



financial statements 1999

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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 1999 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 1999.

For and on behalf of the Board of Directors:

P. D. Wilson

Director

4 August 1999

S. N. Hurley

Director

Auditors' Report

To the Shareholders of Evergreen Forests Limited

PricewaterhouseCoopers
23-29 Albert Street
Private Bag 92162
Auckland, New Zealand
DX CP24073
Telephone +64 9 355 8000
Facsimile +64 9 355 8001

We have audited the financial statements on pages 21 to 32. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 30 June 1999 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 24 to 26.

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 the Group as at 30 June 1999 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 used and described on pages 24 to 26 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 in order 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 its subsidiary other than in our capacity as auditors, tax advisers and consultants.


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 21 to 32:
 - (i) comply with generally accepted accounting practice, and
 - (ii) give a true and fair view of the financial position of the Company and Group as at 30 June 1999 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 4 August 1999 and our unqualified opinion is expressed as at that date.



Chartered Accountants

Auckland

Statements of Financial Performance

For the year ended 30 June 1999

IN \$NZ 000'S	NOTES	GROUP		COMPANY	
		1999	1998	1999	1998
CONTINUING ACTIVITIES					
Operating revenue	1	8,811	591	784	19,341
Operating expenses	1	(5,720)	(738)	(1,294)	(16,601)
Net operating surplus (deficit) before taxation		3,091	(147)	(510)	2,740
Taxation	2	-	-	-	-
Net surplus (deficit) for the year		3,091	(147)	(510)	2,740

Statements of Movements in Equity

For the year ended 30 June 1999

IN \$NZ 000'S	GROUP		COMPANY	
	1999	1998	1999	1998
Equity at the beginning of the year	96,190	96,337	99,077	96,337
Total recognised revenue and expenses for the year - net surplus (deficit)	3,091	(147)	(510)	2,740
Equity at end of the year	99,281	96,190	98,567	99,077

Statements of Financial Position

As at 30 June 1999

IN \$NZ 000'S	NOTES	GROUP		COMPANY	
		1999	1998	1999	1998
EQUITY					
Attributable to shareholders	3	99,281	96,190	98,567	99,077
CONVERTIBLE NOTES					
Ten year zero coupon convertible notes	4	21,723	-	21,723	-
NON CURRENT LIABILITIES					
Borrowings	5	30,126	46,956	30,126	46,956
CURRENT LIABILITIES					
Creditors and accruals	6	1,535	434	1,031	434
Total liabilities and equity		152,665	143,580	151,447	146,467
NON CURRENT ASSETS					
Land	7	24,082	24,247	24,082	24,247
Roading and land improvements	7	2,232	2,158	2,232	2,158
Forests	7	116,063	108,890	100,200	93,027
Fixed assets	8	321	423	321	423
Investments	9	5,880	5,433	5,880	5,433
Advances	10	469	-	469	-
		149,047	141,151	133,184	125,288
CURRENT ASSETS					
Cash and short term deposits		2,348	1,879	2,237	1,879
Receivables and prepayments	11	1,270	550	16,026	19,300
		3,618	2,429	18,263	21,179
Total assets		152,665	143,580	151,447	146,467

Statements of Cash Flows

For the year ended 30 June 1999

IN \$NZ 000'S	NOTES	GROUP		COMPANY	
		1999	1998	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided by (applied to):					
		7,492	192	784	192
		(4,130)	(1,114)	(431)	(1,114)
		76	111	76	111
		(17)	545	(17)	545
Net cash flows from operating activities	12	3,421	(266)	412	(266)
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided by (applied to):					
		467	502	467	502
		(403)	(130)	(403)	(130)
		(2,141)	(12,409)	(2,141)	(12,409)
		(447)	(88)	(447)	(88)
		-	-	2,898	-
		(469)	-	(469)	-
Net cash flows applied to investing activities		(2,993)	(12,125)	(95)	(12,125)
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was provided by (applied to):					
		-	11,550	-	11,550
		22,380	-	22,380	-
		(1,120)	-	(1,120)	-
		(21,219)	-	(21,219)	-
Net cash flows from financing activities		41	11,550	41	11,550
NET INCREASE (DECREASE) IN CASH HELD		469	(841)	358	(841)
Add cash at beginning of year		1,879	2,720	1,879	2,720
Total cash at the end of the year		2,348	1,879	2,237	1,879

Statement of Significant Accounting Policies

For the year ended 30 June 1999

(A) BASIS OF PREPARATION

REPORTING ENTITY

Evergreen Forests Limited, registered under the New Zealand 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 subsidiary (Evergreen Forests Marketing Limited).

