

Essential(Differential) Limited

Financial Statements for the year ended 30 September 2009



A message from the Chief Executive Officer of PricewaterhouseCoopers

Introduction

The 2009 income year is, for large¹ entities, the second year in which New Zealand equivalents to International Financial Reporting Standards (NZ IFRSs) has been implemented. Such standards seek to ensure that financial statements produce transparent, relevant and reliable information to external users. However, from a cost benefit perspective, full NZ IFRS compliance is not required to be adhered to when an entity is small². Rather, such entities can either utilise the exemptions under the Framework for Differential Reporting (“Diff Rep”) or, in certain circumstances, use the existing Financial Reporting Standards (“FRS”).

The majority of entities reporting under NZ IFRS qualify for the exemptions under Diff Rep. This publication is intended to assist these entities. To assist those that do not qualify for Diff Rep, PwC has published illustrative consolidated financial statements that comply with International Financial Reporting Standards (IFRS). These can be found on <http://www.pwc.com/gx/en/ifrs-reporting/ifrs-illustrative-financial-statements-pwc-publications.jhtml>.

Continuation of delay of mandatory adoption of NZ IFRS for certain small entities

The decision made by the Accounting Standards Review Board to delay mandatory adoption of NZ IFRS for certain small entities that meet specified criteria has remained in force this year. These entities currently continue to have a choice between two sets of accounting standards - the existing FRS, and NZ IFRS with a Diff Rep application. The criteria are set out in page six of this publication.

Changes in International Financial Reporting Standards

This publication highlights the amendments to accounting standards which are applicable to the 2009/2010 income year to all entities (e.g. NZ IAS 1 (Revised)). This standard, alongside other accounting standards continue to be developed by the International Accounting Standards Board (IASB) and it's expected that more changes will be introduced in the future.

Proposed changes to the New Zealand statutory framework

On 30 September 2009 the Ministry of Economic Development (“MED”) and the Accounting Standards Review Board (“ASRB”) released two discussion documents on the New Zealand Financial Reporting Framework. The MED discussion document contains proposed changes to who should be statutorily required to prepare financial statements, be audited and required to file GPFR. The ASRB discussion document proposes changes to what GPFR should contain (i.e. what Generally Accepted Accounting Practice should be applied). These changes would be effected by amendments to Part 2 of the Financial Reporting Act 1993.

From the perspective of entities which qualify to use either NZ IFRS with a Diff Rep application or FRS, these changes would mean that only some of these entities would continue to be statutorily obligated to prepare financial statements. In preparing financial statements such entities would either have to adopt IFRS for small and medium sized entities or an Australian/New Zealand differential framework. Thus Diff Rep and FRS would become superseded if the proposed changes were to take effect.

For more information on these proposed changes see <http://www.pwc.com/nz/en/ifrs/ifrs-in-brief.jhtml>.

General

We welcome any questions or suggestions regarding our publication. Please feel free to contact any member of the accounting consulting services team at PwC's Auckland office, or talk to your usual PwC contact.

With kind regards



Bruce Hassall
Chief Executive Officer
PricewaterhouseCoopers, New Zealand

December 2009

1 For a definition of a “large” entity refer to page 5
2 A “small” entity is one which is not “large” under the definition provide on page 5

Model presented

This publication provides an illustrative set of Differential Reporting consolidated financial statements.

The financial statements are of a fictional company, Essential (Differential) Limited ('the Group'), a qualifying company under the Framework for Differential Reporting. This model illustrates an annual report, prepared using the exemptions allowed by the Companies Act 1993. The financial statements and Group financial statements are prepared taking advantage of differential reporting concessions available under the Framework for Differential Reporting.

The illustrated model reflects a synthesis of best practice both in New Zealand and overseas. Nevertheless, the form and content of each company's annual report, including the financial statements, are the responsibility of the Directors. Therefore, disclosures and presentation styles should be tailored to reflect the nature and characteristics of the particular entity, and preferences of the Board of Directors.

Disclaimer

These illustrative financial statements are intended as a general guide only. They are not a substitute for specific professional advice, reading the standards and interpretations themselves or for professional judgement as to fairness of presentation. They do not cover all possible disclosures that NZ IFRS requires, nor do they take account of any specific legal framework. Further specific information may be required in order to ensure fair presentation under NZ IFRS.

We recommend that before acting upon this information, a senior representative of PricewaterhouseCoopers is consulted. No liability is accepted by PricewaterhouseCoopers on any grounds whatsoever to any party in respect of any errors or omissions, or any action or omission to act taken as a result of the information contained within this publication.

Compliance

The annual report and financial statements have been prepared in accordance with the relevant legislation and accounting standards in force on 30 September 2009 the balance date of the reporting entity.

Reporting Guide

The model includes references to legislation and accounting promulgations that require particular disclosures or accounting treatment. The abbreviations used to identify the source of authority are:

CA	Companies Act 1993
FRA	Financial Reporting Act 1993
NZ IFRS	New Zealand equivalent to International Financial Reporting Standard
NZ IAS	New Zealand equivalent to International Accounting Standard
diff rep	Framework for Differential Reporting

Commentary is provided where additional matters may need to be considered in relation to a particular disclosure. These comments follow the relevant section or note.

Format of Illustrative Financial Statements

The references in the right hand margin of the financial statements represent the paragraph of the standards in which the disclosure requirement appears – for example '4 p12' indicates NZ IAS 4 paragraph 12. The reference to NZ IFRS appears in full – for example 'IFRS3p5' indicates NZ IFRS 3 paragraph 5. The reference 'DV' (disclosure voluntary) indicates that the relevant NZ IAS or NZ IFRS encourages, but does not require, the disclosure. Additional notes and explanations are shown in footnotes.

Framework for Differential Reporting

An entity qualifies for differential reporting exemptions and becomes a 'qualifying entity' when the entity does not have public accountability³ and:

- (i) at balance date, all of its owners are members of the entity's governing body; or
- (ii) the entity is not *large*

However, when an entity which does not have public accountability but whose parent or ultimate controlling entity has the coercive power to tax, rate or levy to obtain public funds may only qualify for differential reporting when it is not large.

This means that an entity does not qualify for differential reporting exemptions (i.e. is not a 'qualifying entity') when:

- (a) it has public accountability; or
- (b) for entities whose parent or ultimate controlling entity does not have the coercive power to tax, rate or levy to obtain public funds, both:
 - (i) at balance date the entity has owners who are not members of the governing body; and
 - (ii) the entity is *large*; or
- (c) for an entity whose parent or ultimate controlling entity of the entity has the coercive power to tax, rate or levy to obtain public funds, the entity is *large*

An entity is defined as being large where two of the following three size criteria are met:

- (i) total income > \$20 million
- (ii) total assets > \$10 million
- (iii) total employees > 50

These criteria are demonstrated in Figure 1 – see next page.

3 Public Accountability

An entity has public accountability for differential reporting purposes if:

- (a) at any time during the current or the preceding reporting period, the entity (whether in the public or the private sector) was an issuer as defined in the Financial Reporting Act 1993; or
- (b) the entity has the coercive power to tax, rate or levy to obtain public funds.

Public accountability is particularly important for public sector entities because:

- (a) office holders are accountable to the general public and to electors for the management of public sector entities;
- (b) elected officers are like trustees in their stewardship on behalf of the public; and
- (c) the statutory right to tax, to levy or otherwise to acquire funds compulsorily creates an obligation to report to the public on the use of the funds acquired compulsorily.

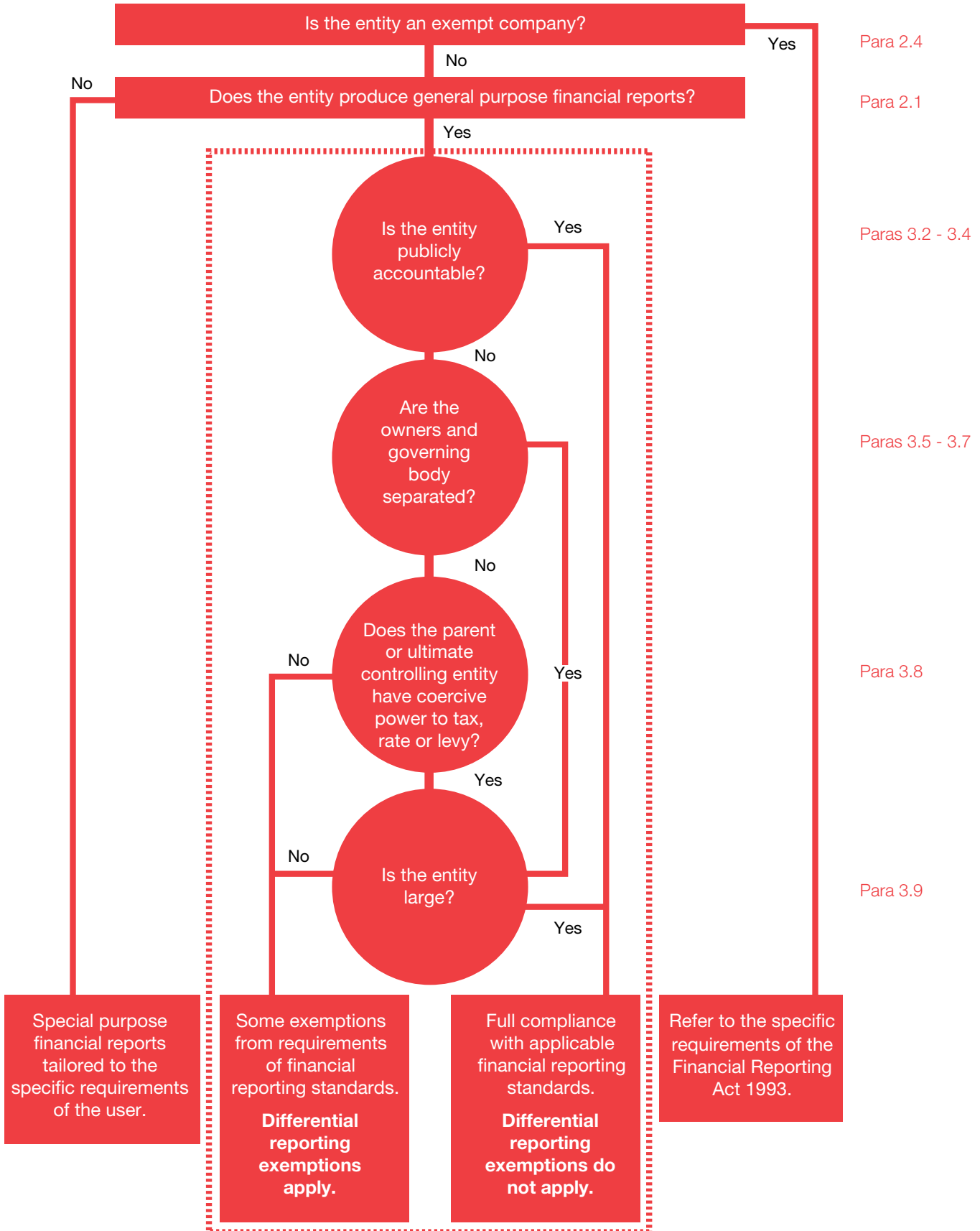
An entity does not have public accountability, for differential reporting purposes, solely by reason of receiving public funds from another entity which has the coercive power to tax, rate or levy to obtain public funds.

Differential Reporting Framework

Figure1: Framework for Differential Reporting

Note: material in the dotted box indicates the Framework for Differential Reporting Delay of the mandatory adoption of NZ IFRS for certain small entities

Differential Reporting Framework Reference



Release 9 issued by the Accounting Standards Review Board (ASRB)

In September 2007 the ASRB decided that companies which satisfy all of the following criteria, are permitted to continue to apply the existing New Zealand Financial Reporting Standards (FRS) and, therefore, are not required to apply NZ IFRS for periods beginning on or after 1 January 2007, until further notice:

- (a) The company is not an issuer, as defined by the Financial Reporting Act 1993 (Act), in either the current or preceding accounting period;
- (b) The company is not required by section 19 of the Act to file its financial statements with the Registrar of Companies; and
- (c) The company is not *large**, as defined by section 19A of the Act.

