



ANNUAL REPORT
MR CHIPS HOLDINGS LTD

2007



MR CHIPS HOLDINGS LIMITED

2007 ANNUAL REPORT

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MR CHIPS HOLDINGS LIMITED

DIRECTORY

BOARD OF DIRECTORS

Chairman

Graeme Robert Edwards, BSc(Hons)
28 Matheson Bay Road, Leigh
Company Director

Directors

Eion Sinclair Edgar, DCNZM, BCom, FCA
563 Peninsula Road, Queenstown
Company Director

Ian Jeffrey Halsted
19A Lucerne Road, Auckland
Company Director

Eric William Forbes
15 Old Onerahi Road, Whangarei
Company Director

Alternate Director to Eion Edgar
Grant Stephen Watson
37 Hinemoa Street, Birkenhead
Company Director

PRINCIPAL ACTIVITY

The principal activity of the group is french fry production and distribution for the wholesale market in New Zealand and Australia.

AUDITORS

PricewaterhouseCoopers
188 Quay Street
Private Bag 92162, Auckland

BANKERS

Bank of New Zealand

SHARE REGISTRAR

Computershare Registry Services Ltd
277 Broadway, Newmarket
Private Bag 92119
Auckland

LEGAL COUNSEL

Sellar Bone & Partners
Level 1, 3 Owens Road
Epsom
P O Box 74442, Auckland

Galloway Cook Allan
Cnr High & Princes Streets
P O Box 143, Dunedin

LOCATIONS

100 Kerwyn Avenue
East Tamaki,
P O Box 22546, Otahuhu
AUCKLAND
Ph: +64 9 274 7598, Fax: +64 9 274 0675
Email: info@mr-chips.co.nz
Websites: www.mrchips.co.nz
www.mrchips.com.au

14 Barberry Street, Judea
TAURANGA
Ph: +64 7 578 5124, Fax: +64 7 577 6070

27-33 Buchanans Road, Sockburn
CHRISTCHURCH
Ph: +64 3 342 9885, Fax: +64 3 342 9744

MR CHIPS HOLDINGS LIMITED

NOTICE OF ANNUAL MEETING

NOTICE IS HEREBY GIVEN that the 22nd Annual General Meeting of Shareholders of Mr Chips Holdings Ltd will be held at 4 pm on 16th July 2007 at Mr Chips Holdings Ltd, 100 Kerwyn Ave, East Tamaki, Auckland.

ORDINARY BUSINESS

Annual Report and Accounts

To receive and consider the Directors' Report, the accounts and balance sheets for the year ended 31 March 2007 and the report of the auditors thereon.

Resolutions

Election of Officers

1. To elect directors.

In accordance with the provisions of the Company's Constitution, Mr Ian Halsted retires by rotation and, being eligible, offers himself for re-election. Mr Ian Halsted is an independent director in terms of the NZX Listing Rules.

Auditors

2. To record that PricewaterhouseCoopers continue in office as auditors and to authorise the Directors to fix their remuneration in terms of their appointment

OTHER BUSINESS

3. To consider any other matter that may properly be brought before the Annual Meeting.

Proxies

All Shareholders entitled to attend the meeting and vote may appoint a proxy, who need not be a member of the company, to attend and on a poll vote in their stead. A proxy form is included with this notice.

Invitation

The Directors cordially invite Shareholders to join them for refreshments at the conclusion of the meeting.

By Order of the Board



J A Davison
Chief Executive Officer
25th May 2007

MR CHIPS HOLDINGS LIMITED

CHAIRMAN'S REPORT

On behalf of the Board I am proud to present the twenty-second Annual Report of Mr Chips Holdings Ltd for the year ended 31 March 2007.

Because it is unusual these days to remain involved with a company through two business cycles, a brief backward glance is justified. The period up to 1991 was characterised by stabilising the company from the excesses of the late eighties when the company came to the brink of failure. The following three years saw a consistent rise in sales and profitability as a consequence of major plant upgrading and refocusing the business.

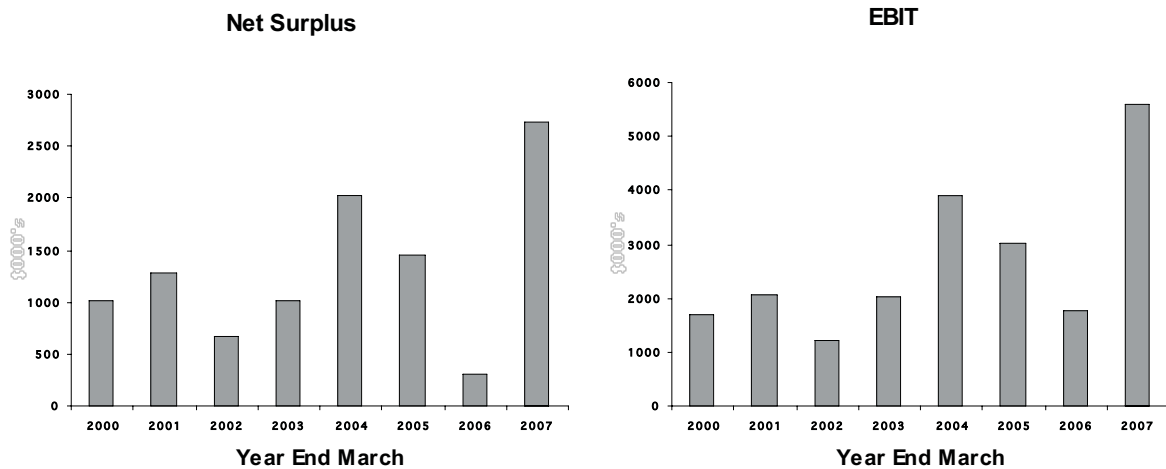
Following this was a steady state period of six years with modest growth and profitability. Sales momentum was regained around 2001 which together with changes in the marketplace and the need for better quality product saw the directors faced with a make or break decision to build a new factory alongside the old one in 2002.

This report covers the first full year in which the faith shown by all key stakeholders in making that investment and subsequently in the coldstore, has been rewarded, notwithstanding that the journey has had its ups and downs. Furthermore a platform has been built for ongoing growth.

REVIEW

The consolidated net profit after tax is \$2,740,141, which is up 823% on last year. It is however consistent with the first half profit of \$1,330,615 and the guidance given at that time, that a similar result was anticipated for the second half of the year.

This turnaround was a direct consequence of resolving all our structural issues, plus an improvement, for significant periods, in the AUD/NZD cross rate. More specifically production and sales were delicately balanced and inventory costs massively reduced through good utilisation of the new East Tamaki coldstore. Sales at \$47,509,314 are up 11% on last year, but after adjusting for the timing of contract sales this is consistent with the compound organic growth achieved over the last five years of 17.4%. Commissioning of a robotic palletiser in the packaging area has exceeded expectations. Consequently gross margins rose to a record level as shown in the bar graph of EBIT below.