MEASUREMENT BASE

The financial statements are prepared on the basis of historical cost.

CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies. All policies have been applied on bases consistent with those used in the previous 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.

(C) BASIS OF PREPARING GROUP FINANCIAL STATEMENTS

Subsidiary

The financial statements of the group consist of Evergreen Forests Limited (the Company) and its wholly owned subsidiary Evergreen Forests Marketing Limited using the purchase method of consolidation.

All intercompany transactions are eliminated on consolidation.

Evergreen Forests Marketing Limited was formed to conduct the business of marketing and procurement of wood supply.

Statement of Significant Accounting Policies

For the year ended 30 June 1999

(D) VALUATION OF ASSETS

Land, permanent roading, land improvements and other fixed assets

Land is recorded at cost. Permanent roading, 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**
Productions forests are managed on a sustainable yield basis. Once a forest has been classified as a production forest all costs including harvesting, reestablishment 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. Other financing costs are recognised as an expense in the current year.
- **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 depletion is recognised as an expense in the current year.

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 roading 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, which is considered to be fair value.

Investments

Non-current investments are stated at cost, which is considered to be fair value.

Statement of Significant Accounting Policies

For the year ended 30 June 1999

(E) TAXATION

The tax expense recognised for the year is the estimated total liability including both current and deferred tax. Deferred tax is accounted for in respect of those timing differences expected to reverse in the foreseeable future. A deferred tax benefit relating to tax losses is recognised only if there is virtual certainty of realisation.

(F) LEASE COSTS

Payments made under operating leases are recognised in the statement of financial performance on a basis representative of the pattern of benefits expected to be derived from the leased asset.

(G) FOREIGN CURRENCY

Transactions covered by short term forward exchange contracts are translated 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. Amounts receivable and payable in foreign currencies at balance date are translated at the exchange rate ruling at that date. Exchange differences arising on the translation of amounts payable and receivable in foreign currencies are recognised in the statement of financial performance.

(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 items or economic exposures are recognised on the same basis as the underlying 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.

(I) EMPLOYEE BENEFITS

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

(J) ISSUE COSTS

Costs associated with the issue of convertible notes are amortised over the life of the convertible note on a yield to maturity basis.

Notes to the Financial Statements

For the year ended 30 June 1999

IN \$NZ 000'S	GROUP		COMPANY	
	1999	1998	1999	1998
1 OPERATING REVENUE AND EXPENSES				
Operating revenue includes:				
Forest revenue	8,539	203	272	203
Interest income	76	111	76	111
Net surplus on sale of assets	139	206	139	206
Other revenue	57	71	297	71
Sale of forestry rights	-	-	-	18,750
	8,811	591	784	19,341
Operating expenses includes:				
Cost of forests sold	-	-	-	15,863
Depreciation on assets	112	75	112	75
Rental expenses	160	81	160	81
Operating lease expenses	39	43	39	43
Amounts paid to auditors:				
• for audit services	18	17	18	17
• other services	8	3	8	3
Directors' fees	115	112	115	112
Other operating expenses	5,268	407	842	407
	5,720	738	1,294	16,601
2 TAXATION				
(a) Income tax expense				
Prima facie income tax expense calculated at 33% (1998: 33%) on the surplus (deficit) before taxation	1,020	(48)	931	904
Adjusted for the tax effect of:				
Cost of timber	(1,464)	4,188	(122)	3,236
Development costs	(2,416)	(2,458)	(2,416)	(2,458)
Timing differences not recognised	33	141	33	141
Prior year adjustments	(162)	(44)	(162)	(44)
Tax effect of losses not recognised/(utilised)	2,989	(1,779)	1,736	(1,779)
	-	-	-	-
(b) Imputation credits				
Nil.				
(c) Tax losses				
Unrecognised tax losses available for set off against future assessable income:				
Tax losses	15,615	6,560	11,818	6,560
Tax savings thereon	5,153	2,164	3,900	2,164

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

Notes to the Financial Statements

For the year ended 30 June 1999

3 EQUITY

Equity comprises 131,434,372 fully paid ordinary shares (1998: 131,434,372).