Companies that are required to prepare financial statements in accordance with generally accepted accounting practice in New Zealand and meet the above criteria will continue to have a choice between two sets accounting standards, the existing FRS and NZ IFRS.

For entities that are not subject to the Act, the Financial Reporting Standards Board has announced that, provided they are neither publicly accountable nor large as defined in the *Framework for Differential Reporting*, they may continue to apply the existing FRS and not apply NZ IFRS.

* refer page 5 for the definition of large



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Directors' report

The Board of Directors has pleasure in presenting the annual report of Essential (Differential) Limited, incorporating the financial statements and the auditors' report, for the year ended 30 September 2009.

With the unanimous agreement of all shareholders, the Company has taken advantage of the reporting concessions available to it under section 211(3) of the Companies Act 1993.

The Board of Directors of the Company authorised these financial statements presented on pages 10-46 for issue on 28 February 2010.

For and on behalf of the Board.



WH Bellbird
Chairperson
26 February 2010



SL Delves
Managing Director
26 February 2010

Auditors' Report

To the shareholders of Essential (Differential) Limited

We have audited the financial statements on pages 10 to 46. The financial statements provide information about the past financial performance of the Company and Group for the year ended 30 September 2009 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 14 to 24.

This report is made solely to the Company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

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 30 September 2009 and their financial performance 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 or interest in the Company other than in our capacities as auditors, tax advisors and as a provider of other assurance related services.

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 46:
 - (i) comply with generally accepted accounting practice in New Zealand;
 - (ii) give a true and fair view of the financial position of the Company and Group as at 30 September 2009 and their financial performance for the year ended on that date.

Our audit was completed on 26 February 2010 and our unqualified opinion is expressed as at that date.

PriceWaterhouseCoopers

Chartered Accountants

Auckland


Essential (Differential) Limited
Statements of Comprehensive Income
For the year ended 30 September 2009

IRp81(b), 84
IRp10(b), 12
IRp113
IRp38

	Notes	Consolidated		Parent		
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	
Revenue	3	47,813	51,609	8,537	9,730	IR82(a)
Cost of sales		(37,548)	(39,614)	(4,888)	(5,037)	IRp99,103
Gross profit		10,265	11,995	3,649	4,693	
Other income	3	267	-	557	221	IRp89,103
Other gains (losses) – net	4	389	374	389	374	IRp85
Expenses	5					
Distribution		(1,141)	(957)	(365)	(370)	IRp88, 103
Administration		(660)	(549)	(142)	(158)	IRp88, 103
Other		(3,389)	(2,683)	(492)	(885)	IRp88, 103
Finance costs	6	(813)	(990)	(631)	(710)	IRp82(b)
Finance income	6	369	423	497	486	IRp85
Finance costs – net	6	(444)	(567)	(134)	(224)	IRp85
Share of profit from associates	18	195	185	-	-	IRp82(c)
Profit before income tax		5,482	7,798	3,462	3,651	IRp85
Income tax expense	7	(3,451)	(3,629)	(956)	(1,212)	IRp82(d), 12p77
Profit for the year		2,031	4,169	2,506	2,439	IRp85, IFRS5p33(a)
Other comprehensive income						
Changes in the fair value of available-for-sale financial assets	25(a)	(2)	220	(2)	220	IFRS7p20(a)(ii)
Cash flow hedge	25(a)	860	-	860	-	IRp106(b) IFRS7p23(a)
Currency translation differences	25(a)	(26)	192	-	-	IRp106(b)
Amalgamation adjustment	30(c)	-	-	282	-	D.V
Other comprehensive income for the year		832	412	1,140	220	
Total comprehensive income for the year, net of tax		2,863	4,581	3,646	2,659	IRp82(i)
Profit attributable to:						
Equity holders of Essential (Differential) Limited		1,676	3,934			IRp83(a)(ii)
Non-controlling interest		355	235			IRp83(a)(i)
		2,031	4,169			
Total comprehensive income attributable to:						
Equity holders of Essential (Differential) Limited		2,508	4,346			IRp83(b)(ii)
Non-controlling interest		355	235			IRp83(b)(i)
		2,863	4,581			

The above statements of comprehensive income should be read in conjunction with the accompanying notes.
For and on behalf of the Board.


WH Bellbird, Chairperson
28 February 2010


SL Delves, Managing Director
28 February 2010

Alternative forms of presentation are available as follows:

- (a) Statements of comprehensive income – nature of expenses method. Expenses are aggregated in the statements of comprehensive income according to their nature and are not reallocated among various functions within the entity (NZ IAS 1p91). Statements of comprehensive income presented using the nature of expenses method are given in Appendix A.
- (b) On application of NZ IAS 1 (Revised), an entity can alternatively choose to present an income statement and a statements of comprehensive income. An example is given in Appendix B.

Note: References made to NZ IAS 1 can be found in the January 2007 version of Applicable Financial Reporting Standards issued by the New Zealand Institute of Chartered Accountants.

Essential (Differential) Limited
Statements of changes in equity⁴
For the year ended 30 September 2009

Consolidated	Attributable to equity holders of the company					IRp106, 108, 109	
	Notes	Share Capital	Reserves	Retained earnings	Non-controlling interest		Total equity
		\$'000	\$'000	\$'000	\$'000		\$'000
Balance as at 1 October 2007		18,495	276	(849)	366	18,288	
Comprehensive income							
Profit		-	-	3,934	235	4,169	IRp106(d)(i)
Other comprehensive income							IRp106(d)(ii)
Fair value gain, net of tax							
- available-for-sale financial assets	25(a)	-	220	-	-	220	IRp82(g), IFRS7p20(a)(ii)
Currency translation differences	25(a)	-	192	-	-	192	IRp82(g), 21p52(b)
Total other comprehensive income		-	412	-	-	412	
Total comprehensive income			412	3,934	235	4,581	IRp106(a)
Transactions with owners							
Dividends	26	-	-	(963)	(210)	(1,173)	
Balance as at 30 September 2008		18,495	688	2,122	391	21,696	IRp106(d)(iii)
Balance as at 1 October 2008		18,495	688	2,122	391	21,696	
Comprehensive income							
Profit		-	-	1,676	355	2,031	IR106(d)(i)
Other comprehensive income							IRp106(d)(ii)
Cash flow hedge							
- net of tax	25(a)	-	860	-	-	860	IFRS7p23(c)
Fair value loss, net of tax							
- available for sale financial assets	25(a)	-	(2)	-	-	(2)	IRp82(g), IFRS7p20(a)(ii)
Currency translation differences	25(a)	-	(26)	-	-	(26)	IRp82(g), 21p52(b)
Total other comprehensive income		-	832	-	-	832	
Total comprehensive income		-	832	1,676	355	2,863	IRp106(a)
Transaction with owners							
Issue of share capital	24	1,547	-	-	-	1,547	
Dividends	26	-	-	(779)	(195)	(974)	IRp106(d)(iii)
Non-controlling interest arising on business combinations	30(a)	-	-	-	222	222	IRp106(a)
Balance as at 30 September 2009		20,042	1,520	3,019	773	25,354	

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Note: References made to NZ IAS 1 can be found in the January 2007 version of Applicable Financial Reporting Standards issued by the New Zealand Institute of Chartered Accountants. NZ IAS 1 (Revised) has been applied in Appendix C: Statement of Comprehensive Income.

4 Qualifying entities are not required to present a statement of changes in equity in the following circumstances:

- there have been no transactions between the entity and the entity's owners during the current or previous period; and
- there have been no adjustments to the opening balance of retained earnings for the current or previous period.

A qualifying entity that does not present a statement of changes in equity shall include in its financial statements a statement to this effect and the reasons why.

Essential (Differential) Limited
Statements of changes in equity
For the year ended 30 September 2009

Parent	Attributable to equity holders of the company					
	Notes	Share Capital	Reserves	Retained earnings		Total equity
		\$'000	\$'000	\$'000		\$'000
Balance as at 1 October 2007		18,495	276	371	19,142	
Comprehensive income						
Profit		-	-	2,439	2,439	IRp106(d)(i)
Other comprehensive income						IRp106(d)(ii)
Fair value gain, net of tax - available for sale financial assets	25(a)	-	220	-	220	IRp82(g), IFRS7p20(a)(ii)
Total other comprehensive income		-	220	-	220	
Total comprehensive income		-	220	2,439	2,659	IRp106(a)
Transactions with owners						
Dividends	26	-	-	(963)	(963)	IRp106(d)(iii)
Balance as at 30 September 2008		18,495	496	1,847	20,838	
Balance as at 1 October 2008		18,495	496	1,847	20,838	
Comprehensive income						
Profit		-	-	2,506	2,506	
Cash flow hedge - net of tax	25(a)	-	860	-	860	IRp82(g), IFRS7p23(c)
Fair value loss, net of tax - available for sale financial assets	25(a)	-	(2)	-	(2)	IRp82(g), IFRS7p20(a)(ii)
Amalgamation adjustment	30(c)	-	-	282	282	D.V
Total other comprehensive income		-	858	282	1,140	
Total comprehensive income		-	858	2,788	3,646	IRp106(a)
Transactions with owners						
Issue of share capital	24	1,547	-	-	1,547	
Dividends	26	-	-	(779)	(779)	IRp106(d)(iii)
Balance as at 30 September 2009		20,042	1,354	3,856	25,252	

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Note: References made to NZ IAS 1 can be found in the January 2007 version of Applicable Financial Reporting Standards issued by the New Zealand Institute of Chartered Accountants. NZ IAS 1 (Revised) has been applied in Appendix C: Statement of Comprehensive Income.

Essential (Differential) Limited
Balance sheets
As at 30 September 2009

	Notes	Consolidated		Parent		
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	
ASSETS						IRp54, IRp113, IRp38
Current assets						IRp60, p66
Cash and cash equivalents	9	1,960	3,731	160	115	IFRS7p8
Trade and other receivables	10	2,249	1,885	5,505	3,862	IRp54(h), IFRS7p8(c)
Other financial assets at fair value through profit or loss	11	252	189	252	189	IRp54(d), IFRS7p8(a)
Income tax refundable		103	-	82	-	IRp54(n)
Derivative financial instruments	12	860	-	860	-	IRp54(d), IFRS7p8(a)
Inventories	13	2,430	1,587	879	1,141	IRp54(a)
Held for sale - land and buildings	14	650	-	-	-	IFRS5p38
Total current assets		8,504	7,392	7,738	5,307	
Non-current assets						IRp60
Property, plant and equipment	15	21,325	21,328	15,058	13,749	IRp54(a)
Intangible assets	16	2,081	1,346	50	60	IRp54(c)
Investments in subsidiaries	17	-	-	4,750	6,100	IRp55
Investments in associates	18	3,328	3,381	2,000	2,120	IRp54(e)
Available-for-sale financial assets	19	514	516	514	516	IFRS7p8(d), IRp54(d)
Other investments	20	2,414	1,926	2,352	1,926	IRp55
Trade and other receivables	10	1,529	1,299	-	-	IFRS7p8(c)
Total non-current assets		31,191	29,796	24,724	24,471	
Total assets		39,695	37,188	32,462	29,778	
LIABILITIES						IRp60
Current liabilities						IRp60, IRp69
Trade and other payables	21	3,394	4,669	691	2,255	IRp54(k), IFRS7p8(f)
Borrowings	22	2,067	2,526	610	817	IRp54(m), IFRS7p8(f)
Income tax payable		-	63	-	24	IRp54(n)
Provisions	23	778	686	-	-	IRp54(l)
Derivative financial instruments	12	333	309	333	309	IRp54(m), IFRS7p8(e)
Total current liabilities		6,572	8,253	1,634	3,405	
Non-current liabilities						
Trade and other payables	21	38	43	38	43	IRp54(k), IFRS7p8(f)
Borrowings	22	7,079	6,570	5,538	5,492	IRp54(m), IFRS7p8(f)
Provisions	23	653	626	-	-	IRp54(l), IRp78(a)
Total non-current liabilities		7,770	7,239	5,576	5,535	
Total liabilities		14,341	15,492	7,210	8,940	
Net assets		25,354	21,696	25,252	20,838	
EQUITY						
Contributed equity	24	20,042	18,495	20,042	18,495	IRp78(e)
Reserves	25	1,520	688	1,354	496	IRp78(e)
Retained earnings	25	3,019	2,122	3,856	1,847	IRp78(e)
		24,581	21,305	25,252	20,838	
Non-controlling interest		773	391	-	-	IRp54(q)
Total equity		25,354	21,696	25,252	20,838	

The above balance sheets should be read in conjunction with the accompanying notes.