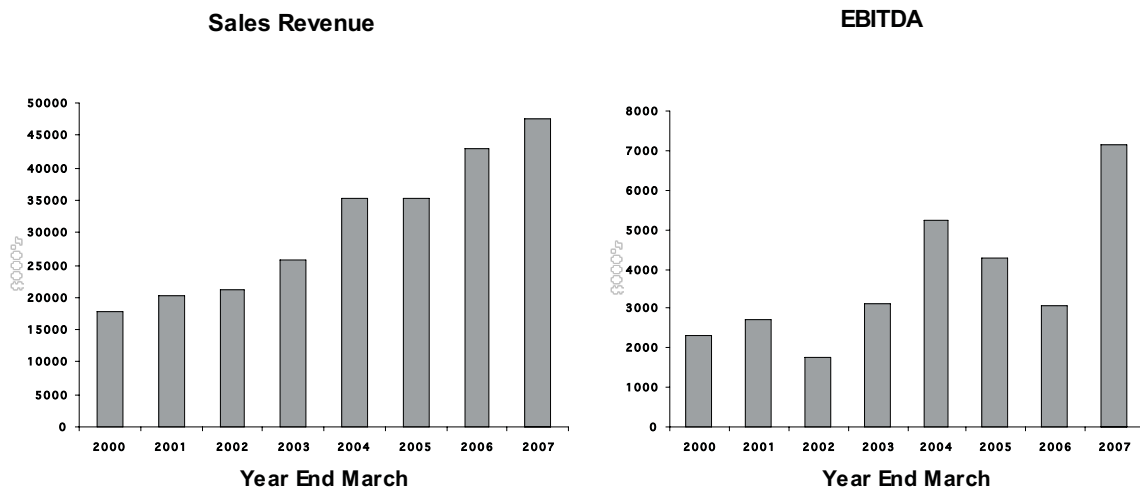
MR CHIPS HOLDINGS LIMITED

CHAIRMAN'S REPORT

In conjunction with our neighbours, the Highbrook Industrial Estate, we have cleaned up the gully area between us. Road access to the whole site has been significantly improved with the opening of the Highbrook on/off ramp from the Southern Motorway, which will cut transit times for both our suppliers and our own local deliveries.

A long term supply contract with Restaurant Brands was renewed during the year. Generally domestic operations performed well although some housebrand business was lost when we were unable to achieve adequate margins. Now that we have achieved a stable critical mass we are not prepared to gain sales at unrealistic prices.

Exports to Australia continued to grow, reflecting our value for good quality proposition, and now represent a very significant part of the business. It is also clear that the drought and other unusual weather events in the Australian growing areas together with long term water allocations have demonstrated, to both end users and processors, that partial supply from NZ is a prudent strategy.



The AUD/NZD cross rate moved in our favour early in the year. All Australian currency was repatriated and a hedging program put in place. Unfortunately the spot rates retraced their upward path, contrary to general expectations and we commence the new year with less than 20% of expected AUD receipts covered for the next two years.

It is a sad commentary on the present business environment that the most critical decision a Board must make is deciding on a foreign exchange strategy. It is clear to us that the NZD is over valued and that the highest interest rates in the OECD are a material factor in this. No matter how competent the central bankers, politicians and government advisors may be at a macro economic level the impact of their decisions at the coalface is now very destructive. This will inevitably lead to suboptimal performance in the productive and export sectors of the economy.

There is much talk of rebalancing the economy in favour of exporting, including tax incentives recently announced in the 2007 budget, when the opposite is occurring. As evidenced by recent movements in the PPI inflationary pressures on our inputs are generally low. The glaring exceptions are costs imposed by local government and government owned energy suppliers whose dominance has prevented a proper market from functioning.

MR CHIPS HOLDINGS LIMITED

CHAIRMAN'S REPORT

None of the recently announced budget initiatives will assist us and the macro environment is set to remain unnecessarily hostile. This is unfortunate given our success in sustainably growing a business based on adding value to a primary product, offering long term employment in South Auckland without any significant adverse environmental impacts.

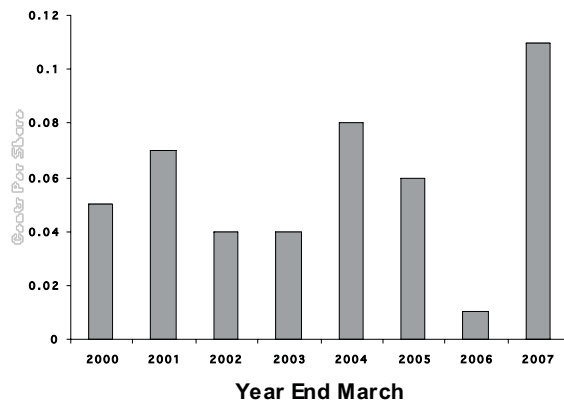
Of particular concern is the concerted attempt by local councils, acting in concert with Manukau Water and Watercare to extort unreasonable and unjustified fees for water supply and waste treatment. In doing so they persist in hiding behind by-laws which have their origins in the 1957 Auckland Drainage Board Act. The arbitrary charging methodologies adopted, result in monopolistic charges that bear no relation to the value or true cost of the service provided. This is entirely inconsistent with the concept of a level playing field. To add insult to injury the only assets Manukau Water claim we use were entirely paid for by Mr Chips when the original factory was built in a paddock in 1986. It is in our view unjustified taxation without representation.

BALANCE SHEET

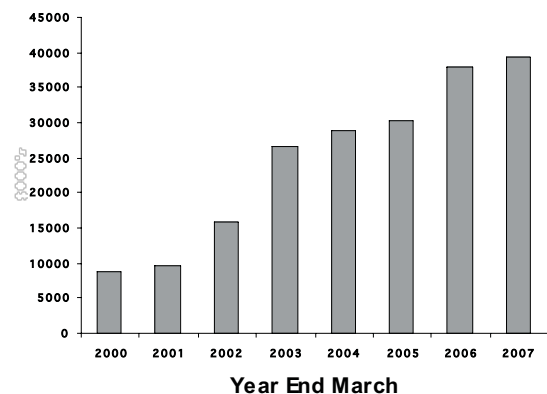
The Board is now comfortable with the balance date equity ratios of 46.4% and debt to debt plus equity ratios of 53.6%, despite further sales growth necessitating an increase in working capital, given our forward prospects. At balance date finished goods inventory was at an optimum given current sales and supply contracts.

The Board considers the current level of profitability representing a 15% tax paid return on shareholder funds to be only satisfactory given the nature of the business. Given last years property revaluations and the substantial capital expenditure of recent years book value is a realistic measure of capital employed.

Earnings Per Share



Total Assets



DIVIDEND

A final dividend of 4 cents per share fully imputed has been declared. Payment will be made on 3 August 2007 with the ex date being 30 July 2007.