Options

During the year the Company issued a total of 1,000,000 ordinary share options pursuant to the executive share option scheme. The number of options that may be exercised will vary depending on the performance of the Company. 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:

IN 000'S	GROUP		COMPANY	
	1999	1998	1999	1998
Number of options:				
Balance at beginning of year	2,295	1,350	2,295	1,350
Issued during the year	1,000	1,065	1,000	1,065
Cancelled during the year	-	(120)	-	(120)
Balance at end of year	3,295	2,295	3,295	2,295
Maturity profile:				
Expiry date	Exercise Price			
30 June 2000	\$0.75	525	525	525
30 June 2001	\$0.75	780	780	780
30 June 2002	\$0.75	990	990	990
30 June 2005*	\$0.55	1,000	-	-
Balance at end of year		3,295	2,295	3,295
*As at 30 June 1999 200,000 options are exercisable.				
IN \$NZ 000'S	1999	1998	1999	1998
4 CONVERTIBLE NOTES				
Issue of 22,379,898 Notes at \$1.00	22,380	-	22,380	-
Interest accrued at 7.18%	453	-	453	-
Convertible value of notes on issue	22,833	-	22,833	-
Issue costs – net of amortisation	(1,110)	-	(1,110)	-
	21,723	-	21,723	-

The Ten Year Zero Coupon Convertible Notes are secured by a second ranking floating charge and accrue interest at the rate of 7.18% per annum. Each convertible note is redeemable in cash after ten 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:

- The Company 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.
- The Company 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 in the meetings of shareholders.

Notes to the Financial Statements

For the year ended 30 June 1999

IN \$NZ 000'S	GROUP		COMPANY	
	1999	1998	1999	1998
5 NON CURRENT LIABILITIES				
Borrowings	30,126	46,956	30,126	46,956
Less current portion	-	-	-	-
Term borrowings	30,126	46,956	30,126	46,956
<p>The borrowings are secured by way of a debenture trust deed over the assets of the company and its subsidiary.</p> <p>The company has a compounding interest facility agreement with Westpac Banking Corporation to a maximum level of \$30.9 million (including capitalised interest). Interest only payments commence on the earlier of 31 December 1999 or when the maximum facility level is reached. Principal repayments are due 31 December 2001.</p> <p>The interest rate at 30 June 1999 was 5.69%. The interest rate for these borrowings is not fixed but the Company has a quarterly interest rate cap of 6.4% expiring on the 30 June 2000.</p>				
The term borrowings are repayable as follows:				
Later than one, not later than two years	-	-	-	-
Later than two, not later than five years	30,126	46,956	30,126	46,956
	30,126	46,956	30,126	46,956
6 CREDITORS AND ACCRUALS				
Creditors and accruals	1,519	423	1,015	423
Employee benefits	16	11	16	11
	1,535	434	1,031	434
7 LAND AND FORESTS				
Freehold land				
At cost	24,082	24,247	24,082	24,247
Roading and Land Improvements				
At cost	2,984	2,635	2,984	2,635
Accumulated depreciation	(752)	(477)	(752)	(477)
	2,232	2,158	2,232	2,158
Forests				
At beginning of year	108,890	101,512	93,027	101,512
Development costs capitalised during the year	2,483	3,961	2,483	3,961
Interest costs capitalised during the year	4,836	3,487	4,836	3,487
Forests acquired (sold) during the year	-	-	-	(15,863)
Amortisation of prepaid rental costs	(146)	(70)	(146)	(70)
At end of year (at cost)	116,063	108,890	100,200	93,027
Total land and forest assets	142,377	135,295	126,514	119,432

Based on the most recent government valuations, the value of land and improvements is \$24,601,000. Valuation dates range from 1 September 1996 to 1 September 1998. The latest independent valuation of forests as at 30 June 1999 is \$129,886,000. Comprehensive forest fire insurance is carried for all forests, with a first loss cover of \$10 million for wind damage.