Note: References made to NZ IAS 1 can be found in the January 2007 version of Applicable Financial Reporting Standards issued by the New Zealand Institute of Chartered Accountants. NZ IAS 1 (Revised) has been applied in Appendix C: Statement of Comprehensive Income.

1 General information

Essential (Differential) Limited (“the Company” or “Parent”) and its subsidiaries (together “the Group”) is a boat builder and adventure tourism operator, which through a network of independent retailers and service providers, develops land and marinas and provides other services. The Group has operations around the world and sells mainly in countries within the Asia Pacific region. During the year, the Group acquired control of PleasureCraft Limited.

IRp138(b), (c),
p51(a), (b)

The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is ValueFinancials Way, Auckland.

IRp138(a)

These consolidated financial statements have been approved for issue by the Board of Directors on 28 February 2010.

Summary of significant accounting policies

IRp112

These financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand. They comply with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities that qualify and apply differential reporting concessions.

IRpNZ15.2

(a) Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

IRp112(a),
117(b), p119

Entities reporting

The financial statements for the “Parent” are for Essential (Differential) Limited as a separate legal entity.

The consolidated financial statements for the “Group” are for the economic entity comprising Essential (Differential) Limited and its subsidiaries.

IRp138(c)

The Company and Group are designated as profit-oriented entities for financial reporting purposes.

IRpNZ15.1(b)

Statutory base

Essential (Differential) Limited is a company registered under the Companies Act 1993.

IRp138(a)

The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

IRpNZ15.1(a)

Differential reporting

The Company and Group are qualifying entities within the Framework for Differential Reporting. The Company and Group qualify on the basis that they are not publicly accountable and there is no separation between the owners and governing body of Essential (Differential) Limited. The Company and Group have taken advantage of all differential reporting concessions available to them except for NZIAS 18 Revenue paragraphs NZ6.1 and 35(b) and NZ IAS 11 Construction Contracts paragraph 39 (a) with which they have complied with fully.

IRpNZ15.2(c)

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets as identified in specific accounting policies below.

IRp117(a)

Standards early adopted by the Group

The Group has decided to adopt the following accounting standards early:

- IAS 1 (revised) ‘Presentation of financial statements’ – effective 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, ‘non-owner changes in equity’) in the statement of changes in equity, requiring ‘non-owner changes in equity’ to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on the Group’s net assets.
- IFRS 3 (Revised), ‘Business combinations’ was early adopted by the Group in 2009 and applied prospectively from 1 October 2008. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the profit and loss component of the statements of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net assets. All acquisition-related costs are expensed.

8p28

8p28

2 Summary of significant accounting policies (continued)

The revised standard was applied to the acquisition of the controlling interest in PleasureCraft Limited. Contingent consideration of \$100,000 has been recognised at fair value at 1 March 2009. The contingent consideration would not have previously been recorded at the date of acquisition, as the payment to former owners of PleasureCraft Limited was not probable. Acquisition related costs of \$50,000 have been recognised in the profit and loss component of the statements of comprehensive income, which previously would have been included in the consideration for the business combination. An indemnification asset of \$100,000 has been recognised by the Group at an amount equivalent to the fair value of the indemnified liability. The indemnification asset is deducted from consideration transferred for the business combination. This possible compensation from the selling shareholders of PleasureCraft would not have been previously recognised as an indemnification asset of the acquirer and would have been adjusted against goodwill once received from the vendor. Subsequent measurement of the indemnification asset and contingent liability will have no net impact on future earnings, unless the indemnification asset becomes impaired. The Group has chosen to recognise the non-controlling interest at the proportionate share of net assets of PleasureCraft Limited (i.e. 20% of \$222,000). Previously there was no choice with measuring the non-controlling interest. See note 30 for further details of the business combination which occurred in 2009.

As the Group has early adopted IFRS 3 (revised) in 2009, it is required to early adopt *NZ IAS 27 (revised)*, 'Consolidated and separate financial statements' at the same time. IAS 27 (revised) requires the effects of all transactions and non-controlling interest to be recognised in equity if there is no change in control and these transactions will no longer result in the recognition of goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in the profit and loss component of the statements of comprehensive income. There has been no impact of NZ IAS 27 (revised) on the current period as none of the non-controlling interests have a deficit balance; there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity and there have been no transactions with non-controlling interest.

8p28

(b) Principles of consolidation

(i) Subsidiaries

27p12

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Essential (Differential) Limited as at 30 September 2009 and the results of all subsidiaries for the year then ended. Essential (Differential) Limited and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

27p13, 30

Subsidiaries which form part of the Group are consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

27p13, 34

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interest issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

IFRS3Rp5, 37,
39, 53, 18, 19

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit and loss component of the statements of comprehensive income.

IFRS3Rp32, 34

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

27p20, 21

2 Summary of significant accounting policies (continued)

(ii) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

27p30, 31

(iii) Associates

IRp119

Associates are all entities over which the Group has significant influence but not control, generally evidenced by a holding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associate includes goodwill identified on acquisition, net of any accumulated impairment loss.

28p11, 13

The Group's share of its associates' post-acquisition profits or losses is recognised in the profit and loss component of the statements of comprehensive income, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

28p29, 30

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. Dilution gains and losses arising in investments in associates are recognised in the profit and loss component of the statements of comprehensive income.

28p22, 26

(iv) Joint ventures

IRp119

The Group's interests in jointly controlled entities are accounted for by proportional consolidation. This means that the statement of financial position of the venturer includes its share of the assets that it controls jointly and its share of the liabilities for which it is jointly responsible. The statements of comprehensive income of the venturer includes its share of the income and expenses of the jointly controlled entity.

31p3, 30-37

The Group combines its share of the joint venture's individual income and expenses, assets and liabilities and cash flows on a line by line basis with similar items in the Group's financial statements.

31p33

Joint ventures' accounting policies have been changed where necessary to ensure consistency with the policies adopted by Group.

(c) Foreign currency translation

IRp119

(i) Functional and presentation currency

IRp119

Items included in the financial statements of each of the subsidiaries' operations are measured using the currency of the primary economic environment in which it operates ('the functional currency'). The consolidated financial statements are presented in New Zealand dollars, which is the Company's functional currency and the Group's presentation currency.

21p17, 9, 18
IRp51(d)

(ii) Transactions and balances

IRp119

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions⁵. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss component of the statements of comprehensive income, except when deferred in equity as qualifying cash flow hedges in which case, they are recognised in other comprehensive income.

21p21, 28, 32
39p95(a), 102(a)

⁵ Alternatively, transactions can be translated for qualifying entities at the settlement rate, and for transactions unsettled at balance date these are to be translated using the closing rate.

2 Summary of significant accounting policies (continued)

(iii) Foreign operations

IRp119

The results and balance sheets of all foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from New Zealand dollars are translated into the presentation currency as follows:

21p39

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each profit and loss component of the statements of comprehensive income are translated at average exchange rates, unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions; and
- all resulting exchange differences are recognised as other comprehensive income.

21p39(a)

21p39(b), 39

IRp79(b)

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operations and translated at the closing rate.

21p47

(d) Revenue recognition

IRp119

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services, excluding Goods and Services Tax⁶, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

18p35(a)

(i) Sales of goods

18p14

Sales of goods are recognised when a Group entity has transferred the significant risks and rewards of ownership of the goods to the customer. Retail sales are usually made by cash or by credit card. The recorded revenue is the gross amount of sale, including credit card fees payable for the transaction. Such fees are included in distribution costs.

(ii) Sales of services

18p20

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(iii) Interest income

18p30(a)

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

(iv) Contract revenue

Contract revenue and expenses related to individual construction contracts are recognised on completion of each contract.

11p22

(v) Rental income

Rental income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

(vi) Dividend income

18p30(c)

Dividend income is recognised when the right to receive payment is established.

(vii) Grants

20p7

Grants received are recognised in the profit and loss component of the statements of comprehensive income when the requirements under the grant agreement have been met. Any grants for which the requirements under the grant agreement have not been completed are carried as liabilities until all the conditions have been fulfilled.

6 Alternatively, qualifying entities may recognise revenue and expense items gross at GST provided that

(a) the method adopted by the entity shall be:

(i) applied consistently to all revenue and expense items, and
(ii) disclosed in the statement of accounting policies

(b) where GST input tax is irrecoverable, it should be recognised as part of the related asset, or where the expenditure relates to an expense item expensed.

2 Summary of significant accounting policies (continued)

(e) Income tax⁷

IRp119

The income tax expense recognised for the year is calculated using the taxes payable method and is determined using tax rules. Under the taxes payable method, income tax expense in respect of the current period is equal to the income tax payable for the same period.

12pNZ4.1, 4.2

(f) Goods and Services Tax (GST)

IRp119

The profit and loss component of the statements of comprehensive income has been prepared so that all components are stated exclusive of GST. All items in the balance sheet are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

(g) Leases

IRp119

(i) The Group is the lessee

Finance leases

Leases in which the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding.

17p8

17p25

The corresponding rental obligations, net of finance charges are included in other long term payables. The interest element of the finance cost is charged to the profit and loss component of the statements of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

17p25

The property, plant and equipment acquired under a finance lease is depreciated over the shorter of the asset's useful life and the lease term.

17p27

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit and loss component of the statements of comprehensive income on a straight-line basis over the period of the lease.

17p8

17p33

(ii) The Group is the lessor

Assets leased to third parties under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

17p49

17p50

(h) Impairment of non-financial assets

IRp119

All non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are Grouped at the lowest level for which there are separately identifiable cash flows (cash generating units).

36p9

36p10

(i) Cash and cash equivalents

IRp119, IFRS7p21

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

7p45

(j) Trade receivables

IRp119, IFRS7p21

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as noncurrent assets.

⁷ If the entity does not wish to take advantage of the differential reporting concessions for NZ IAS 12 'Income Taxes' please refer to Appendix C which provides disclosures for such instances.

2 Summary of significant accounting policies (continued)

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. 39p43, 46(a), 59
IFRS7AppxBp5(f),(d)

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the profit and loss component of the statements of comprehensive income within 'other expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'other expenses' in profit and loss component of the statements of comprehensive income.