MR CHIPS HOLDINGS LIMITED

CHAIRMAN'S REPORT

CORPORATE GOVERNANCE

The Board of Directors of Mr Chips Holdings Limited is elected by shareholders to supervise and direct corporate governance, the development of a strategic plan, the management of the business and all the affairs of the company.

The Board sets the companies objectives and the overall policy and control framework, it meets regularly throughout the year and monitors management performance.

The Board has established an Audit Committee comprising the independent Directors, who overview internal controls and the companies financial procedures in conjunction with the auditors.

The constitution specifies that at each annual meeting one third of the Directors must retire by rotation. This year Mr Ian Halsted retires and being eligible offers himself for re-election.

The shareholdings of Directors are detailed on page 30 of this report.

STAKEHOLDERS

I would like to thank all stakeholders for their contribution in a year that has finally seen the business start to realise its potential. Mr Chips is known for its strong relationships. Your staff, directors, suppliers, our bankers the BNZ and most importantly our customers have all played their part in a solid result.

I would particularly like to pay tribute to David Lough who resigned this year after nearly 12 years loyal service as our Christchurch manager. David did us proud in holding the fort in the South island while we grappled with major capital expenditure and export markets. We wish him all the very best and thank him for a job well done.

There has been some consolidation of shareholding during the year with the top 20 holders now owning 88% of the company.

OUTLOOK

We will be operating the East Tamaki plant at capacity for the season, which is consistent with sales forecasts and potato supply arrangements. To date potato quality has been excellent. We anticipate that even at the current AUD/NZD exchange rate we should comfortably exceed this year's result. However we remain highly leveraged to this exchange rate and to a lesser extent to interest rates. A return to ten year averages in both interest and exchange rates would significantly increase profitability

Contingent on resolving our issues with Watercare and Manukau Water we are considering further enhancements to our main line.

On behalf of the Board



GRAEME R EDWARDS
Chairman of Directors

Auditors' Report
to the shareholders of Mr Chips Holdings Limited

We have audited the financial statements on pages 10 to 27. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 31 March 2007 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 the financial statements which give a true and fair view of the financial position of the Company and Group as at 31 March 2007 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 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 and providers of assurance and tax services.

Auditors' Report

Mr Chips Holdings Limited

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 10 to 27.
 - (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 31 March 2007 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 25 May 2007 and our unqualified opinion is expressed as at that date.

PriceWaterhouseCoopers.

Chartered Accountants

Auckland

MR CHIPS HOLDINGS LIMITED

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2007

		Consolidated	Parent	Consolidated	Parent
		2007		2006	
	Notes	\$		\$	
Sales		47,509,314	---	42,976,860	---
Management Fee		---	107,069	---	126,621
Dividend Received from Mr Chips Ltd		---	855,177	---	610,770
TOTAL OPERATING REVENUE		<u>47,509,314</u>	<u>962,246</u>	<u>42,976,860</u>	<u>737,391</u>
SURPLUS BEFORE TAXATION	2	4,097,307	855,177	450,212	610,770
Taxation Expense	3	<u>1,357,166</u>	---	<u>153,485</u>	---
NET SURPLUS AFTER TAXATION					
ATTRIBUTABLE TO SHAREHOLDERS		<u>2,740,141</u>	<u>855,177</u>	<u>296,727</u>	<u>610,770</u>

MR CHIPS HOLDINGS LIMITED

STATEMENT OF MOVEMENTS IN EQUITY FOR THE YEAR ENDED 31 MARCH 2007

		Consolidated	Parent	Consolidated	Parent
		2007		2006	
	Notes	\$		\$	
Equity at 1 April 2006		16,380,034	9,140,623	12,821,466	9,140,623
Net Surplus for the Year		2,740,141	855,177	296,727	610,770
Increase in Asset Revaluation Reserve	6	---	---	<u>3,872,611</u>	---
Total Recognised Revenues and Expenses for the Year		2,740,141	855,177	4,169,338	610,770
Distributions to Shareholders		<u>855,177</u>	<u>855,177</u>	<u>610,770</u>	<u>610,770</u>
Equity at 31 March 2007		<u>18,264,998</u>	<u>9,140,623</u>	<u>16,380,034</u>	<u>9,140,623</u>

The accompanying notes on pages 14 to 27 form part of these Financial Statements

MR CHIPS HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2007

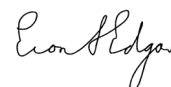
	Notes	2007 \$	2006 \$
SHAREHOLDERS' EQUITY	5	<u>18,264,998</u>	<u>16,380,034</u>
Represented By:			
Current Assets			
Bank	8	---	414,138
Trade Debtors		6,763,994	4,423,660
Receivables and Prepayments		499,520	392,215
Inventories	7	5,329,416	4,667,325
Current Taxation		---	362,779
		<u>12,592,930</u>	<u>10,260,117</u>
Non Current Assets			
Fixed Assets	6	26,750,824	27,569,780
Investments		5,942	5,942
		<u>26,756,766</u>	<u>27,575,722</u>
TOTAL ASSETS		39,349,696	37,835,839
Current Liabilities			
Bank Overdraft (Secured)	8	351,821	---
Trade Creditors		2,380,179	2,899,338
Term Liabilities	17	---	661,000
Term Liabilities (Secured)	8	3,425,000	5,795,000
Accruals		2,641,777	796,347
Employee Entitlements		265,861	228,770
Current Taxation		256,458	---
		<u>9,321,096</u>	<u>10,380,455</u>
Non Current Liabilities			
Term Liabilities (Secured)	8	10,999,346	10,360,770
Deferred Taxation	4	764,256	714,580
		<u>11,763,602</u>	<u>11,075,350</u>
TOTAL LIABILITIES		<u>21,084,698</u>	<u>21,455,805</u>
NET ASSETS		<u><u>18,264,998</u></u>	<u><u>16,380,034</u></u>

The Board of Directors of Mr Chips Holdings Limited authorised these financial statements for issue on the 25th May 2007.



GRAEME R EDWARDS
Chairman of Directors

25 May 2007



EION S EDGAR
Director

25 May 2007

The accompanying notes on pages 14 to 27 form part of these Financial Statements.

MR CHIPS HOLDINGS LIMITED

PARENT COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2007

	Notes	2007 \$	2006 \$
SHAREHOLDERS' EQUITY	5	<u>9,140,623</u>	<u>9,140,623</u>
Represented By:			
Current Assets			
Debtors		24,350	35,100
Intercompany Advances	16	<u>11,036,639</u>	<u>11,036,639</u>
		11,060,989	11,071,739
Non Current Assets			
Shares in Subsidiaries	11	<u>1,278,000</u>	<u>1,278,000</u>
TOTAL ASSETS		<u>12,338,989</u>	<u>12,349,739</u>
Current Liabilities			
Bank Overdraft	8	540,469	594,135
Payable to Directors		12,000	12,000
Accruals		36,035	46,784
Intercompany Advances	16	<u>2,609,862</u>	<u>2,556,197</u>
		<u>3,198,366</u>	<u>3,209,116</u>
NET ASSETS		<u>9,140,623</u>	<u>9,140,623</u>

The Board of Directors of Mr Chips Holdings Limited authorised these financial statements for issue on the 25th May 2007.