Notes to the Financial Statements

For the year ended 30 June 1999

IN \$NZ 000'S	GROUP		COMPANY	
	1999	1998	1999	1998
8 FIXED ASSETS				
Buildings				
At cost	374	519	374	519
Accumulated depreciation	(156)	(191)	(156)	(191)
	218	328	218	328
Plant & machinery				
At cost	107	98	107	98
Accumulated depreciation	(28)	(33)	(28)	(33)
	79	65	79	65
Office equipment				
At cost	83	73	83	73
Accumulated depreciation	(59)	(43)	(59)	(43)
	24	30	24	30
Total fixed assets	321	423	321	423
9 INVESTMENTS				
Nuhaka Farm Forestry Fund (market value at 30 June 1999 \$4,052,818)	5,880	5,433	5,880	5,433
<p>During the year the Company acquired further units in the Nuhaka Farm Forestry Fund, a Group Investment Fund listed on the New Zealand Stock Exchange. The total holding at 30 June was 21.17%, represented by 375,261 units (1998: 18.55%; 328,961 units).</p> <p>Last year the Company formed a wholly owned subsidiary Evergreen Forests Marketing Limited (with fully paid up capital of \$100) to conduct the business of marketing and procurement of wood supply. Its balance date is 30 June.</p>				
10 ADVANCES				
Chairman	72	-	72	-
Executives	397	-	397	-
	469	-	469	-

During the year the Company provided loans totalling \$473,669 to senior executives and the Chairman enabling them to take up their full entitlement to the 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 1999 was 5.87%. Loans are repayable in full if the Chairman or executives cease to be employed by the Company.

Notes to the Financial Statements

For the year ended 30 June 1999

IN \$NZ 000'S	GROUP		COMPANY	
	1999	1998	1999	1998
11 RECEIVABLES AND PREPAYMENTS				
Loan to wholly owned subsidiary	-	-	15,851	18,750
Receivables and prepayments	1,270	550	175	550
	1,270	550	16,026	19,300
12 NET CASH FLOW FROM OPERATING ACTIVITIES				
The following is a reconciliation between the surplus (deficit) after taxation shown in the statement of financial performance and the net cash flow from operating activities.				
Operating surplus (deficit) after tax	3,091	(147)	(510)	2,740
Less items classified as investing activities:				
Gain on sale of assets	(139)	(206)	(139)	(206)
Add non-cash items:				
Depreciation	112	75	112	75
Amortisation of prepaid rent	146	70	146	70
Gain on sale of forestry right to wholly owned subsidiary	-	-	-	(2,887)
Add (less) movements in working capital:				
Accounts receivable	(890)	(76)	205	(76)
Accounts payable	1,101	18	598	18
Net cash provided by operating activities	3,421	(266)	412	(266)

13 RELATED PARTIES

The Company contracted with Macquarie New Zealand Limited, which is associated with a director (J. K. McLay) for investment banking services. All transactions were at normal commercial rates and amounted to \$194,000 (1998: \$11,000) during the year. During the previous year the Company sold a Forestry Right at an assessed value of \$18.7 million to its wholly owned subsidiary Evergreen Forests Marketing Limited. This transaction was financed by an intercompany loan.

Loans and advances to/from related parties - refer notes 10 and 11.

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.

14 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.

(b) Interest rate risk

The borrowings of the Company are sensitive to changes in interest rates. The effective interest rate over the year on borrowings was 9.8% (1998: 8.3%)

Notes to the Financial Statements

For the year ended 30 June 1999

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(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 24% of trade receivables at 30 June 1999 owing from one customer. There are no other significant concentrations of credit risk. Amounts owed by 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: bank balances, receivables, advances, borrowings and creditors.

IN \$NZ 000'S	GROUP		COMPANY	
	1999	1998	1999	1998
15 COMMITMENTS				
Non-cancellable operating lease rentals are payable as follows:				
Not later than one year	62	34	62	34
Later than one, but not later than two years	62	61	62	61
Later than two, but not later than five years	16	77	16	77
	140	172	140	172
Commitments under forestry right arrangements – per annum	16	11	16	11

16 OTHER MATTERS

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

No capital commitments or contingencies exist at balance date.