(k) Inventories

IRp119

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and where applicable, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost is determined on a first in, first out basis and in the case of manufactured goods, includes direct materials, labour and production overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. 2p36(a), 9, 10, 25
23p6, 7, 28, 30
39p98(b)

(l) Contract work in progress

IRp119

Contract work in progress is stated at cost less amounts invoiced to customers. Cost includes all expenses directly related to specific contracts and an allocation of general overhead expenses incurred by the Group's contract operations. 11p16

(m) Financial assets

IRp119

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held to maturity investments and available for sale financial assets. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its assets at initial recognition and re-evaluates this designation at every reporting date. IFRS7p21, 39p9

Classification

(i) Financial assets at fair value through profit and loss

This category has two sub categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current, assets. 39p9

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period which are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and cash and cash equivalents in the balance sheet. 39p9, IRp66, 68

(iii) Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available for sale. Held-to-maturity assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets. 39p9, IRp66

(iv) Available for sale financial assets

39p9, IRp66, 68, IFRS7AppxB5(b)

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period.

2 Summary of significant accounting policies (continued)

Recognition and measurement

Regular purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset. All financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

- *Financial assets carried at fair value through profit or loss* are initially recognised at fair value, and transaction costs are expensed in the profit and loss component of the statements of comprehensive income. 39p43, 46

Gains and losses arising from changes in the fair value of the ‘financial assets at fair value through profit or loss’ category are included in the profit and loss component of the statements of comprehensive income in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit and loss component of the statements of comprehensive income as part of other income when the Group’s right to receive payments is established. 39p55

- *Available-for-sale financial assets* and financial assets at fair value through profit or loss are subsequently carried at fair value. 39p43, 46

Changes in the fair value of monetary securities denominated in a foreign currency and classified as *available-for-sale* are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit and loss component of the statements of comprehensive income as ‘gains and losses from investment securities’. 39p68

Interest on available-for-sale securities calculated using the effective interest method is recognised in profit and loss component of the statements of comprehensive income as part of other income. Dividends on available-for-sale equity instruments are recognised in the profit and loss component of the statements of comprehensive income as other income when the Group’s right to receive payments is established.

- *Loans and receivables* and *held to maturity* investments are subsequently carried at amortised cost using the effective interest method. 39p46(a), (b)

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. 32p42-50

Impairment of financial assets

- (i) *Assets carried at amortised cost* 39p58-65

The Group assesses at each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower’s financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial re-organisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or

2 Summary of significant accounting policies (continued)

- Observable data indicating that there is a measurable decrease in the estimate future cash flows from a portfolio of financial asset since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

- (i) Adverse changes in the payment status of borrowers in the portfolio; and
- (ii) National or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measure as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in the profit and loss component of the statements of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If the asset's carrying amount is reduced, the amount of the loss is recognised in the profit and loss component of the statements of comprehensive income.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit and loss component of the statements of comprehensive income.

(ii) Assets classified as available for sale

39p58-62, 67-70

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to in (a) above. In the case of equity instruments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit and loss component of the statements of comprehensive income – is removed from equity and recognised in the profit and loss component of other comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss component of the statements of comprehensive income, the impairment loss is reversed through the separate consolidated statement of comprehensive income.

Derecognition

39p39-42

Financial assets are derecognised when the rights to receive cash flows from the asset have expired or have been transferred and the Group has transferred substantially all risks and rewards or ownership.

(n) Derivatives

IRp119

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either;

IFRS7p21, 22

- (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
- (2) hedges of highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

39p88

The fair value of various derivative instruments used for hedging purposes are disclosed in note 25. Movements on the hedging reserve in shareholders' equity are shown in note 25. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

IFRS7p23, 24

2 Summary of significant accounting policies (continued)

(i) Fair value hedge

39p89

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit and loss component of the statements of comprehensive income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the profit and loss component of the statements of comprehensive income over the period to maturity.

39p92

(ii) Cash flow hedge

39p95

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the profit and loss component of the statements of comprehensive income.

IRp79(b)

Amounts accumulated in equity are reclassified to the profit and loss component of the statements of comprehensive income in the periods when the hedged item affects the profit and loss component of the statements of comprehensive income (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

39p99, 100

39p98(b)

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the profit and loss component of the statements of comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the profit and loss component of the statements of comprehensive income.

39p101

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting or hedge accounting has not been adopted. Changes in the fair value of these derivative instruments are recognised immediately in the profit and loss component of the statements of comprehensive income.

(o) Property, plant and equipment

IRp119

All property, plant and equipment are stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

16p73(a)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are charged to the profit and loss component of the statements of comprehensive income during the financial period in which they are incurred.

16p12

Land is not depreciated. Depreciation of property, plant and equipment is calculated using diminishing value income tax rates so as to expense the cost of the assets over their useful lives. The rates are as follows:

16p73(b), (c), 50

- Buildings	4% - 12.5%
- Office equipment	10% - 40%
- Land and ocean vehicles	7.5% - 30%

Capital work in progress is not depreciated until commissioned.

16p55

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

36p59

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit and loss component of the statements of comprehensive income.

16p68, 71

2 Summary of significant accounting policies (continued)

(p) Non-current assets (or disposal groups) held for sale

IRp119

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

IFRS5p6
IFRS5p15
IFRS5p20

(q) Intangible assets

IRp119

(i) Goodwill

IRp119

Goodwill represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired.

IFRS3Rp32

Goodwill on acquisitions of businesses is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

38p118(a),
IFRS3p54, 36p124

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units for the purpose of impairment testing.

36p80

(ii) Research and development

IRp119

All research and development costs are recognised as an expense when they are incurred.

38pNZ7.1

(iii) Software costs

IRp119

Software costs have a finite useful life. Software costs are capitalised and written off over the useful economic life of two to five years.

Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the costs of software development employees and an appropriate portion of relevant overheads.

38p57

(r) Investments in subsidiaries and associates

IRp119

Investments in subsidiaries and associates in Parent financial statements are stated at cost less impairment.

28p38

(s) Trade and other payables

IRp119

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or in the normal operating cycle of the business if longer. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

IFRS7p21, 39p43, 47

(t) Borrowings

IRp119

Borrowings are initially recognised at fair value plus transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (plus transaction costs) and the redemption amount is recognised in the profit and loss component of the statements of comprehensive income over the period of the borrowings using the effective interest method.

IFRS7p21, 39p43, 47

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period to which it relates.

2 Summary of significant accounting policies (continued)

Preference shares, which are mandatorily redeemable on a specific date are classified as liabilities. The dividends on preference shares are recognised in the profit and loss component of the statements of comprehensive income as an interest expense.

Borrowing costs are expensed as incurred⁴.

23pNZ4.1

(u) Share capital

IRp119

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

32p37

(v) Provisions

IRp119

Provisions for legal claims, service warranties and rental obligations are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

37p14, 63

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

37p24

(w) Insurance contracts

IRp119

The Group has elected to join the Accident Compensation Commission (ACC) Partnership Programme. Under the Partnership Programme the Group is liable for all its claim costs for a period of five years up to a specified maximum. At the end of the five year period, the Company pays a premium to ACC for the value of residual claims, and the liability for ongoing claims from that point passes back to ACC.

The liability for ACC Partnership Programme is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of the employee injuries and claims up to the reporting date using actuarial techniques. Consideration is given to expected future wage and salary levels and experience of employee claims and injuries. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

IFRS4p37(a)

(x) Employee benefits

IRp119

Liabilities for wages and salaries, including non-monetary benefits, annual leave, and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

The liability for employee entitlements is carried at the present value of the estimated future cash flows.

The Group operates a pension scheme which is a defined contribution plan. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

19p7, 44

(y) Dividends

IRp119

Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at balance date.

10p12

Dividend distribution to the Company shareholders is recognised as a liability in the Company's and Group's financial statements in the period in which the dividends are approved by the Directors and notified to the Company's shareholders.

⁴ As an alternative, borrowing costs can be capitalised against the qualifying asset if the entity so chooses.

3 Revenue and other income⁹

IRp85

	Consolidated		Parent		
	2009	2008	2009	2008	
	\$'000	\$'000	\$'000	\$'000	
Revenue from operations					18p35(b)
Retail goods and services	35,557	38,429	8,537	9,730	D.V
Manufactured goods	1,875	-	-	-	
Operating leases	66	-	-	-	
Construction contracts	10,315	13,180	-	-	
	<u>47,813</u>	<u>51,609</u>	<u>8,537</u>	<u>9,730</u>	
Other income					18p35(b)
Rental income from within the Group (note 29)	-	-	50	83	D.V
Gain on disposal of subsidiary (note 30(b))	-	-	250	-	
Profit from the disposal of investments	17	-	9	-	
Grants received	250	-	-	-	
Dividends from associates (note 18)	-	-	248	138	
	<u>267</u>	<u>-</u>	<u>557</u>	<u>221</u>	

4 Other gains (losses) - net

IFRS7p20

	Consolidated		Parent		
	2009	2008	2009	2008	
	\$'000	\$'000	\$'000	\$'000	
Financial assets at fair value through profit or loss					
<i>Designated at fair value through profit or loss at inception</i>	8	-	8	-	IFRS7p20(a)(i)
<i>Held for trading</i>					
Fair value losses	(27)	-	(27)	-	
Fair value gains	82	112	82	112	
Foreign exchange contracts held for trading	326	262	326	262	IFRS7p20(a)(i)
	<u>389</u>	<u>374</u>	<u>389</u>	<u>374</u>	

9 Alternatively qualifying entities are not required to disclose significant categories of revenue recognised during the period and the amount of revenue arising from exchanges of goods or services included in each significant category of revenue.

5 Expenses

	Consolidated		Parent		
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	
Profit before income tax includes the following specific expenses:					IRp29, 85, 86
<i>Depreciation</i>					16NZ5.5
Buildings	260	244	172	175	
Office equipment	359	403	7	9	
Land and ocean vehicles	799	294	102	98	16p73(e)(vii)
Total depreciation	<u>1,418</u>	<u>941</u>	<u>281</u>	<u>282</u>	IR104
Amortisation of computer software (note 16)	10	10	10	10	IR104
Impairment of goodwill (note 16)	80	-	-	-	36p126(a)
Impairment of investment in subsidiaries	-	-	100	-	36p126(a)
Operating lease expense	153	330	55	55	17p35(c)
<i>Employee benefit expense</i>					IRp104
Salaries and wages	13,044	12,967	1,611	1,613	19p141
Pension costs – defined contribution plan	97	92	17	14	19p46
Other post employment benefits	210	187	24	19	19p131
	<u>13,351</u>	<u>13,246</u>	<u>1,652</u>	<u>1,646</u>	
Research and development expenses	56	62	-	-	38p126
Loss on disposal of subsidiary (note 30(b))	1,631	-	-	-	
Auditors' fees					1pNZ105
(a) Assurance services					
<i>Audit services</i>					
PricewaterhouseCoopers					
Audit and review of financial reports and other audit work	95	80	85	80	
Total remuneration for audit services	<u>95</u>	<u>80</u>	<u>85</u>	<u>80</u>	
<i>Other assurance services</i>					
PricewaterhouseCoopers					
Audit of regulatory returns	10	5	5	5	
Due diligence services	-	5	-	5	
IFRS accounting services	-	10	-	10	
Total remuneration for other assurance services	<u>10</u>	<u>20</u>	<u>5</u>	<u>20</u>	
Total remuneration for assurance services	<u>105</u>	<u>100</u>	<u>90</u>	<u>100</u>	
(b) Taxation services					
PricewaterhouseCoopers					
Tax compliance services, including review of company income tax returns	15	10	15	10	
International tax consulting and tax advice on mergers and acquisitions	-	10	-	10	
Related practices of PricewaterhouseCoopers					
Tax compliance services, including review of company income tax returns	10	10	10	10	
International tax consulting and tax advice on mergers and acquisitions	7	-	7	-	
Total remuneration for taxation services	<u>32</u>	<u>30</u>	<u>32</u>	<u>30</u>	