GRAEME R EDWARDS
Chairman of Directors

25 May 2007



EION S EDGAR
Director

25 May 2007

The accompanying notes on pages 14 to 27 form part of these Financial Statements.

MR CHIPS HOLDINGS LIMITED

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31 MARCH 2007

	Consolidated	Parent	Consolidated	Parent
	2007		2006	
Notes	\$		\$	
Cashflows from Operating Activities				
Cash was provided from:				
Receipts from Customers	45,429,017	9,556	42,396,039	6,267
Interest Received	111,125	---	---	---
Intercompany Dividends Received	---	855,177	---	610,770
GST	(307,410)	---	1,408	---
Cash was applied to				
Payments to Suppliers and Employees	(40,565,189)	215,046	(37,269,121)	193,263
Interest Paid	(1,492,862)	(224,601)	(1,320,908)	(199,530)
Taxes Paid	(688,253)	---	(305,570)	---
Net Cash Inflow (Outflow) from Operating Activities	<u>14</u> <u>2,486,428</u>	<u>855,178</u>	<u>3,501,848</u>	<u>610,770</u>
Cashflows from Investing Activities				
Cash was provided from:				
Sales of Fixed Assets	8,889	---	---	---
Cash was applied to				
Purchases of Fixed Assets	(674,675)	---	(5,481,092)	---
Capitalised Interest Paid	---	---	(141,721)	---
Net Cash Inflow (Outflow) from Investing Activities	<u>(665,786)</u>	<u>---</u>	<u>(5,622,813)</u>	<u>---</u>
Cashflows from Financing Activities				
Cash was provided from:				
Debt	---	---	4,485,770	---
Cash was applied to:				
Debt	(1,731,424)	---	---	---
Intercompany Loan	---	53,665	---	(331,728)
Dividend Paid	(855,177)	(855,177)	(610,770)	(610,770)
Net Cash Inflow (Outflow) from Financing Activities	<u>(2,586,601)</u>	<u>(801,512)</u>	<u>3,875,000</u>	<u>(942,498)</u>
Net Increase/(Decrease) in Cash	<u>(765,959)</u>	<u>53,666</u>	<u>1,754,035</u>	<u>(331,728)</u>
Opening Bank Balance/(Overdraft)	<u>414,138</u>	<u>(594,135)</u>	<u>(1,339,897)</u>	<u>(262,407)</u>
Closing Bank Balance/(Overdraft)	<u>(351,821)</u>	<u>(540,469)</u>	<u>414,138</u>	<u>(594,135)</u>

The accompanying notes on pages 14 to 27 form part of these Financial Statements.

MR CHIPS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

NOTE 1 STATEMENT OF ACCOUNTING POLICIES

(a) Reporting Entity

Mr Chips Holdings Limited is a company registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange.

The group consists of Mr Chips Holdings Limited and its subsidiaries.

Mr Chips Holdings Limited is an issuer for the purposes of the Financial Reporting Act 1993. The financial statements and group financial statements of Mr Chips Holdings Limited have been prepared in accordance with the Financial Reporting Act 1993.

(b) Measurement Base

The accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position on a historical cost basis are followed by the group, with the exception that certain investments and land and buildings have been revalued as per the accounting policy below.

(c) Specific Accounting Policies

The following Specific Accounting Policies, which have a material effect on the measurement of financial performance and financial position have been adopted:

(i) Basis of Consolidation

The Consolidated Financial Statements have been prepared on the basis of the "purchase method" and include the Financial Statements of the subsidiary companies Mr Chips Limited, Autarky Holdings Limited, Aurumcorp Holdings Limited, and Apex Foodlines (1984) Limited. All significant intercompany items and transactions are eliminated in the preparation of the Consolidated Financial Statements.

(ii) Fixed Assets and Depreciation

Fixed Assets are recorded at cost or valuation, less accumulated depreciation.

Depreciation has been charged in the Financial Statements on a straight line basis, which will write off the cost of assets over their estimated economic lives. The estimated economic lives are:

Buildings	40 - 100 years
Plant and Equipment	5 - 15 years
Engineering Spares	10 years

The costs of purchases property, plant and equipment is the value of consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service.

MR CHIPS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2007

Work in progress is not depreciated until the asset under construction is completed and commissioned.

The cost of self-constructed assets includes the cost of all material used in construction, direct labour on the project, costs of obtaining Resource Management Act consents, financing costs that are directly attributable to the project and an appropriate proportion of variable and fixed overheads. Costs cease to be capitalised as soon as the asset is ready for productive use and do not include any inefficiency costs.

Revaluations

Land and buildings are revalued to fair value by independent registered valuers on the basis of open market value for highest and best use, with a willing but not anxious buyer and a willing but not anxious seller. The last valuation was during the year ended 31 March 2006.

(iii) **Investments**

Shares in subsidiaries are recorded at directors' valuation.

Cooperative investments are valued at cost plus the group's attributed share of the increase in the cooperative's retained earnings from trading.

(iv) **Inventories**

Inventories are valued at the lower of cost, on a first in/first out basis, and net realisable value.

Cost of finished goods includes the cost of direct materials, direct labour and a proportion of the manufacturing overhead, based on the normal capacity of the facilities, expended in putting the inventories in their present location and condition.

(v) **Debtors**

Debtors are recorded at estimated realisable value.

(vi) **Income Tax**

The income tax expense charged to the statement of financial performance includes both the current year's provision and the income tax effects of timing differences calculated using the liability method.

Tax effect accounting is applied on a comprehensive basis to all timing differences. A debit balance in the deferred tax account, arising from timing differences or income tax benefits from income tax losses, is only recognised if there is virtual certainty of realisation.

(vii) **Financial Instruments**

Forward exchange contracts entered into as hedges of foreign exchange assets and liabilities are valued at exchange rates prevailing at year end. Any unrealised gains or losses are offset against foreign exchange gains and losses on the related asset or liability. Premiums paid on currency options are amortised over the period to maturity.

MR CHIPS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2007

(viii) **Leases**

Mr Chips Holdings Limited leases certain plant and equipment and land and buildings.

Finance leases, which effectively transfer to the group substantially all the risks and benefits incident to ownership of the leased item, are capitalised at the present value of the minimum lease payments. The leased assets and corresponding liabilities are disclosed and the leased assets are depreciated over the period the group is expected to benefit from their use.