Statutory Information

For the year ended 30 June 1999

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
P. D. Wilson	WestpacTrust Advisory Board, member. Healthcare Hawkes Bay Limited, chairman. Port of Napier Limited, chairman. Health Benefits Limited, director. The Colonial Motor Company Limited, director. Pharmaceutical Management Agency Limited, director. AgriQuality New Zealand Limited, director. Tairawhiti Healthcare Limited, director.
R. G. V. Dyce	Crown Forestry Management Limited, secretary. Tarawera Forests Limited, alternate director.
W. J. Falconer	Hellaby Holdings Limited, chairman. St. Lukes Group Limited, chairman. Westgate Transport Limited, director. Opera New Zealand Limited, chairman. Restaurant Brands Limited, chairman. Oyster Bay Marlborough Vineyards Limited, chairman. Environmental Risk Management Authority, chairman.
S. N. Hurley	The Xylem Group, Inc., director and partner. Xylem Investments, Inc., director and partner. Xylem Fund I, L.P., shareholder. Xylem Fund II, L.P., shareholder. Forestal Tornagaleones S.A. (Chile), director. Forestal Argentina S.A., director. Britannic Group PLC, director. Grupo Forestal Soledad, C.A. (Venezuela), director. Wenita Forest Products Limited, director.
J. K. McLay	J.K. McLay Limited, director. Omniport Napier Limited, director. Macquarie New Zealand Limited, executive chairman. Tip Top Ice Cream Company Limited, alternate director. HIH Casualty and General Insurance (NZ) Limited, advisor.
J. O. Parker	Xylem Investments, Inc., partner. Xylem Fund I, L.P., shareholder. Xylem Fund II, L.P., shareholder. Forestal Tornagaleones S.A. (Chile), alternate director. Forestal Argentina S.A., director. Britannic Group PLC, director. Grupo Forestal Soledad, C.A. (Venezuela), director. Grupo Forestal Integradora (Mexico), director.
D. M. Campbell	Hambrecht & Quist Guaranty Finance, LLC, chief executive. New Zealand Investment Trust, chairman.

DISCLOSURE OF INTERESTS BY DIRECTORS

Since the date of the last report, the following are particulars of transactions in which a director has an interest (as that term is defined in section 139 of the Companies Act 1993):

DIRECTOR	NATURE OF INTEREST
J. K. McLay	Executive Chairman of Macquarie New Zealand Limited, which provides investment banking services to the Company.
D. M. Campbell	Chief Executive of Hambrecht & Quist Guaranty Finance, LLC, which received compensation as an underwriter of convertible notes.

SHARE & CONVERTIBLE NOTE DEALINGS BY DIRECTORS

The following dealings by directors in convertible notes of the Company were disclosed to the board:

DIRECTOR	NUMBER OF SHARES ACQUIRED (DISPOSED)	CLASS	CONSIDERATION	DATE
P. D. Wilson	90,000	Convertible	\$89,900	19 March 1999
R. G. V. Dyce	5,001	Convertible	\$4,800	19 March 1999
W. J. Falconer	14,164	Convertible	\$13,968	19 March 1999
J. K. McLay	1,334	Convertible	\$1,234	19 March 1999

DIRECTORS' REMUNERATION

Directors remuneration paid in the year ended 30 June 1999 were as follows:

P. D. Wilson	60,000*
D. M. Campbell	2,685
R. G. V. Dyce	17,500
W. J. Falconer	17,500
S. N. Hurley	-
J. K. McLay	17,500
J. O. Parker	-
	\$ 115,185

*Includes \$25,000 for management services provided in a personal capacity.

Directors are reimbursed all travelling, accommodation and other expenses properly incurred by them in connection with the business of the Company.

Statutory Information

For the year ended 30 June 1999

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 issued a total of 1,000,000 ordinary share options pursuant to the Company's executive share option scheme to certain senior executives.

The number of options that may be exercised will vary depending on the performance of the Company. The exercise price is \$0.55. 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.

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:

REMUNERATION (INCLUDING SHARE OPTIONS)	NUMBER OF EMPLOYEES
\$100,000 – \$110,000	1
\$110,000 – \$120,000	1
\$220,000 – \$230,000	1

AUDITORS' REMUNERATION

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

IN \$NZ 000'S	1999	1998
Audit	18	17
Taxation	-	3
Other services	8	-

DONATIONS

During the year the Company made a donation to WestpacTrust Rescue Helicopter of \$1,000.

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 Executive 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 **Executive Committee** is to review business proposals, monthly management information and the remuneration of the Company's senior executives, and make recommendations thereon to the Board.

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 six Board meetings, two Audit Committee meetings and six Executive Committee meetings.

