAWARE CHARTER GUARANTY & TRUST		375,000	2.14%
DONALD MILLER CAMPBELL		339,800	1.93%
DAVID EDWARD SAYER		225,967	1.28%
JANE ANNE HORTON		169,000	0.96%
PETER DAVID WILSON		90,000	0.51%
NEW ZEALAND METHODIST TRUST ASSOCIATION		60,000	0.34%
PORTFOLIO CUSTODIAN LIMITED		50,000	0.28%
CRAIG JOHN THOMPSON		50,000	0.28%
BARRY GLEN HERBISON		43,419	0.24%
CHRISTOPHER TONY HATTON		38,334	0.21%
DANIEL H CASE		37,398	0.21%
FORBAR CUSTODIANS LIMITED		36,334	0.20%
DONALD THOMAS BRASH		35,000	0.19%
ANDREWS FAMILY NOMINEES LIMITED		28,500	0.16%
GREGORY KENNETH PARKER & MICHAEL PETER WILLIAM STYLES & CHRISTINE MARGARET STYLES & COLIN BRINKWORTH		25,000	0.14%
		16,444,313	
TOTAL ON ISSUE		17,519,314	
TOTAL NOTEHOLDERS		461	

**HOLDER INFORMATION – SPREAD OF NOTEHOLDING BY SIZE** as at 27 August 2004

Shareholding Size	Holder Count	% of Notes
1 to 999	205	0.63%
1,000 to 4,999	180	1.86%
5,000 to 9,999	20	0.70%
10,000 to 49,999	43	4.34%
50,000 to 99,999	4	1.43%
100,000 to 499,999	4	6.33%
500,000 to 999,999	1	3.27%
1,000,000 to 999,999,999,999	4	81.44%

## BOARD OF DIRECTORS

### **PETER D. WILSON**

**Aged 63, has been the Chairman of the Company since 1993.**

Mr. Wilson is a business consultant based in Wellington and 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, and is a Director of The Colonial Motor Company Limited, Urbus Properties Limited, Hill County Corporation Limited, Westpac (NZ) Investments Limited and Westpac Banking Corporation. Mr. Wilson is a member of the Institute of Chartered Accountants and the Institute of Directors.

### **DONALD M. CAMPBELL**

**Aged 65, 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 56, 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 Zinifex 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 54, 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).