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the lease items, are included in the determination of the net surplus in equal installments over the lease term.

(ix) **Share Options**

No compensation expense is recognised in respect of share options granted to Directors and officers of the company. When options are exercised, the proceeds received are recorded as share capital.

(x) **Foreign Currencies**

Transactions denominated in a foreign currency are converted to New Zealand dollars at the exchange rates in effect at the date of the transaction. Monetary assets and liabilities arising from trading transactions or overseas borrowings are translated at closing rates or, where forward exchange cover has been obtained, at the settlement rate. Gains and losses due to currency fluctuations on these items are included in the statement of financial performance.

(xi) **Statement of Cashflows**

The following are the definitions of the terms used in the statement of cash flows:

- a. Operating activities include all transactions and other events that are not investing or financing activities.
- b. Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment and of investments. Investments can include securities not falling within the definition of cash.
- c. Financing activities are those activities that result in changes in the size and composition of the capital structure. This includes both equity and debt not falling within the definition of cash. Dividends paid in relation to the capital structure are included in financing activities.
- d. Cash is considered to be cash on hand and current accounts in banks, net of bank overdrafts.

(d) **Changes in Accounting Policies**

During the year ended 31 March 2006 land and buildings were revalued to fair value by independent valuers on the basis of open market value. The Board of Directors adopted this change to provide more meaningful information in relation to the fair value of land and buildings. This change of policy resulted in a revaluation of land and buildings amounting to \$3,872,611.

There have been no changes in accounting policies during the year under review. Certain comparatives have been amended to conform with the current year's presentation.

MR CHIPS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2007

NOTE 2 SURPLUS BEFORE TAXATION

	Consolidated	Parent	Consolidated	Parent
	2007		2006	
	\$		\$	
Surplus is after charging (crediting):				
Auditors Remuneration				
- Audit Fees	23,600	23,600	21,950	21,950
- Other Services: Taxation	11,890	---	11,478	---
IFRS conversion	3,500	---	---	---
Depreciation				
- Buildings	357,063	---	147,589	---
- Plant & Equipment	1,163,115	---	1,150,298	---
- Engineering Spares	7,408	---	8,231	---
	1,527,586		1,306,118	
Directors Fees - Paid				
	24,000	24,000	24,000	24,000
- Payable	12,000	12,000	12,000	12,000
Profit on Sale of Fixed Assets	6,479	---	---	---
Interest - Term				
	1,492,862	224,601	1,320,908	199,532
- Other	10,000	---	10,000	---
Interest Received	(111,125)	---	---	---
Rental Payments	249,803	---	214,447	---
Bad Debts	10,383	---	95,705	---
Foreign Exchange (Gain)/Loss	(231,195)	---	(355,816)	---
Donations	93	---	874	---

MR CHIPS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2007

NOTE 3 TAXATION

	Consolidated 2007 \$	Parent	Consolidated 2006 \$	Parent
Operating Surplus before Taxation	4,097,307	855,177	450,212	610,770
Prima Facie Taxation @ 33%	1,352,111	282,208	148,570	201,554
Plus/(Less) Taxation effect of:				
Permanent Differences – other	5,055	---	4,915	---
Permanent Differences – Imputation credits	---	(282,208)	---	(201,554)
Prior Year (over)/under provision	---	---	---	---
	1,357,166	---	153,485	---
Taxation Expense	1,357,166	---	153,485	---
Tax Expense Comprises:-				
Current Taxation	1,307,490	---	65,327	---
Deferred Taxation	49,676	---	88,158	---
	1,357,166	---	153,485	---

There are no income tax losses or unrecognised timing differences carried forward (2006: nil).

NOTE 4 DEFERRED TAXATION

	Consolidated 2007 \$	Parent	Consolidated 2006 \$	Parent
Opening Balance As At 1 April 2006	714,580	---	626,422	---
Provided in the Current Year	49,676	---	88,158	---
	764,256	---	714,580	---
Closing Balance As At 31 March 2007	764,256	---	714,580	---

MR CHIPS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2007

NOTE 5 SHAREHOLDERS' EQUITY

The company has 24,403,564 ordinary shares fully paid (2006: 24,403,564). All ordinary shares have equal voting rights and share equally in dividends and surplus on winding up.

	Consolidated	Parent	Consolidated	Parent
	2007		2006	
Equity Comprises:	\$		\$	
Share Capital	12,655,496	12,655,496	12,655,496	12,655,496
Capital Reserve	112,253	87,253	112,253	87,253
Asset Revaluation Reserve	3,872,611	---	3,872,611	---
Retained Earnings	<u>1,624,638</u>	<u>(3,602,126)</u>	<u>(260,326)</u>	<u>(3,602,126)</u>
	<u>18,264,998</u>	<u>9,140,623</u>	<u>16,380,034</u>	<u>9,140,623</u>

Share Options

An Executive Share Option Scheme exists which comprises a total of 320,000 share options allocated to senior managers at an exercise price of 90 cents representing the market price at the time of granting.

Mr G R Edwards' options were exercised on 8th November 2002 and Mr J A Davison's options were exercised on 20th May 2004.

The date for exercising the remaining share options has been extended from 1st November 2005 to 1st November 2007.

MR CHIPS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2007

NOTE 6 FIXED ASSETS

	Consolidated	
	2007	2006
	\$	\$
Land - at cost	---	---
- at valuation	4,266,000	4,266,000
Buildings - at cost	1,386,173	1,347,603
- at valuation	10,854,000	10,854,000
Less Accumulated Depreciation	375,031	17,967
Book Value	11,865,142	12,183,636
Plant & Equipment – at cost	23,663,665	23,100,034
Less Accumulated Depreciation	13,191,046	12,075,195
Book Value	10,472,619	11,024,839
Engineering Spares – at cost	125,457	125,457
Less Accumulated Depreciation	58,783	51,375
Book Value	66,674	74,082
Work in Progress – at cost	80,389	21,223
	26,750,824	27,569,780

The parent company has no fixed assets.

During the year ended March 2006 the land and buildings were revalued to fair value by independent registered valuers on the basis of open market value. The independent registered valuers were Sheldon & Partners Ltd, ANZIV Registered Valuers and Almao & Green Limited, MNZIV MPINZ Registered Valuers.

The Board of Directors adopted this change to provide more meaningful information in relation to the fair value of land and buildings. The revaluation of land and buildings amounted to \$3,872,611.

Work in progress relates to miscellaneous plant and equipment projects at the East Tamaki site in Auckland.

As indicated in the accounting policies, finance costs that are directly attributable to the cost of an asset are included in the initial costs. The finance costs capitalised during the year to 31 March 2007 amount to nil (2006: \$141,721) in respect of the new coldstore facility.