The table of attendance for these meetings is shown below:

	BOARD		AUDIT COMMITTEE		EXECUTIVE COMMITTEE	
	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED
P. D. Wilson	6	6	*	*	6	6
D. M. Campbell †	1	1	*	*	*	*
R. G. V. Dyce	6	6	2	2	*	*
S. N. Hurley	6	6	*	*	6	6
J. O. Parker	6	5	*	*	6	6
J. K. McLay	6	5	*	*	*	*
W. J. Falconer	6	6	2	2	*	*

* Not a committee member

† D. M. Campbell joined the Board of Directors on the 5th May 1999.

Holder Information

	AS AT 30 JUNE 1999		AS AT 30 JUNE 1998	
	BENEFICIALLY HELD	HELD BY ASSOCIATED PERSONS	BENEFICIALLY HELD	HELD BY ASSOCIATED PERSONS
DIRECTORS' HOLDING				
Ordinary shares				
P. D. Wilson	60,000	15,000	60,000	15,000
R. G. V. Dyce	30,000	-	30,000	-
W. J. Falconer	85,000	-	85,000	-
S. N. Hurley*	-	*626,313	-	*607,938
J. K. McLay	8,000	-	8,000	-
J. O. Parker*	-	*626,313	-	*607,938
D. M. Campbell	1,763,800	260,000		
Convertible notes				
P. D. Wilson	90,000	-		
R. G. V. Dyce	5,001	-		
W. J. Falconer	14,168	-		
S. N. Hurley	-	-		
J. K. McLay	1,334	-		
J. O. Parker	-	-		
D. M. Campbell	260,300	21,667		

*S. N. Hurley and J. O. Parker are partners in Xylem Investments, G.P which holds a 1% interest in Xylem Fund I, L.P representing 626,313 (1998: 607,938) Evergreen Forests Limited ordinary shares.

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 19 August 1999 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.	62,631,321	40.72
Société Générale Asset Management Corp.	18,118,222	11.78
Hambrecht & Quist Guaranty Finance, LLC	17,072,525	11.10

As at 19 August 1999, the Company had on issue 153,814,270 voting securities (as defined by the Securities Amendment Act 1988) being 131,434,372 fully paid ordinary shares and 22,379,898 convertible notes.

Holder Information

As at 19 August 1999

TWENTY LARGEST SHAREHOLDERS

SHAREHOLDERS	SHARES	PER CENT
ANZ Nominees Limited	72,031,321	54.8%
National Nominees Limited	14,859,723	11.3%
Hendry Nominees Limited A/C 596	4,407,800	3.4%
Hambrech & Quist Guaranty Finance, LLC	2,127,600	1.6%
Ingalls & Snyder, LLC	2,000,000	1.5%
Cornelis La Grouw & Ineke Treloar & Richard John Wiles (Silenroc A/C)	1,378,602	1.0%
Sterling Nominees Limited – No 5 Account	1,290,500	1.0%
La Grouw Operations Limited (Johannes La Grouw – Jnr)	1,210,029	0.9%
Donald M. Campbell	1,198,800	0.9%
Johannes La Grouw (Snr) & Avon Leavett Carpenter & Peter Watson Grayburn & Alistair William Capamagian (Hillegonda Family A/C)	1,124,222	0.9%
La Grouw Corporation Limited	1,115,837	0.8%
Hendry Nominees Limited A/C 828	1,000,000	0.8%
Daniel Case III	800,000	0.6%
Citibank Nominees (New Zealand) Limited	704,301	0.5%
Pakihi Investments Limited	700,000	0.5%
Chiu-Hing Chan	622,600	0.5%
Ineke Treloar & Cornelis La Grouw & Alistair William Capamagian (Treloar A/C)	548,937	0.4%
Daniel H. Case	500,000	0.4%
Hendry Nominees Limited – A/C 608	401,000	0.3%
Hendry Nominees Limited – A/C 631	373,000	0.3%
Total	108,394,272	82.4%

