

## CHAIRMAN'S ADDRESS

### 68<sup>TH</sup> ANNUAL MEETING 27 JULY 2005

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I declare this meeting open, and welcome all shareholders (and others attending) to this 68<sup>th</sup> Annual Meeting of Rangatira Ltd.

I'm pleased to include in that welcome a number of co-shareholders and executives from our associated companies who are with us today. Ian Frame will be introducing these people to you a little later in the meeting.

At the outset of this meeting I would like to pay a tribute to David Steele who sadly passed away last month.

David was chairman of Rangatira from 1986 to 1996, and a director for more than 20 years. He will be particularly remembered in Rangatira for his determination in winning the Privy Council case against the Inland Revenue. David was a very good friend to many people here today, and an extremely intelligent and astute businessman. On behalf of all shareholders I want to extend our deepest sympathy to his family, and particularly to Paddy.

Following this meeting Eddie Tonks and Keith Gibson are retiring from the board. Both have given sound advice, long service, and a great degree of commitment to Rangatira. Their contribution and personalities will be sorely missed. I thank them for their work on your behalf and wish them every success in the future.

I would also like at this point to introduce Nick Calavrias. Nick was appointed by the board earlier this year as a new director. He has been - and still is – a very effective and successful Chief Executive at Steel and Tube Holdings Ltd and brings valuable skills and experience to our Board table.

Our result for the year to 31 March 2005 was, overall, a reasonably good one. We have been able to pay a fully-imputed dividend of 31 cents per share (last year was also 31¢, but only partially imputed) - and in addition we have seen the assessed asset backing of our shares increase by 14¢ to \$6.27.

Our assessed total return for the year of 7.3% was a little higher than the 6.5% average of balanced New Zealand investment funds – and more importantly, our average for the last three years of 6.0% was well above the investment fund average of 3.4%.

While your board and management are pleased to see figures that compare positively with these benchmarks, our target is to achieve a greater margin above the average than we have managed in the latest year.

We have a sound spread of risk with roughly half our investments in relatively small unlisted businesses, and the other half in large and solid listed companies. Our listed company investments are split between 53% in Australia, 42% in New Zealand, and the other 5% internationally.

Over time we expect our selection of listed stocks to perform positively compared with sharemarket averages. Our portfolio, however, contains some 25 stocks and we cannot expect performance over the long term to be markedly different from the overall market. Having said that, it was very pleasing to see our Australian portfolio gain 26% in the latest year compared with a 14% rise in the index, largely reflecting our greater weighting of resource stocks.

Where we hope the major part of an above average return for shareholders will come from is through our investments in unlisted businesses. We aim in these companies to have a significant shareholding, usually at least 50%, with commensurate influence on strategy through direct representation on the board.

The latest year's result for this sector of our investments was less positive than we need for the future. However, our unlisted portfolio contains a number of very sound companies, some of which we believe have particularly good prospects for profit growth.

Profitability in the latest year was adversely affected in the manufacturing companies by the strong kiwi dollar. There were also disruption costs in some companies from one-off investments in new computer systems and capacity expansions.

Your board monitors all of these companies very closely, and we have worked with a number of them during the year to help implement strategies for profit improvement.

Our major investment highlights last year were –

- The sale of our Ebos shares, where we achieved a fully satisfactory price for the 10% stake in this listed company (which we held as a result of selling our Medic investment to them); and
- Acquisition of a 50% holding in Contract Resources Ltd, a company which is producing very good results and appears to have considerable scope for further growth.

We have also continued to support some of our existing unlisted investments with their growth programs.

We still have capacity for further investments if suitable opportunities arise, but we are now reasonably fully invested and will continue to be extremely selective in considering new opportunities.

Over the last two years I have commented on the inequitable tax treatment of dividends paid to charities. Unfortunately this remains an issue which government appears unwilling to address.

We have put considerable effort into finding a means of varying Rangatira's capital structure to reduce the tax impact on our charity shareholders, and we had developed a concept which we thought would be workable.

Professional advice on this, however, highlighted that no gain would be possible without, in essence, altering the relative interests of shareholders - and over time splitting Rangatira into two new companies with different shareholders. That outcome is not supported by our major shareholders, and so we will fall back now on continuing efforts to achieve a change in tax legislation.

There are two issues currently being pursued by government on which it is appropriate for me to comment.

One is the proposal to regulate the service provider called "Unlisted" on which Rangatira's shares are currently quoted. Unlisted has been a very acceptable means of having an independent party list buying and selling quotes for our shares.

As you will know, Rangatira's shares are only infrequently traded and we cannot justify the cost of a listing on either of the NZ stock exchange boards.

If, as proposed, Unlisted is required to operate in the same manner as the NZ stock exchange we will either have to take the buying and selling of our shares back in-house (which is inherently undesirable) or seek some other means of having buy and sell quotes publicised.

We find it very difficult to follow the logic of those advising government to regulate Unlisted.

The outcome will be to drive most of the companies currently participating to an alternative such as in-house share dealing - which, from a regulatory point of view, must be very much less satisfactory. A final government decision has yet to be made on Unlisted's future and we still hope for a sensible outcome.

The other issue, and one of very serious concern to us, is the proposal to tax capital gains on investments in Australia and other countries.

In our own case it appears we face the prospect of paying tax on unrealised gains on our substantial Australian and international equity portfolios.

Most investors, including ourselves, do not see anywhere near enough market depth and industry spread in the companies on the New Zealand stock exchange to be happy to confine ourselves solely to this market. Yet this new tax proposal places a substantial penalty on any offshore investment.

In our view it is economic nonsense to use the tax laws to create such a major distortion for investment decisions.

The outcome can only be significant relative over-valuation of New Zealand shares and investment property, as well as reduced investment diversification - with a consequential lower rate of return and increased risk on the country's investment capital.

It is incomprehensible to us that such an irrational proposal can be under serious consideration.

Looking ahead, we expect a reasonably positive business environment for most of the companies in our *listed* equity portfolio.

We have selected these companies for their long-term prospects, and most are not significantly exposed to the slowdown in New Zealand and Australian economic growth which most commentators expect over the coming year.

For our *unlisted* companies the recent fall in the New Zealand dollar will, if it is maintained, be helpful to a number of these businesses.

Overall we are budgeting for a recovery and improvement in our operating earnings, and performance for the first quarter is in line with budget.

R M Gough  
Chairman  
27<sup>th</sup> July 2005