MR CHIPS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2007

NOTE 7 INVENTORIES

	Consolidated	
	2007	2006
Comprised of:	\$	\$
Raw Materials	331,895	372,627
Finished Goods	4,733,452	4,024,893
Consumable Spares	264,069	269,805
	5,329,416	4,667,325

Inventories are used as security in relation to funding facilities (see Note 8). Some inventories are subject to standard retention of title clauses. The parent company has no inventories.

NOTE 8 FUNDING FACILITIES

Term Liabilities (Secured)

Bank of New Zealand cash advance facility. Interest is at market rates secured by a debenture over the group assets (including registered first mortgages over group land).

	Consolidated	
	2007	2006
	\$	\$
Non Current	10,999,346	10,360,770
Current	3,425,000	5,795,000
	14,424,346	16,155,770

Facility can be drawn from 1 to 365 days (2006: 1 to 365 days) in minimum parcels of \$250,000 for 1-14 days and \$100,000 for 15-365 days (2006: \$250,000 1-14 days and \$100,000 15-365 days). At balance date, interest rates ranged from 8.77% - 9.03% (2006: 7.58% - 8.68%). The total funding facility is \$15,121,333 (2006: \$16,633,000).

Bank Overdraft

The bank overdraft is secured by a debenture over the group assets and undertaking including registered first mortgage over group land.

MR CHIPS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2007

NOTE 9 COMMITMENTS

- (1) The group has the following non-cancellable operating lease commitments (parent: nil):

	2007	2006
	\$	\$
Within 1 year	149,575	198,729
1-2 Years	97,260	97,082
2-5 Years	169,204	24,970
Over 5 Years	---	---
	416,039	320,781

- (2) The group and parent has a capital commitment of nil (2006: nil).
- (3) The company has contractual commitments to purchase a certain tonnage of raw potatoes during the year. These commitments are entered into as part of the normal course of business.
- (4) The company has contractual commitments to supply Restaurant Brands with a certain tonnage of finished product during the year. These commitments are entered into as part of the normal course of business.

NOTE 10 CONTINGENT LIABILITIES

	Consolidated 2007	Parent	Consolidated 2006	Parent
	\$		\$	
New Zealand Stock Exchange Board	75,000	75,000	75,000	75,000

The parent company has unlimited (interlocking) guarantees from Aurumcorp Holdings Limited, Autarky Holdings Limited and Mr Chips Limited.

In the normal course of business Mr Chips Ltd is subject to claims against it. While all claims are being contested and defended, as outcomes are not able to be determined, no provision has been made in these financial statements. The Directors do not expect that the outcome of any claim will have a material adverse affect on the Group's financial position.

MR CHIPS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2007

NOTE 11 SUBSIDIARY COMPANIES

	Ownership		Balance	Principal
	2007	2006	Date	Activity
Mr Chips Limited	100%	100%	31 March	Manufacturer
Autarky Holdings Limited	100%	100%	31 March	Non Trading
Aurumcorp Holdings Limited	100%	100%	31 March	Property
Apex Foodlines (1984) Limited	100%	100%	31 March	Non Trading

The results of these companies for the year ended 31 March 2007 have been included in the Consolidated Financial Statements.

SHARES IN SUBSIDIARIES

Shares in subsidiaries are recorded at directors' valuation, which is less than Net Tangible Assets.

The directors believe that the fair value of shares approximate their carrying value.

NOTE 12 SEGMENTAL REPORTING

The principal activity of the group is french fry production and distribution for the wholesale market in New Zealand and Australia.

NOTE 13 IMPUTATION CREDIT ACCOUNT

	2007		2006	
Mr Chips Holdings Limited	\$		\$	
Opening Balance	7,861	CR	8,542	CR
Dividend from Mr Chips Limited	420,688		300,491	
Dividend to Shareholders	<u>(419,636)</u>		<u>(299,810)</u>	
Closing Balance	<u>6,809</u>	CR	<u>7,861</u>	CR

Imputation Credits are available to shareholders of the parent company as follows:

	2007		2006	
	\$		\$	
Through the parent company	6,809		7,861	
Through the subsidiaries	<u>1,220,262</u>		<u>930,712</u>	
	<u>1,227,071</u>	CR	<u>938,573</u>	CR

MR CHIPS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2007

NOTE 14 RECONCILIATION OF NET SURPLUS TO CASH FLOWS FROM OPERATING ACTIVITIES

	Consolidated 2007 \$	Parent	Consolidated 2006 \$	Parent
Net Surplus after Taxation	2,740,141	855,177	296,727	610,770
Add Non Cash Items				
Depreciation	1,527,586	---	1,306,118	---
(Gain)/Loss on Sale of Fixed Assets	(6,479)	---	---	---
	<u>1,521,107</u>	<u>---</u>	<u>1,306,118</u>	<u>---</u>
Movements in other Working Capital Items				
(Increase)/Decrease in Receivables	(2,340,334)	(10,750)	(653,425)	(8,600)
(Increase)/Decrease in Prepayments	20,370	---	(43,629)	---
Decrease/(Increase) in Inventories	(662,091)	---	2,317,886	---
Increase/(Decrease) in Payables	665,998	10,749	421,860	8,600
(Increase)/Decrease in Taxation	668,913	---	(152,085)	---
Decrease/(Increase) in GST	(127,676)	---	8,396	---
	<u>(1,774,820)</u>	<u>1</u>	<u>1,899,003</u>	<u>---</u>
Cashflows from Operating Activities	<u>2,486,428</u>	<u>855,178</u>	<u>3,501,848</u>	<u>610,770</u>

NOTE 15 FINANCIAL INSTRUMENTS

Credit Risk

The financial instruments that subject the group to credit risk include trade debtors, receivables and forward exchange contracts. The financial instruments that subject the parent to credit risk include intercompany advances and receivables.

Maximum exposures to credit risk as at balance date are:

	2007 \$	2006 \$
Group		
Trade Debtors	6,763,994	4,423,660
Forward Exchange Contracts (notional or principal contract amounts)	2,886,607	1,072,961
Parent		
Intercompany Advances	11,036,639	11,036,639
Debtors	24,350	35,100

MR CHIPS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2007

The maximum exposures are net of any recognised provision for losses on these financial instruments. No collateral is held on the above amounts.

Concentration of Credit Risk

The company and group is not exposed to any concentrations of credit risk.

Credit Facilities

The company and group has a term liability and bank overdraft facilities. The details of these are disclosed in Note 8.

Fair Values

The carrying amount is the fair value for all classes of financial instruments. The fair value of forward rate agreements at year end is a gain of \$196,913 (2006: loss of \$33,490).

Interest Rate Risk

The term liability is a committed cash advance facility where the rate is fixed at the time of drawing the loan down. Mr Chips Holdings Limited manages its exposure to interest rate risk by taking out fixed loans for a period not exceeding five years.