TWENTY LARGEST NOTEHOLDERS

NOTEHOLDERS	NOTES	PER CENT
Hambrech & Quist Guaranty Finance, LLC	9,036,658	40.4%
National Nominees Limited	3,698,189	16.5%
Alps Investment, LLC	2,533,333	11.3%
Westpac Nominees – NZ – Limited	1,095,604	4.9%
ANZ Nominees Limited	920,001	4.1%
Lionel P. Boissiere (Case Childrens 1991 Irrevocable A/C)	750,000	3.4%
Hendry Nominees Limited A/C 596	521,132	2.3%
Delaware Charter Guaranty & Trust (FBO Daniel H. Case III IRA)	375,000	1.7%
Hendry Nominees Limited A/C 807	330,000	1.5%
Mark Stafford Bogle	266,667	1.2%
Donald M. Campbell	199,800	0.9%
Hendry Nominees Limited A/C 828	166,667	0.7%
Daniel Case III	133,334	0.6%
Perry Norwood Knight	92,060	0.4%
Peter David Wilson	90,000	0.4%
Barry Glen Herbison	85,834	0.4%
Daniel H. Case	83,334	0.4%
Evelyn Angela Hill & Frank Simon Pearson (Whitehill A/C)	75,000	0.3%
Frank Simon Pearson	75,000	0.3%
Hendry Nominees Limited A/C 608	66,834	0.3%
Total	20,594,447	92.0%

Holder Information

As at 19 August 1999

SPREAD OF SHAREHOLDING BY SIZE

SIZE OF HOLDING	NUMBER OF SHAREHOLDERS	% OF HOLDERS	NUMBER OF SHARES	% OF HOLDING
1 to 999	142	5.9%	60,970	0.0%
1,000 to 4,999	1,026	42.7%	2,436,356	1.9%
5,000 to 9,999	503	20.9%	2,961,220	2.3%
10,000 to 49,999	636	26.5%	10,192,778	7.8%
50,000 to 99,999	47	2.0%	2,918,254	2.2%
100,000 to 499,999	31	1.3%	5,244,522	4.0%
500,000 to 999,999	6	0.2%	3,875,838	2.9%
1,000,000 and over	12	0.5%	103,744,434	78.9%
Total	2,403	100.0%	131,434,372	100.0%

SPREAD OF NOTEHOLDING BY SIZE

SIZE OF HOLDING	NUMBER OF NOTEHOLDERS	% OF HOLDERS	NUMBER OF NOTES	% OF HOLDING
1 to 999	233	37.8%	137,555	0.6%
1,000 to 4,999	289	46.8%	519,922	2.3%
5,000 to 9,999	31	5.0%	180,101	0.8%
10,000 to 49,999	37	6.0%	554,722	2.5%
50,000 to 99,999	14	2.3%	961,213	4.3%
100,000 to 499,999	6	1.0%	1,471,468	6.6%
500,000 to 999,999	3	0.5%	2,191,133	9.8%
1,000,000 and over	4	0.6%	16,363,784	73.1%
Total	617	100.0%	22,379,898	100.0%

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 effect the market value of Evergreen's stock, or investors' attitudes to it. This is accomplished initially through release to the New Zealand Stock Exchange and Australian Stock Exchange, followed by news release and annual and half-yearly reports, 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 AND 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 directory. If you wish to be added to the mailing list for distribution of news releases, please email us at info@evergreen.co.nz.

TIMETABLE

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

Annual result announced	Second week in August
Annual report distributed	Second week in September
Annual general meeting	First week in October
Half year result announced	Second week in February
Half year report distributed	First week in March

Board of Directors

Peter D. Wilson, aged 58, is the Chairman of the Company. Mr. Wilson is a business consultant. He retired in 1995 from a partnership in Ernst & Young New Zealand to extend his director and consulting activities. Mr. Wilson has a wide range of commercial experience. He is currently the Chairman of Healthcare Hawkes Bay Limited and Port of Napier Limited; a director of Health Benefits Limited, Pharmac Limited, The Colonial Motor Company Limited, AgriQuality New Zealand Limited, and Tairawhiti Healthcare Limited; and a member of the WestpacTrust Advisory Board (WestpacTrust is the New Zealand division of Westpac Banking Corporation). Mr. Wilson has been Chairman of the Company since 1993.

Robbie G. V. Dyce, aged 66, is a director of the Company. Mr. Dyce is a Fellow of the Institute of Chartered Accountants of New Zealand, the Chartered Institute of Corporate Management and the Chartered Institute of Transport. Until 1988, he was the Executive Director of Finance of Newmans Group Limited, a NZSE listed company. In 1988 he became the Corporate Finance Manager for the New Zealand Forestry Corporation, and was actively involved in the management and sale of its forestry assets. Mr. Dyce has been a member of the New Zealand Society of Accountants Professional Standards Committee, and was formerly Chairman of Nelson Marlborough Health Services Limited. Mr. Dyce has been a director of the Company since 1993.