6 Finance income and expenses

	Consolidated		Parent		
	2009	2008	2009	2008	
	\$'000	\$'000	\$'000	\$'000	
Interest expense					IRp104
Bank loans	574	770	417	510	
Dividend on redeemable preference shares	200	200	200	200	
Loans from related parties (note 29)	21	-	-	-	
Finance lease liabilities	18	20	14	-	
Total finance costs	813	990	631	710	IFRS7p20(b)
Interest income					IRp104
Available for sale financial assets	3	2	3	2	
Short term bank deposits	57	65	22	31	
Finance company loans repayable	117	187	-	-	
Government and local authority stocks and bonds	178	153	148	134	
Loans to related parties (note 29)	14	16	324	319	
Total finance income	369	423	497	486	IFRS7p20(b)
Net finance costs	444	567	134	224	

7 Income tax

	Consolidated		Parent		
	2009	2008	2009	2008	
	\$'000	\$'000	\$'000	\$'000	
(a) Numerical reconciliation of income tax expense to prime facie tax payable					12p81(c)(i)
Profit before tax	5,482	7,798	3,462	3,651	
Income tax @ 30% (33%)	1,645	2,573	1,039	1,205	
Expenses not deductible for tax purposes	739	116	14	91	
Non-assessable income	(35)	(37)	(115)	(37)	
Non-assessable income – share of profit of associate	(59)	(61)	-	-	
Temporary differences	589	478	-	-	
Utilisation of previously unrecognised tax losses	-	-	-	(47)	
Under (over) provision in prior years	572	560	18	-	
Tax expense	3,451	3,629	956	1,212	
(b) Imputation credits					12pNZ81.1
Balances					
Imputation credit account	4,097	2,356	4,097	2,356	
Movements					
Balance at 1 October	2,356	931	2,356	931	
Prior period adjustment	(5)	-	(5)	-	
Tax payments net of refunds	2,220	1,956	2,220	1,956	
Distributed	(474)	(531)	(474)	(531)	
Balance at 30 September	4,097	2,356	4,097	2,356	

The Parent imputation credit account represents the Essential (Differential) Limited consolidated imputation tax Group.

8 Financial instruments by category

Assets as per balance sheet

Consolidated	Derivatives used for hedging \$'000	Assets at fair value through profit or loss \$'000	Loans and receivables \$'000	Held to maturity investments \$'000	Available for sale \$'000	Total \$'000	IFRS7p6, 8
At 30 September 2009							
Available for sale financial assets	-	-	-	-	514	514	
Other investments	-	-	336	2,078	-	2,414	
Derivative financial instruments	860	-	-	-	-	860	
Trade and other receivables	-	-	3,661	-	-	3,661	
Other financial assets through profit or loss	-	252	-	-	-	252	
Cash and cash equivalents	-	-	1,960	-	-	1,960	
	860	252	5,957	2,078	514	9,661	
At 30 September 2008							
Available for sale financial assets	-	-	-	-	516	516	
Other investments	-	-	252	1,674	-	1,926	
Trade and other receivables	-	-	3,099	-	-	3,099	
Other financial assets through profit or loss	-	189	-	-	-	189	
Cash and cash equivalents	-	-	3,731	-	-	3,731	
	-	189	7,082	1,674	516	9,461	
Parent							
	Derivatives used for hedging \$'000	Assets at fair value through profit or loss \$'000	Loans and receivables \$'000	Held to maturity investments \$'000	Available for sale \$'000	Total \$'000	
At 30 September 2009							
Available for sale financial assets	-	-	-	-	514	514	
Other financial assets	-	-	336	2,016	-	2,352	
Derivative financial instruments	860	-	-	-	-	860	
Trade and other receivables	-	-	5,458	-	-	5,458	
Other financial assets through profit or loss	-	252	-	-	-	252	
Cash and cash equivalents	-	-	160	-	-	160	
	860	252	5,954	2,016	514	9,596	
At 30 September 2008							
Available for sale financial assets	-	-	-	-	516	516	
Other financial assets	-	-	252	1,674	-	1,926	
Trade and other receivables	-	-	3,803	-	-	3,803	
Other financial assets through profit or loss	-	189	-	-	-	189	
Cash and cash equivalents	-	-	115	-	-	115	
	-	189	4,170	1,674	516	6,549	

8 Financial instruments by category (continued)

Liabilities as per balance sheet

	Derivatives used for hedging \$'000	Liabilities at fair value through profit or loss \$'000	Measured at amortised cost \$'000	Total \$'000
Consolidated				
At 30 September 2009				
Borrowings	-	-	9,146	9,146
Derivative financial instruments	190	143	-	333
Trade and other payables	-	-	3,432	3,432
	190	143	12,578	12,911
At 30 September 2008				
Borrowings	-	-	9,096	9,096
Derivative financial instruments	70	239	-	309
Trade and other payables	-	-	4,712	4,712
	70	239	13,808	14,117
Parent				
At 30 September 2009				
Borrowings	-	-	6,148	6,148
Derivative financial instruments	190	143	-	333
Trade and other payables	-	-	729	729
	190	143	6,877	7,210
At 30 September 2008				
Borrowings	-	-	6,309	6,309
Derivative financial instruments	70	239	-	309
Trade and other payables	-	-	2,298	2,298
	70	239	8,607	8,916

IFRS7p6, 8

9 Cash and cash equivalents

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Cash at bank and in hand	1,780	3,596	-	-
Deposits at call	180	135	160	115
	1,960	3,731	160	115

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10 Trade and other receivables

IRp77

	Consolidated		Parent		
	2009	2008	2009	2008	
	\$'000	\$'000	\$'000	\$'000	
Current					IRp60
Trade receivables	1,796	1,439	1,297	1,297	IRp78(b)
Receivables from related parties (note 29)	222	261	4,161	2,506	IRp78(b)
Amounts due from customers for contract work	114	100	-	-	IRp78(b)
Prepayments	117	85	47	59	IRp78(b)
	<u>2,249</u>	<u>1,885</u>	<u>5,505</u>	<u>3,862</u>	
Non-current					IRp60
Finance company loans receivable	1,340	1,250	-	-	IRp78(b)
Retentions	189	49	-	-	11p40(c)
	<u>1,529</u>	<u>1,299</u>	<u>-</u>	<u>-</u>	
Total trade and other receivables	<u>3,778</u>	<u>3,184</u>	<u>5,505</u>	<u>3,862</u>	

(a) Bad and doubtful trade receivables

The Group and Parent have recognised a loss of \$13,000 (2008: \$5,000) in respect of bad and doubtful trade receivables during the year ended 30 September 2009. The loss has been included in 'other expenses' in the profit and loss component of the statements of comprehensive income.

IFRS7p20(e)

(b) Contract receivables

Changes in fair value of other financial assets at fair value through profit and loss component of the statements of comprehensive income are recorded in 'other gains/ (losses) – net' in the profit and loss component of the statements of comprehensive income (note 4).

11pNZ1.1

11 Other financial assets at fair value through profit or loss

39p9, IFRS7p8(a)

	Consolidated		Parent	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Listed securities: Equity securities in New Zealand	252	189	252	189
The carrying amounts of the above financial assets are classified as follows:				
Held for trading	210	189	210	189
Designated at fair value from initial recognition	42	-	42	-
	<u>252</u>	<u>189</u>	<u>252</u>	<u>189</u>

Changes in fair value of other financial assets at fair value through profit and loss component of the statements of comprehensive income are recorded in 'other gains/ (losses) – net' in the profit and loss component of the statements of comprehensive income (note 4).

IFRS7p20(a)(i)

12 Derivative financial instruments

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Forward foreign exchange contracts				
Current assets				
Cash flow hedge	860	-	860	-
Current liabilities				
Fair value hedge	(190)	(70)	(190)	(70)
Held for trading	(143)	(239)	(143)	(239)
	(333)	(309)	(333)	(309)

The Group uses component parts purchased from the United States. In order to hedge against exchange rate movements the Group has entered into forward exchange contracts to purchase US dollars.

(a) Cash flow hedge

These contracts are hedging highly probable forecasted purchases for the ensuing financial year. These contracts are timed to mature when major shipments of component parts are scheduled to be despatched.

IFRS7p22

(b) Fair value hedge

These contracts are hedging foreign currency payables in relation to the purchase of equipment for the construction of the jetty from Germany and the United States which qualify as fair value hedges and are designated as such.

IFRS7p22

(c) Held for trading

Trading derivatives are classified as a current asset or liability. The full fair value of a trading derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

13 Inventories

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Raw materials and stores	550	300	150	450
Finished goods at cost	1,092	727	729	691
Contract work in progress				
The aggregate costs to date	5,600	4,956	-	-
Less: progress billings	(4,812)	(4,396)	-	-
	788	560	-	-
	2,430	1,587	879	1,141

2p36(b)

IRp78(c)

The carrying amount of finished goods pledged as security for bank loans amount to \$1,500,000 (2008:\$1,000,000) (Note 22).

2p36(h)

14 Held for sale - land and buildings

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Land	300	-	-	-
Buildings	350	-	-	-
Total	650	-	-	-

IFRS5p6

A property is presented as held for sale following the decision of senior management to sell the property. This decision arose because the property is surplus to Group requirements.

15 Property, plant and equipment

Consolidated	Capital work in progress (Jetty) \$'000	Land and buildings \$'000	Office equipment \$'000	Land and ocean vehicles \$'000	Total \$'000	
At 30 September 2008						
- Cost	497	17,731	5,043	3,744	27,015	
- Accumulated depreciation	-	(1,200)	(2,123)	(2,364)	(5,687)	
- Net book amount	497	16,531	2,920	1,380	21,328	16p73(d)
At 30 September 2009						
- Cost	-	15,377	4,934	4,434	24,745	
- Accumulated depreciation	-	(606)	(1,974)	(840)	(3,420)	
- Net book amount	-	14,771	2,960	3,594	21,325	16p73(d)

Parent	Land and buildings \$'000	Office equipment \$'000	Land and ocean vehicles \$'000	Total \$'000	
At 30 September 2008					
- Cost	13,725	78	516	14,319	
- Accumulated depreciation	(413)	(34)	(123)	(570)	
- Net book amount	13,312	44	393	13,749	16p73(d)
At 30 September 2009					
- Cost	14,575	1,286	566	16,427	
- Accumulated depreciation	(525)	(726)	(118)	(1,369)	
- Net book amount	14,050	560	448	15,058	16p73(d)

The bank loans and overdraft of the parent entity and subsidiaries are secured by first mortgage over the Group's freehold land and buildings (note 22).

16p73(a)

Land and ocean vehicles include the following amounts where the Parent and Group are lessees under a finance lease:

	Consolidated		Parent		
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	
Cost – capitalised finance leases	770	872	454	-	
Accumulated depreciation	(108)	(70)	(45)	-	
Net book amount	662	802	409	-	17p31(a)

16 Intangible assets

	Goodwill \$'000	Purchased computer software \$'000	Total \$'000	
Consolidated				
At 30 September 2008				
- Cost	1,286	100	1,386	
- Accumulated amortisation	-	(40)	(40)	
- Net book amount	<u>1,286</u>	<u>60</u>	<u>1,346</u>	38p118(c)
At 30 September 2009				
- Cost	2,111	100	2,211	
- Accumulated amortisation	-	(50)	(50)	
- Impairment charge	(80)	-	(80)	
- Net book amount	<u>2,031</u>	<u>50</u>	<u>2,081</u>	38p118(c)

		Purchased computer software \$'000	Total \$'000	
Parent				
At 30 September 2008				
- Cost		100	100	
- Accumulated amortisation		(40)	(40)	
- Net book amount		<u>60</u>	<u>60</u>	38p118(c)
At 30 September 2009				
- Cost		100	100	
- Accumulated amortisation		(50)	(50)	
- Net book amount		<u>50</u>	<u>50</u>	38p118(c)

Goodwill is allocated to the Group's cash generating units (CGU's) according to business segments as follows: 36p134(a)

	Consolidated	
	2009 \$'000	2008 \$'000
Tourism / Hospitality	605	605
Construction and retail of boats	1,310	250
Hospitality	60	375
Other	56	56
	<u>2,031</u>	<u>1,286</u>

The carrying amount of the hospitality segment has been reduced to its recoverable amount during the period through recognition of an impairment loss against goodwill of \$80,000 (2008 = nil). This loss has been included in 'other expenses' in the profit and loss component of the statements of comprehensive income. 36p126(a)

The movement in goodwill is as follows:

	Consolidated	
	2009 \$'000	2008 \$'000
Balance at 1 October	1,286	1,286
Additions during the year (note 30(a))	1,060	-
Impairment charge	(80)	-
Disposals (note 30(b))	(235)	-
Balance at 30 September	<u>2,031</u>	<u>1,286</u>

17 Investments in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2(b):

24p12

All subsidiaries are incorporated in New Zealand.