	Interest Rate	Less than 6 months	6 - 12 months	1 - 2 years	2 - 5 years
Fixed Rate Loans					
2007	8.77% - 9.03%	\$11,354,346	Nil	\$3,070,000	Nil
2006	7.58% - 8.68%	\$12,235,770	Nil	Nil	\$3,920,000

NOTE 16

INTERCOMPANY ADVANCES

	2007	2006
	\$	\$
Aurumcorp Holdings Limited	11,036,639	11,036,639
	<u>11,036,639</u>	<u>11,036,639</u>

No interest is charged. Repayment is upon demand.

INTERCOMPANY LOANS

	2007	2006
	\$	\$
Mr Chips Limited	2,609,862	2,556,197
	<u>2,609,862</u>	<u>2,556,197</u>

No interest is payable. Repayment is upon demand.

MR CHIPS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2007

NOTE 17

TRANSACTIONS WITH RELATED PARTIES

Mr Chips Holdings Limited paid consultancy fees to Anglesea Consulting Ltd, a company in which G R Edwards, a director, has an interest. The fees were charged on normal terms and conditions and total \$46,500 (2006: \$36,000). There were no amounts outstanding at year-end relating to this transaction.

Mr Chips Holdings Limited paid potato procurement fees to Anglesea Consulting Ltd, a company in which G R Edwards, a director, has an interest. The fees were charged on normal terms and conditions and total \$24,000 (2006: \$24,000). There were no amounts outstanding at year-end relating to this transaction.

At balance date Anglesea Consulting Limited, a company in which G R Edwards, a director, has an interest had a short term loan of nil (2006: \$235,000) to Mr Chips Holdings Ltd.

At balance date J A Davison, chief executive officer had a short term loan of nil (2006: \$426,000) to Mr Chips Holdings Ltd.

No related party debts have been written off or forgiven during the year.

NOTE 18

ADOPTING NZ EQUIVALENTS TO IFRS ('NZ IFRS')

In December 2002 the New Zealand Accounting Standards Review Board announced that reporting entities would be required to comply with New Zealand equivalents of International Financial Reporting Standards (NZ IFRS) for financial statements covering annual reporting periods starting on or after 1 January 2007, with earlier adoption for periods starting on or after 1 January 2005 permitted. In the case of Mr Chips Holdings Limited and subsidiaries, the first financial year for which fully compliant financial statements must be produced will be for the year commencing on 1 April 2007 and ending 31 March 2008 at which time the comparative figures for the previous year and opening balance sheet at 1 April 2006 will also be restated onto the same status of compliance with NZ IFRS.

Although early implementation is an option, the Board of Directors have determined that the Group will adopt NZ IFRS for the first time in its reports to shareholders for the year ending 31 March 2008.

As at 31 March 2007, the Group has identified the following key differences between NZ IFRS and current New Zealand Financial Reporting Standards.

NZ IAS 39 Financial Statements

Under NZ IAS 39, the fair value of derivatives entered into by the Group must be recognised on the Statement of Financial Position. Changes in the value of these derivatives must be recorded either through the Statement of Financial Performance of Equity depending on hedging documentation and effectiveness. Under the current accounting policies the fair value of derivatives is disclosed but not recognised on the Statement of Financial Position. At 1 April 2006 the fair value of derivatives amounted to (\$33,490).

MR CHIPS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2007

NZ IAS 12 Income Taxes

This standard requires recognition of deferred tax using the comprehensive basis applied to temporary differences together with a different test associated with recognition of losses. This will result in the company recognising deferred tax balances not currently recognised under the company's accounting policies, in particular deferred tax in relation to the revaluation of buildings and fair value of derivatives. At 1 April 2006 the deferred tax liability is expected to increase by approximately \$158,485.

The purpose of this disclosure is to highlight the impact the Group expects as a result of transitioning to NZ IFRS from current accounting policies of the Group based on the standards and interpretations as they are today. It is possible that future developments to NZ IFRS will change the nature of the adjustments required by the time the Group reports its first financial statements prepared under IFRS.

MR CHIPS HOLDINGS LIMITED
CONSOLIDATED SIX YEAR COMPARISON
SUMMARY OF AUDITED FINANCIAL STATEMENTS
MR CHIPS HOLDINGS LTD AND SUBSIDIARY COMPANIES 2002 TO 2007
12 MONTHS TO 31 MARCH

	2007	2006	2005	2004	2003	2002
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Turnover	<u>47,509</u>	<u>42,976</u>	<u>35,304</u>	<u>35,298</u>	<u>25,807</u>	<u>21,275</u>
Net Surplus from Trading	4,097	450	2,165	3,043	1,530	986
After charging:						
Audit Fees	24	22	21	21	17	16
Depreciation	1,528	1,306	1,285	1,346	1,073	574
Directors Fees	36	36	30	30	30	30
Interest - Term	1,493	1,321	831	862	511	207
- Other	10	10	10-	---	---	17
Net Surplus before Taxation	4,097	450	2,165	3,043	1,530	986
Provision for Taxation	<u>1,357</u>	<u>153</u>	<u>720</u>	<u>1,008</u>	<u>521</u>	<u>324</u>
Net Surplus after Taxation	2,740	297	1,445	2,035	1,007	662
Less: Dividends Paid or Provided	<u>855</u>	<u>611</u>	<u>1,221</u>	<u>729</u>	<u>642</u>	<u>370</u>
	1,885	(314)	224	1,306	365	292
Less: Accumulated Profit/(Loss)						
Brought Forward	<u>(260)</u>	<u>54</u>	<u>(170)</u>	<u>(1,476)</u>	<u>(1,841)</u>	<u>(2,132)</u>
	(260)	54	(170)	(1,476)	(1,841)	(2,132)
Less Accumulated Profit/(Loss)						
Carried Forward	<u>1,625</u>	<u>(260)</u>	<u>54</u>	<u>(170)</u>	<u>(1,476)</u>	<u>(1,841)</u>
Total Assets	39,350	37,836	30,409	28,374	26,594	15,771
Total Tangible Assets	39,350	37,836	30,409	28,374	26,594	15,771
Total Liabilities	21,085	21,456	17,588	15,884	15,409	10,628
Total Capital and Reserves	18,265	16,380	12,821	12,489	11,184	5,143
Shareholders Equity	46.43%	43.3%	42.2%	44.0%	42.0%	32.6%
Return on Shareholders Equity	15.0%	1.8%	11.2%	16.2%	9.0%	12.8%
Net Tangible Asset Backing	74.8c	67.1c	52.5c	51.4c	46.1c	27.8c
Dividends - Cents per share Fully Imputed	3.5	2.5	4	5	3	2