Stephen N. Hurley, aged 55, is a director of the Company. Mr. Hurley is the Founder, Chairman and Chief Executive of Xylem Investments, Inc., an international forestry investment firm based in Boston, Massachusetts. Xylem specialises in making private equity placements in forest and forest-related enterprises. Prior to founding Xylem Investments, Mr. Hurley was a Principal, Director and Investment Committee Member of Resource Investments, Inc., now known as UBS Resource Investments, a direct timber investment company. Previously, Mr. Hurley served as Senior Vice-President and Portfolio Manager at Fidelity Management Trust Company and as Portfolio Manager of the Fidelity Select Paper and Forest Products Fund and the Fidelity Select Basic Industrial Materials Fund. Prior to working at Fidelity, Mr. Hurley was Vice-President and Senior Forest Products Analyst at J P Morgan Investment Management, Inc., Vice-President at The Boston Company, Inc. and Senior Forest Products Analyst at State Street Research and Management Company. Mr. Hurley obtained an AB from Amherst College and an MBA with Honours from the Harvard University Graduate School of Business Administration. He is currently also a director of Forestal Tornagaleones S.A. (a forest plantation company in Chile), Forestal Argentina S.A. (a forest plantation company in Argentina), Britannic Group PLC (a UK forestry company), Grupo Forestal Soledad (a Venezuelan forestry company), and Wenita Forest Products Limited (a New Zealand forestry company). Mr. Hurley has been a director of the Company since 1995.

John O. Parker, aged 32, is a director of the Company. Mr. Parker is Senior Vice President at Xylem Investments, Inc. and Portfolio Manager responsible for Xylem's private equity placements in forestry enterprises worldwide. Prior to joining Xylem shortly after its founding, Mr. Parker was at Booz, Allen & Hamilton as a member of its operations management group. He has also worked in the merchant banking group of the Long-Term Credit Bank of Japan Limited, Tokyo as a member of its international real estate division. Mr. Parker obtained a BA with Honours and an MBA both

from Dartmouth College. He is currently also a director of Britannic Group PLC (a UK forestry company), Grupo Forestal Soledad (a Venezuelan forestry company), and Grupo Forestal Integradora (a Mexican forestry company). Mr. Parker has been a director of the Company since 1995.

James K. McLay, aged 54, is a director of the Company. 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 the principal and managing director of J. K. McLay Limited, business consultants, the New Zealand Commissioner on the International Whaling Commission, 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 currently Executive Chairman of Macquarie New Zealand Limited. He received the Queen's Service Order (QSO), and has obtained a Bachelor of Law (LLB) degree from Auckland University. Mr. McLay has been a director of the Company since 1995.

William J. Falconer, aged 60, is a director of the Company. 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 St. Lukes Group Limited, Environmental Risk Management Authority, Hellaby Holdings Limited, Restaurant Brands Limited, and Oyster Bay Marlborough Vineyards Limited. He was formerly Chairman of the Accident Rehabilitation Insurance Corporation. He received the Companion of the New Zealand Order of Merit (CNZM), and has obtained a Bachelor of Law (LLB) from Victoria University. Mr. Falconer has been a director of the Company since 1995.

Donald M. Campbell, aged 59, is a director of the Company. Mr. Campbell is a consultant in business finance. He serves as the Chief Executive Officer of Hambrecht & Quist Guaranty Finance, LLC, an affiliate of the Hambrecht & Quist Group of San Francisco, a New York Stock Exchange listed investment bank. Hambrecht & Quist Guaranty Finance provides asset-based financing for emerging technology companies in the United States and South America, and maintains a portfolio of marketable securities to underwrite its activities and guaranties. 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, and is a director of the Moneda Chile Fund, an investment company listed on the Irish Stock Exchange. He is also the manager of the H&Q Argentina 10/10 Fund, a joint venture investing in smaller companies listed on the Buenos Aires Stock Exchange. Mr. Campbell has obtained a BSc (Highest Distinction) from Nebraska University and an MBA from Stanford University. Mr. Campbell has been a director of the Company since 1999.