Name of entity	Principal activities	Equity holding	
		2009	2008
Speciality Boats Limited	Construction of boats	80%	80%
PleasureCraft Limited (note 30)	Retail of boats	80%	-
CleanBreak Adventures (New Zealand) Limited	Tourism / Hospitality	100%	100%
CleanBreak Adventures (Australia) Limited	Tourism / Hospitality	100%	100%
BreakAway Restaurants Limited (note 30)	Hospitality	-	100%
Marine Money Limited	Financial services	100%	100%
Administration Limited (note 30)	Administration services	-	100%

27p42(b)

18 Investments in associates

Significant associates comprise:

27p42(b)

	Principal activities	Interest held by the consolidated Group		Consolidated carrying amount	
		2009	2008	2009 \$'000	2008 \$'000
Great Catch Limited	Fishing tours in Vanuatu	35%	35%	2,006	2,126
Fibreglass Applications Limited	Fibreglass painters	30%	30%	138	143
Helicopter Tours Partnership	Tourism	40%	40%	674	677
Geothermal Activities Limited	Tourism	30%	30%	510	435
				<u>3,328</u>	<u>3,381</u>

All entities are incorporated in New Zealand with the exception of Great Catch Limited, which is incorporated in Vanuatu.

27p42(b)

All entities have balance dates of 30 September with the exception of Geothermal Activities Limited which has a 30 June balance date. The directors are not aware of any significant events or transactions since Geothermal Activities Limited's balance date.

28p37(e)

Interests in associates

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Movements in carrying amounts				
Shares at cost			<u>2,000</u>	<u>2,120</u>
Balance at 1 October	3,381	3,334		
Share of total recognised revenues and expenses	195	185		
Dividends (note 3)	(248)	(138)		
Balance at 30 September	<u>3,328</u>	<u>3,381</u>		
Included within the above carrying value is:				
Goodwill	<u>188</u>	<u>244</u>		

38pNZ37.1(a)

28p23(a)

38pNZ37.1(b)

19 Available-for-sale financial assets

39p9

	Consolidated		Parent	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Balance at 1 October	516	280	516	280
Additions	-	16	-	16
Net (losses) gains transferred to equity (note 25(a))	(2)	220	(2)	220
Balance at 30 September	514	516	514	516

IRp79(b),
IFRS7p20(a)(iii)

There were no impairment provisions on available for sale financial assets in 2009 or 2008.

Available for sale financial assets include the following:

Listed securities:

- equity securities - NZ	273	210	273	210
- equity securities - Australia	234	297	234	297
	507	507	507	507

Unlisted securities:

- debt securities traded on inactive markets and of private issuers	7	9	7	9
	514	516	514	516

20 Other investments

IRp77

	Consolidated		Parent	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Held to maturity investments				
Government and local authority stocks and bonds	2,078	1,674	2,016	1,674
Loans and receivable				
Term deposits – non-current	336	252	336	252
	2,414	1,926	2,352	1,926

21 Trade and other payables

IRp77

	Consolidated		Parent	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Current				
Trade payables	599	470	245	320
Trade payables to related parties (note 29)	121	98	-	-
Employee entitlements	350	342	172	153
GST	147	164	75	75
Accrued expenses	389	289	199	100
Deferred income	1,615	1,559	-	-
Dividends	173	1,747	-	1,607
	3,394	4,669	691	2,255
Non-current				
Trade and other payables	38	43	38	43
Total trade and other payables	3,432	4,712	729	2,298

IRp60

IRp78

IRp60

22 Borrowings

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Current				
Bank overdrafts	1,051	1,601	357	143
Finance lease liabilities	152	150	-	-
Bank loans	514	775	253	674
Loans from Directors (note 29)	350	-	-	-
Total secured current interest bearing borrowings	2,067	2,526	610	817
Non-current				
Bank loans	4,577	3,997	3,087	3,492
Finance lease liabilities	502	573	451	-
Total secured non-current interest bearing borrowings	5,079	4,570	3,538	3,492
Redeemable preference shares	2,000	2,000	2,000	2,000
Total non-current liabilities – interest bearing liabilities	7,079	6,570	5,538	5,492
Total liabilities	9,146	9,096	6,148	6,309

IRp60

IRp60

The bank loans and overdrafts of the parent and subsidiaries are secured by mortgages over the Group's freehold land and buildings (note 15) and finished goods (note 13)¹⁰.

IFRS7p14

As at 30 September 2009 there were 1,000,000 preference shares on issue (2008: 1,000,000). The dividends are set at 10% of issue price and rank above ordinary dividends, but do not accumulate. Preference shares are redeemable for the face value at the option of the holder and carry voting rights on the same basis as ordinary shares.

32p15, 18(a)

The Company and Group are required to comply with the capital requirements imposed by the bank. During 2009 and 2008 they complied with all such requirements.

IRp134, 135(d)

Finance lease liabilities

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default (note 15).

Gross finance lease liabilities – minimum lease payments

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
No later than 1 year	173	170	117	-
Later than 1 year and no later than 5 years	448	513	432	-
Later than 5 years	206	232	150	-
	827	915	699	-
Future finance charges on finance leases	(173)	(192)	(145)	-
Present value of finance lease liabilities	654	723	554	-

17p31(b)

The present value of finance lease liabilities is as follows:

No later than 1 year	152	150	103	-
Later than 1 year and no later than 5 years	358	410	346	-
Later than 5 years	144	163	105	-
	654	723	554	-

¹⁰ For an example of a disclosure where bank covenants have been in breach see Appendix D

23 Provisions

	Consolidated		Parent		
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	
Warranties					37p84(a)
Carrying amount at end of year	1,000	1,000	-	-	
Insurance					37p84(a)
Carrying amount at end of year	431	312	-	-	
Total provisions	1,431	1,312	-	-	
Analysis of total provisions					37p84(a)
Current	778	686	-	-	IRp60
Non-current	653	626	-	-	IRp60
	1,431	1,312	-	-	

Warranties

37p85

During 2008 the Group began selling certain products with three year warranties. The terms of the warranty provide that the Group will repair or replace items that fail to perform satisfactorily. A provision of \$1,000,000 has been recognised based on the average levels of repairs and returns experienced by the industry with respect to similar products. It is expected that \$500,000 will be utilised during 2009 and \$500,000 during 2010.

However, the actual amount and timing of warranty claims is uncertain due to the limited actual historical data available to the Group.

Insurance

37p85

The liability for ACC Partnership Programme is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of the employee injuries and claims up to the reporting date using actuarial techniques. Consideration is given to expected future wage and salary levels and experience of employee claims and injuries. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

24 Contributed equity

	Parent and Group				
	2009 000	2008 000	2009 \$000	2008 \$000	
Opening balance of ordinary shares issued	10,418	10,418	18,495	18,495	IRp79(a)(iv)
Issue of ordinary shares during the year	706	-	1,547	-	
Closing balance of ordinary shares issued	11,124	10,418	20,042	18,495	

None of the above shares is held by the Group or its subsidiaries.

All ordinary shares rank equally with one vote attached to each fully paid ordinary share. Ordinary shares do not have a par value.

Share Issues

IRp79(a)(i)(ii)

On 30 June 2009 706,390 ordinary shares were issued for cash at \$2.19 per share.

25 Reserves and retained earnings

	Consolidated		Parent		
	2009	2008	2009	2008	
	\$'000	\$'000	\$'000	\$'000	
(a) Reserves					
Available-for-sale investments revaluation reserve IR78(e), IRp106(d)					
Balance at 1 October	496	276	496	276	
Fair value (losses)/gains in year (note 19)	(2)	220	(2)	220	
Balance at 30 September	494	496	494	496	
Hedging reserve - cash flow hedges IRp106(d)					
Balance at 1 October	-	-	-	-	
Fair value gains in year	860	-	860	-	
Balance at 30 September	860	-	860	-	
Foreign currency translation reserve IRp106(d)					
Balance at 1 October	192	-			
Currency translation (losses)/gains	(26)	192			
Balance at 30 September	166	192			
Total reserve balances	1,520	688	1,354	496	

Nature and purpose of reserves

(i) Available for sale investments revaluation reserve IRp80

Changes in the fair value and exchange differences arising on translation of investments, such as equities, classified as available-for-sale financial assets, are taken to the available-for-sale investments revaluation reserve.

(ii) Hedging reserve – cash flow hedges IRp80

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge. The amounts are recognised in the profit and loss component of the statements of comprehensive income when the associated hedged transactions affect the profit and loss component of the statements of comprehensive income.

(iii) Foreign currency translation reserve IRp80

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations into New Zealand dollars.

	Consolidated		Parent		
	2009	2008	2009	2008	
	\$'000	\$'000	\$'000	\$'000	
(b) Retained earnings IRp106(d)					
Balance at 1 October	2,122	(849)	1,847	371	
Net profit for the year	1,676	3,934	2,506	2,439	
Dividends(note 26)	(779)	(963)	(779)	(963)	
Amalgamation adjustment (note 30(c))	-	-	282	-	
Balance at 30 September	3,019	2,122	3,856	1,847	

26 Dividends

	Consolidated		Parent		
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	
Interim dividend (2009: 7 cents per share; 2008: 7 cents per share)	779	750	779	750	IRp107
Declared final dividend (2009: nil; 2008: 2 cents per share)	-	213	-	213	
	<u>779</u>	<u>963</u>	<u>779</u>	<u>963</u>	

The dividends are fully imputed.

D.V

Subsequent to year end the Board of Directors resolved to pay a fully imputed final dividend of 12 cents per ordinary share, a total of \$1,335,000.

IRp137(a)

27 Contingencies

37p86

	Consolidated		Parent		
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	
The following matters have not been recognised in the financial statements because of the uncertainty associated with their outcomes. The amounts disclosed are net of tax.					
Contingent losses					
A claim for damages of \$100,000 was lodged against a subsidiary company for unfair dismissal during the year. The company disputes the claim and legal advisers to the Group consider it unlikely that any liability will arise in respect of this claim.	-	-	-	100	37p86
Guarantees to bankers and other financial institutions of associate entities' bank overdraft facilities from which it is anticipated that no material liabilities will arise.	312	436	312	436	37p86
Total of associates' liabilities for which Essential (Differential) Limited is jointly and severally liable. The Company considers it is unlikely that any liability will arise.	35	50	35	50	28p40 37p86
Guarantees to bankers and other institutions of joint venture overdraft facilities (all secured) from which it is anticipated that no material liabilities will arise.	-	-	8	10	37p86
The Parent and certain subsidiaries have guaranteed to third parties the performance of contracts of the joint venture from which it is anticipated that no material liabilities will arise.	140	140	140	140	37p86
Guarantees to bankers and other institutions of subsidiaries' overdraft facilities from which it is anticipated that no material liabilities will arise.	<u>1,763</u>	<u>992</u>	<u>-</u>	<u>-</u>	

All financial guarantees are carried at fair value.