MR CHIPS HOLDINGS LIMITED

TOP TWENTY SHAREHOLDERS AS AT 1 MAY 2007

Sinclair Long Term Holdings Limited	12,977,707
Balle Brothers Group Limited	3,675,206
C A Edwards and G B Ramsey	1,200,779
G R Edwards and G B Ramsey	1,170,000
M B Tibbs and F B Jorgenson	313,319
Kidder Peabody Pty Ltd	311,616
J E Hager and G R Edwards	199,463
Anglesea Consulting Limited	195,273
J A Davison	179,000
Forbar Custodians Limited	173,958
L G Moleta Limited	156,000
D J Nicklin and J L Nicklin	154,924
T I Good and J Good	114,449
E W Forbes and K V Forbes	112,016
M A Janssen	102,725
F M Burke	101,859
W H Rice and M J Rice	91,351
Investment Custodial Services Limited	90,129
R V E Mailman	90,000
Custodial Services Limited	<u>81,579</u>
Percentage of Total Shareholding 87.96%	<u>21,491,353</u>

DISTRIBUTION OF SHARES BY HOLDING SIZE AS AT 1 MAY 2007

	Number	%	Shares	%
1 - 999	41	12.4	21,530	0.1
1,000 - 4,999	112	33.9	282,893	1.2
5,000 - 9,999	58	17.6	393,650	1.6
10,000 - 49,999	93	28.2	1,852,218	7.6
50,000 - 99,999	10	3.0	714,979	2.9
100,000 and over	16	4.9	<u>21,138,294</u>	<u>86.6</u>
	330	100.0	24,403,564	100.0

DOMICILE OF SHAREHOLDERS AS AT 1 MAY 2007

	Number	Shares	%
Australia	6	332,732	1.36
New Zealand	<u>324</u>	<u>24,070,832</u>	<u>98.64</u>
	330	24,403,564	100.00

MR CHIPS HOLDINGS LIMITED

SUBSTANTIAL SHAREHOLDERS

Names of Substantial Security Holders	Number of Shares in which a Relevant Interest was held as at 1 May 2007
1. Sinclair Long Term Holdings Limited	13,053,815
2. Balle Bros Group Limited	3,574,725
3. Graeme Brent Ramsey	2,566,052
4. Graeme Robert Edwards	1,560,104
5. Carol Anne Edwards	750,118

The total number of issued voting securities of the Company as at 1 May 2007 was 24,403,564 ordinary shares. Under the provisions of the Securities Amendment Act 1988, more than one person can have a relevant interest in these same shares.

DIRECTORS' SHAREHOLDINGS AS AT 31 MARCH 2007

	Beneficially Owned		Held by Associated Persons		Non-Beneficially Held	
	2007	2006	2007	2006	2007	2006
E S Edgar	--	--	13,053,815	13,053,815	--	--
G R Edwards	--	--	1,814,076	1,814,076	1,170,000	1,170,000
I J Halsted	20,100	20,100	10,316	10,316	--	--
E W Forbes	112,016	112,016	--	--	--	--

DIRECTORS HOLDING OFFICE

Directors holding office during the year were:	Consolidated	Parent
	E S Edgar	E S Edgar
	G R Edwards	G R Edwards
	I J Halsted	I J Halsted
	E W Forbes	E W Forbes

Members of the Audit Committee during the year were E W Forbes, I J Halsted and E S Edgar.

DIRECTORS' INDEMNITY AND INSURANCE

The Company has insured all its Directors and the Directors of its subsidiaries against liabilities to other parties (except the Company or a related party of the Company) that may arise from their positions as Directors. The insurance does not cover liabilities arising from criminal actions.

MR CHIPS HOLDINGS LIMITED

DIRECTORS' REMUNERATION

During the year, the following amounts of remuneration were authorised:

	Consolidated	Parent
	\$	\$
Directors Fees		
E S Edgar	12,000	--
I J Halsted	12,000	--
E W Forbes	12,000	--
Directors Remuneration		
G R Edwards	70,500	--

INTERESTS REGISTER

Directors' Interests

Mr Chips Holdings Limited paid consultancy and potato procurement fees to a company in which Mr G R Edwards, a director, has an interest.

The details of this transaction are given in Note 17 to the financial statements "Transactions with Related Parties".

Officers' Interests

	Shareholding	Share Options
J A Davison	179,000	---
J E Connolly	---	60,000
R L Elliott-Barron	---	60,000

EMPLOYEE REMUNERATION

During the year, the following numbers of employees received remuneration of at least \$100,000.

	No of employees
\$150,000 - \$160,000	1
\$100,000 - \$110,000	1

DONATIONS

Donations of \$93 were made by the company during the year.

MR CHIPS HOLDINGS LIMITED

PROXY FORM

I/We.....

of

being a member of the MR CHIPS HOLDINGS LIMITED, hereby appoint

of

as my/our proxy to vote for me/us on my/our behalf at the 22nd Annual General Meeting of the Company to be held at 4pm on 16th July 2007 at Mr Chips Holdings Ltd, 100 Kerwyn Ave, East Tamaki, Auckland and at any adjournment thereof.

I/We wish this proxy to be used in connection with the resolutions to be proposed at the annual general meeting. (Please indicate with a mark in the appropriate box how you wish your vote to be cast.)

Unless otherwise directed below, my/our proxy may vote as he or she thinks fit, or abstain from voting.

ORDINARY RESOLUTIONS

		For	Against
1	To elect as Director Mr I J Halsted	<input type="checkbox"/>	<input type="checkbox"/>
2	To authorise the Directors to fix the remuneration of the Company's Auditors	<input type="checkbox"/>	<input type="checkbox"/>
3	To authorise an increase in the fees payable to Directors per annum.	<input type="checkbox"/>	<input type="checkbox"/>

Signature of shareholder/shareholders

Date:

MR CHIPS HOLDINGS LIMITED

PROXY FORM

NOTES:

- (i) A shareholder of the Company who is entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not be a shareholder of the Company.
- (ii) A proxy granted by a company must be given under seal, and/or signed by a duly authorised officer of the company.
- (iii) Proxies must be received at 100 Kerwyn Ave, East Tamaki, Auckland, no later than 3.30 pm on Thursday 12th July 2007.
- (iv) The Directors of the Company offer themselves for appointment as proxy to shareholders.
- (v) Joint holders should all sign this form. Companies should execute this form in accordance with the Companies Act 1993 or by an attorney duly authorised.
- (vi) If this form is executed under Power of Attorney, a certificate of non-revocation of Power of Attorney should be completed. The Power of Attorney should be forwarded with this form if it has not already been noted by the Company.
- (vii) Resolutions 1, 2 and 3 are ordinary resolutions and are therefore required to be passed by a simple majority of the votes of those shareholders entitled to vote on the resolutions.
- (viii) Resolution 3 cannot be voted upon by a Director unless (a) that Director has been appointed as a proxy or voting representative by another person who is not disqualified from voting from NZSX Listing Rule 9.3.1; and (b) that Director is voting in respect of Company securities held by that other person in accordance with that other person's express instructions.



**MR.
CHIPS**

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