There are no contingent assets or liabilities associated with joint ventures.

31p54

28 Commitments

The following details commitments associated with the Company and the Group.

(a) Contractual commitments for the acquisition of property, plant and equipment

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	Consolidated		Parent		
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	
Amounts committed to capital expenditure:					
Group and Parent excluding joint venture	1,025	458	175	20	16p74(c)
Proportionate interest in joint venture commitments	250	125	-	-	31p55
Share of associates' commitments	75	-	-	-	D.V
	<u>1,350</u>	<u>583</u>	<u>175</u>	<u>20</u>	

The above balances have been committed in relation to future expenditure in relation to the construction of the jetty and other capital projects. Amounts already spent on the jetty have been included as capital work in progress (note 15).

(b) Operating lease commitments: Group/Company as lessee

	Consolidated		Parent		
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:					
Within one year	148	138	55	55	
Later than one year but not later than five years	551	551	220	220	
Later than five years	-	55	-	55	
	<u>699</u>	<u>744</u>	<u>275</u>	<u>330</u>	

The Group leases premises, plant and equipment. Operating leases held over properties give the Group the right to renew the lease subject to a re-determination of the lease rental by the lessor.

There are no options to purchase in respect of plant and equipment held under operating leases.

There are no sub leases from the above.

(c) Finance lease commitments

Refer to note 22.

29 Related party transactions

24p9

Essential (Differential) Limited is a wholly owned subsidiary of Big Fish Holdings Limited. All members of the Group are considered to be related parties of Essential (Differential) Limited. This includes the subsidiaries identified in note 17, the associated entities identified in note 18 and the joint venture identified in note 31.

24p12

Transactions with subsidiaries

24p18(c)

Administration Limited provided accounting and administrative services to members of the Group, free of charge, until amalgamated in December 2008. Subsequent to this time, these services have been provided by the Parent. These services continue to be provided free of charge.

24p20(c)

The Parent received rental of \$50,000 (2008: \$82,500) from subsidiary companies for the rental of building space in buildings owned by the Parent. There were no outstanding balances at year end. Rent is charged at normal commercial rates. No amounts owed by related parties have been written off or forgiven during the year.

24p20(d)

Loans totalling \$4,050,000 (2008: \$2,375,000) were made by the Parent to subsidiaries. Interest received during the year totalled \$317,000 (2008: \$311,000). Loans to the subsidiary companies attract interest of 9.25% (2008: 9.25%) and have been advanced at normal commercial terms. Loans are repayable on demand and the outstanding balance is included in interest bearing liabilities (note 10).

24p20(g)

Transactions with Directors

24p18(f)

Directors have borrowed money from the Parent and the Group. All loans are secured by mortgage over the directors' residences and are repayable on demand. Interest is charged at 6% per annum (2008: 6%), which amounted to \$14,000 (2008:\$16,000) for the Group and \$7,000 (2008: \$8,000) for the Parent.

	Consolidated		Parent	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Loans to directors				
Balance at 1 October	261	300	131	150
Amounts repaid during the year	(39)	(39)	(20)	(19)
Balance at 30 September (note 10)	222	261	111	131

Consulting fees of \$45,000 (2008: nil) were paid in respect of architectural services rendered. These services were undertaken on normal commercial terms. A balance of \$5,780 (2008: nil) is outstanding at the year end and is included in trade payables (note 21).

24p17

During the year the Group borrowed \$350,000 from a director (2008: nil). The loan is interest only and repayable at the end of five years. Interest charged on the loan is 6% and amounted to \$21,000 (2008: nil).

24p20(g)

Transactions with other related parties

24p18(g)

(i) Purchase of goods from other related parties

24p18(a)

The Group acquired raw materials from Spencer Limited, an entity controlled by JL Delves managing director and chief executive officer. These acquisitions were made on normal commercial terms and amount to \$1,500,000 (2008: \$1,250,000) A balance of \$115,000 (2008: \$97,850) is outstanding at balance date and is included in trade payables (note 21).

(ii) Purchase of services from other related parties

24p18(c)

The Group has paid legal fees of \$68,000 (2008: \$55,000) to Buchanan Smith and Armstrong of which TN Buchanan a non-executive director is a partner. These payments were made on normal commercial terms and there were no outstanding balances at the year end.

Essential (Differential) Limited
Statements of recognised income and expense
For the year ended 30 September 2009

30 Business combinations

(a) Acquisition of subsidiary

On 1 March 2009 the Group acquired 80% of the shares of PleasureCraft Limited for consideration of \$1,950,000 and therefore, obtained control over this entity. From 1 March 2009 the operating results of PleasureCraft Limited, consisting of an operating profit after taxation of \$202,000 have been included in the profit and loss component of the statements of comprehensive income. The following table summarises the consideration paid for PleasureCraft Limited and the amounts of assets acquired and liabilities assumed recognised at the acquisition date, as well as the fair value at the acquisition date of the non-controlling interest in PleasureCraft Limited.

IFRS3R
B64(a)-(c)

	2009	
	\$'000	
Consideration		
At 1 March 2009		
Cash	1,950	IFRS3Rp64f(i)
Equity instruments issued by acquirer	-	IFRS3Rp64f(iv)
Contingent consideration	100	IFRS3Rp64f(iii)
Total consideration transferred	<u>2,050</u>	IFRS3p64(f)
Indemnification asset	(100)	
Total consideration	<u>1,950</u>	
Acquisition-related costs (included in administration expenses in profit and loss component of the statements of comprehensive income immediately)	50	IFRS3RpB64(m)
Recognised amounts of identifiable assets acquired and liabilities assumed:		
Cash and cash equivalents	121	IFRS3RB64(i)
Trade and other receivable	317	
Inventories	249	
Property, plant and equipment	495	
Borrowings	(70)	
Total identifiable net assets	<u>1,112</u>	
Non-controlling interest	(222)	IFRS3RpB64(o)(i)
Goodwill (note 16)	<u>1,060</u>	
	<u>1,950</u>	

The contingent consideration arrangement requires the Group to pay the former owners of PleasureCraft Limited 5% of the profit of PleasureCraft Limited, in excess of \$7,500,000 for 2010, up to a maximum undiscounted amount of \$2,500,000.

IFRS3Rp64f(iii),
B64(g), B67(b)

Contingent liabilities of \$100,000 have been recognised for a pending lawsuit in which PleasureCraft Limited is a defendant. The claim has arisen from a customer alleging defects on products supplied to them. It is expected that the courts will have reached a decision on this case by the end of 2011.

IFRS3RpB64(j), B67(c)
IAS37p86

The selling shareholders of PleasureCraft Limited have contractually agreed to indemnify Essential Differential Ltd for the claim that may become payable in respect of the above-mentioned lawsuit. An indemnification asset of \$100,000, equivalent to the fair value of the indemnified liability, has been recognised by the Group. The indemnification asset is deducted from consideration transferred for the business combination.

IFRS3RpB64(g)p57

30 Business Combinations (continued)

(b) Disposal of subsidiary

D.V

On 31 December 2008 the Group disposed of its entire interest in BreakAway Restaurants Limited. Prior to its disposal, BreakAway Restaurants Limited contributed an after tax profit to the Group of \$345,000. The disposal of the subsidiary gave rise to a loss of \$1,631,000 to the Group and a gain to the Parent of \$250,000. The Group did not dispose of any subsidiaries in the prior year.

Summary of the effect of disposal of subsidiary

	Consolidated \$'000
Total cash received	3,450
Assets and liabilities disposed of:	
Bank balances	36
Net current assets	(1,742)
Property, plant and equipment	(3,534)
Goodwill (note 16)	(235)
Borrowings	394
Loss on disposal	(1,631)

(c) Amalgamation

D.V

On 31 December 2008 Administration Limited was amalgamated into the Parent using the short-form amalgamation process under the Companies Act 1993. Until the date of amalgamation, Administration Limited had been a wholly owned subsidiary of the Parent. Under the amalgamation the Parent took control of all of the assets of Administration Limited and assumed responsibility for its liabilities. Administration Limited has been removed from the New Zealand register of companies.

Summary of the effect of the amalgamation of Administration Limited

	Parent \$'000
Assets and liabilities amalgamated:	
Bank balances	367
Net current assets	(155)
Property, plant and equipment	619
Borrowings	(449)
Carrying amount of shares in amalgamated subsidiary	(100)
Balance recognised in statement of movements in equity	282

The assets and liabilities have been brought into the Parent's financial statements at their fair value which in this instance was equal to the carrying amount of the assets.

The operating results of Administration Limited after the amalgamation is included in the profit and loss component of the statements of comprehensive income of the Parent since 31 December 2008. The balance on amalgamation has been recognised in the statement of changes in equity of the Parent. The comparatives for the Parent have not been adjusted for the amalgamation.

Essential (Differential) Limited
Statements of recognised income and expense
For the year ended 30 September 2009

31 Joint venture

31p56

The Group has a 50% participating interest in a bungy tower in Fiordland, New Zealand. Under the arrangement maintenance costs are shared equally and each venturer is entitled to use the facilities during specified hours. The Group runs its operation under the name Adrenalin Jumping.

	Consolidated	
	2009	2008
	\$'000	\$'000
Financial Performance		
The Group's operating revenues and share of expenses, proportionately consolidated, was:		
Income	213	238
Expenses	(149)	(167)
Net contribution to Group operating profit	64	71
Financial Position		
The Group's share of assets and liabilities, proportionately consolidated, was:		
Current assets		
Trade receivables	10	10
Prepayments	7	12
	17	22
Long-term assets		
Adventure tourism equipment	195	91
Motor vehicles	6	2
Office equipment	1	1
	202	94
Share of total assets included in Group	219	116
Current liabilities		
Trade payables	(8)	(3)
Sundry payables and accruals	(2)	(3)
Share of total liabilities included in Group	(10)	(6)
Net assets employed in the joint venture	209	110

32 Events occurring after the reporting period

Declaration of dividend

10p12

Subsequent to year end the Board of Directors declared a final dividend of 12 cents per share, a total of \$1,335,000 (note 26). The dividends are fully imputed.

IRp137(a)

Acquisition of Super Jets (Nelson) Limited

10p21, 22(a)

On 15 October 2009, the Group acquired 100% of the shares of Super Jets (Nelson) Ltd, a jet boat builder and retailer.

IFRS3pB66

The fair value of the consideration for this acquisition was \$6,100,000, comprised as follows:

IFRS3pB64(a)-(c)

	2009
	\$'000
Purchase consideration	
- Cash paid	5,950
- Contingent consideration	150
Total consideration transferred	6,100

IFRS3pB64(f)

Appendix A: Statements of comprehensive income by nature of expenses

	Notes	Consolidated		Parent		
		2009	2008	2009	2008	
		\$'000	\$'000	\$'000	\$'000	
Revenue	3	47,813	51,609	8,537	9,730	IRp82(a)
Other income	3	267	-	557	221	IRp89, 103
Other gains (losses) – net	4	389	374	389	374	IRp85
Changes in inventories of finished goods and work in progress		1,009	550	38	25	IRp102
Raw materials and consumables used		(16,450)	(18,565)	(3,575)	(4,010)	IRp102
Employee benefits expense	5	(13,351)	(13,246)	(1,652)	(1,646)	IRp102
Depreciation and amortisation expense	5	(1,428)	(951)	(291)	(292)	IRp102
Other expenses	5	(12,518)	(11,591)	(407)	(527)	IRp102
Finance costs	6	(813)	(990)	(631)	(710)	IRp82(b)
Finance income	6	369	423	497	486	IRp85
Finance costs – net	6	(444)	(567)	(134)	(224)	IRp85
Share of profit from associates	18	195	185	-	-	IRp82(c)
Profit before income tax		5,482	7,798	3,462	3,651	IRp85
Income tax expense	7	(3,451)	(3,629)	(956)	(1,212)	IRp82(d)
Profit for the year		<u>2,031</u>	<u>4,169</u>	<u>2,506</u>	<u>2,439</u>	IRp85 IFRS5p33(a)
Attributable to:						
Equity holders of Essential (Differential) Limited		1,676	3,934			IRp83(a)(i)
Non-controlling interest		355	235			IRp83(a)(ii)
		<u>2,031</u>	<u>4,169</u>			

The above statements of comprehensive income should be read in conjunction with the accompanying notes.

Essential (Differential) Limited
Income Statement
For the year ended 30 September 2009

Appendix B: Alternative presentation – income statements and statements of comprehensive income

	Notes	Consolidated		Parent		
		2009	2008	2009	2008	
		\$'000	\$'000	\$'000	\$'000	
Revenue	3	47,813	51,609	8,537	9,730	IRp82(a)
Cost of sales		(37,548)	(39,614)	(4,888)	(5,037)	IRp99, 103
Gross profit		10,265	11,995	3,649	4,693	
Other income	3	267	-	557	221	IRp89, 103
Other gains (losses) – net	4	389	374	389	374	IRp85
Expenses	5					
Distribution		(1,141)	(957)	(365)	(370)	IRp88, 103
Administration		(660)	(549)	(142)	(158)	IRp88, 103
Other		(3,389)	(2,683)	(492)	(885)	IRp88, 103
Finance costs	6	(813)	(990)	(631)	(710)	IRp82(b)
Finance income	6	369	423	497	486	IRp85
Finance costs – net	6	(444)	(567)	(134)	(224)	IRp85
Share of profit from associates	18	195	185	-	-	IRp82(c)
Profit before income tax		5,482	7,798	3,462	3,651	IRp85
Income tax expense	7	(3,451)	(3,629)	(956)	(1,212)	IRp82(d)
Profit for the year		2,031	4,169	2,506	2,439	IRp85, IFRS5p33(a)
Profit attributable to:						
Equity holders of Essential (Differential) Limited		1,676	3,934			IRp83(a)(ii)
Non-controlling interest		355	235			IRp83(a)(i)
		2,031	4,169			

Essential (Differential) Limited
Statements of comprehensive income
For the year ended 30 September 2009

	Notes	Consolidated		Parent		
		2009	2008	2009	2008	
		\$'000	\$'000	\$'000	\$'000	
Profit for the year		2,031	4,169	2,506	2,439	IRp85, IFRS5p33(a)
Other comprehensive income						
Changes in the fair value of available for sale financial assets	25(a)	(2)	220	(2)	220	IFRS7p20(a)(ii)
Cash flow hedge	25(a)	860	-	860	-	IFRS7p23(a)
Currency translation differences	25(a)	(26)	192	-	-	IRp106(b)
Amalgamation adjustment	30(c)	-	-	282	-	
Share of other comprehensive income of associates		-	-	-	-	
Income tax relating to other comprehensive tax	7	-	-	-	-	
Other comprehensive income for the year		832	412	1,140	220	
Total comprehensive income for the year, net of tax		2,863	4,581	3,646	2,659	
Total comprehensive income attributable to:						
Equity holders of Essential (Differential) Limited		2,508	4,346			IRp83(b)(ii)
Non-controlling interest		355	235			IRp83(b)(i)
		2,863	4,581			

Items in the statement of comprehensive income are disclosed net of tax.

Appendix C: NZ IAS 12 Income Taxes disclosures where no differential reporting exemptions are applied

READER NOTE: The following NZ IAS 12 disclosures should be read in isolation from the remaining Essential (Differential) Limited financial statements. Balances and transactions in the following example do not relate to Essential (Differential) Limited as presented in the remainder of this publication. Illustrative disclosures have been prepared for the Group only. In practice, Parent disclosures are also required.

2 Summary of significant accounting policies

(e) Income tax

IRp117(b)

The income tax expense or revenue for the period is the total of the current period's taxable income based on the national income tax rate for each jurisdiction plus/minus any prior years' under/over provisions, plus/minus movements in the deferred tax balance except where the movement in deferred tax is attributable to a movement in reserves.

Movements in deferred tax are attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements and any unused tax losses or credits. Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting the profit and loss component of the statements of comprehensive income or taxable profit or loss.

12p47, 15, 24

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only to the extent that is probable that future taxable amounts will be available to utilise those temporary differences and losses.

12p24, 34

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries and associates where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

12p39, 44

The income tax expense or revenue attributable to amounts recognised directly in equity are also recognised directly in equity.

12p61

Current and deferred tax assets and liabilities of individual entities are reported separately in the consolidated financial statements unless the entities have a legally enforceable right to make or receive a single net payment of tax and the entities intend to make or receive such a net payment or to recover the current tax asset or settle the current tax liability simultaneously.

12p71, 74

Tax consolidation Group

Essential (Differential) Limited and its wholly-owned New Zealand controlled entities form a tax consolidation Group. As a consequence, one income tax return is completed for the Group and the Group is treated for income tax purposes as one taxpayer.

The tax balances have been attributed for reporting purposes to each of the entities on the basis of their individual results. Amounts of tax due to and receivable from the New Zealand Inland Revenue Department are made by Essential (Differential) Limited as nominated member of the tax consolidated Group. The current tax balance for the Group has been allocated among the members based on each entity's current tax movement for the period. Where tax losses are incurred by Group members, these are offset within the Group without payment.

The tax consolidated Group is required to complete and file an imputation credit account. This imputation credit account is disclosed at note 3 (e).

Essential (Differential) Limited
Notes to the financial statements
For the year ended 30 September 2009

3 Income tax

	2009	2008	
	\$'000	\$'000	
(a) Income tax expense			
Current tax	14,413	6,230	12p79, 80(a)
Deferred tax	379	2,635	12p79, 80(c)
	<u>14,792</u>	<u>8,865</u>	
Deferred income tax (revenue) expense included in income tax expense comprises:			
Decrease (increase) in deferred tax assets (note 4)	9	50	
(Decrease) increase in deferred tax liabilities (note 5)	370	2,585	
	<u>379</u>	<u>2,635</u>	

	2009	2008	
	\$'000	\$'000	
(b) Numerical reconciliation of income tax expense to prima facie tax payable			
Profit before income tax expense	47,376	25,566	12p81(c)(i)
Tax calculated at domestic tax rates applicable to profits in the respective countries	14,213	6,327	
Tax effect of a change in tax rates	1,421	288	
Expenses not deductible for tax purposes	1,650	1,059	
Non-assessable income	(1,072)	(212)	
Current year deferred tax not recognised	30	347	
Prior year deferred tax not previously recognised	(1,450)	1,056	
Income tax expense	<u>14,792</u>	<u>8,865</u>	

In May 2007 the New Zealand Government announced a reduction in the company tax rate from 33% to 30% effective from the 2008/2009 income tax year. 12p81(d)

	2009	2008	
	\$'000	\$'000	
(c) Amounts recognised directly in other comprehensive income			
Aggregate current and deferred tax arising in the reporting period and not recognised in net the profit and loss component of the statements of comprehensive income but directly debited or credited to other comprehensive income.			
Current tax - debited (credited) directly to other comprehensive income	587	965	12p81(a)
Net deferred tax - debited (credited) directly to other comprehensive income (note 4)	2,584	239	12p81(a)
	<u>3,171</u>	<u>1,204</u>	

(d) Unrecognised deferred tax balances
Deferred income tax assets are recognised for tax loss carry forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of \$300,000 (2008: \$1,588,000) in respect of losses amounting to \$1,000,000 (2008: \$5,294,000) that can be carried forward against future taxable income. 12p81(e)

	2009	2008	
	\$'000	\$'000	
(e) Imputation credit account			
Balance at 1 October	9,180	5,655	12pNZ81.1(a)
Prior period adjustment	(50)	-	
Tax payments net of refunds	13,000	7,850	
Distributed	(5,985)	(4,325)	
Balance at 30 September	<u>16,145</u>	<u>9,180</u>	

4 Deferred tax assets

Movements

	Tax losses	Employee benefits	Doubtful debt provision	Impairment losses	Other	Total	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 October 2007	1,072	428	962	732	373	3,567	
(Charged)/credited to the statement of comprehensive income	-	-	(181)	-	131	(50)	12p81(g)(ii)
(Charged)/credited directly to equity	-	211	-	-	20	231	12p81(a)
Exchange differences	460	-	35	-	-	495	
At 30 September 2008	1,532	639	816	732	524	4,243	12p81(g)(i)
At 1 October 2008	1,532	639	816	732	524	4,243	
(Charged)/credited to the statement of comprehensive income	(1,000)	-	538	322	131	(9)	12p81(g)(ii)
(Charged)/credited directly to equity	-	-	-	-	30	30	12p81(a)
Acquisition of subsidiary	-	250	-	-	-	250	
Exchange differences	350	-	125	85	236	796	
At 30 September 2009	882	889	1,479	1,139	921	5,310	12p81(g)(i)

Expected maturity of deferred tax assets

	2009	2008
	\$'000	\$'000
Deferred tax assets to be recovered within 12 months	4,653	3,934
Deferred tax assets to be recovered after more than 12 months	657	309
	5,310	4,243

5 Deferred tax liabilities

Movements

	Property, plant & equipment	Cash flow hedges	Investment property	Intangible assets	Other	Total	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 October 2007	6,058	110	272	-	284	6,724	
Charged/(credited) to the statement of comprehensive income	1,786	-	-	-	799	2,585	12p81(g)(ii)
Charged/(credited) directly to equity	-	35	435	-	-	470	12p81(a)
Exchange differences	241	-	100	-	-	341	12p81(g)(i)
At 30 September 2008	8,085	145	807	-	1,083	10,120	
At 1 October 2008	8,085	145	807	-	1,083	10,120	
Charged/(credited) to the statement of comprehensive income	425	-	-	(193)	138	370	12p81(g)(ii)
Charged/(credited) directly to equity	-	55	231	2,328	-	2,614	
Acquisition of subsidiary	553	-	1,375	-	275	2,203	12p81(a)
Exchange differences	(571)	-	(263)	-	(123)	(957)	
At 30 September 2009	8,492	200	2,150	2,135	1,373	14,350	12p81(g)(i)

Expected maturity of deferred tax liabilities

	2009	2008
	\$'000	\$'000
Deferred tax liabilities to be settled within 12 months	11,489	9,662
Deferred tax liabilities to be settled after more than 12 months	2,861	458
	14,350	10,120

Appendix D: Disclosure where debt covenants have been breached

READER NOTE: The following disclosures should be read in isolation from the remaining Essential (Differential) Limited financial statements. This breach of covenant disclosure is an example only. It relates specifically to the situation described below. Disclosures in financial statements should be tailored to the specific circumstances of the entity as appropriate.

12 Capital risk management

Essential (Differential) Limited is subject to the following bank covenants in relation to its bank loans:

- (a) Ratio of shareholder funds to total tangible assets
- (b) Ratio of interest expense to net profit after tax

At 30 September 2009, the Company and Group did not meet the ratio of interest expense to net profit after tax and the ratio of shareholder funds to total tangible assets. As a result the bank loan has been reclassified as a current liability as per the terms of the loan agreement which state that the breach of bank covenants causes the loan to be repayable on demand.

IFRS7p81(a)
IRp135(e)

After balance date but before the financial statements were authorised for issue, the Company and Group have received correspondence from the bank notifying that the loan will not be called upon as a result of the breach. The loan will continue to be repaid in accordance with the original terms and conditions.

10p21
IFRS7p9

The Company and Group will continue to monitor these ratios in the future, and are in constant communication with the lender as to the terms of the loan, and they expect that these covenants will not remain in breach and that the availability of the loan will remain.

IRp135(a)

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