

# Essential (Differential) Limited

Annual Report for year ended 31 March 2002



# Publication Guide

## Model presented

This publication presents a model annual report, which incorporates financial statements for Essential (Differential) Limited. Essential (Differential) Limited, is a qualifying entity 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.

## Compliance

The annual report and financial statements have been prepared in accordance with the relevant legislation and accounting standards in force on 31 March 2002, the balance date of the reporting entity. In addition, the financial statements demonstrate the effects of adopting FRS 36 *Accounting for Acquisitions Resulting in Combinations of Entities or Operations*, FRS 37 *Consolidating Investments in Subsidiaries* and FRS 38 *Accounting for Investments in Associates* prior to the application dates specified in those standards. These requirements remain applicable and unchanged at 30 June 2002.

## Reporting guide

### Reference guide

The model provides references to the legislation or accounting promulgation that requires a particular disclosure or accounting treatment. The abbreviations used to identify the source of authority are:

CA	Companies Act 1993
FRA	Financial Reporting Act 1993
FRS	Financial Reporting Standard
SSAP	Statement of Standard Accounting Practice
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.

## Financial Reporting Standard Index

This index identifies the financial statement, or note to the financial statements, in which the disclosure requirements of a particular FRS or SSAP provision have been demonstrated in **Essential (Differential) Limited**.

### Key:

*Perf* – Statement of financial performance

*Pos* – Statement of financial position

*ME* – Statement of movements in equity

*CF* – Statement of cash flows

*AP* – Statement of accounting policies

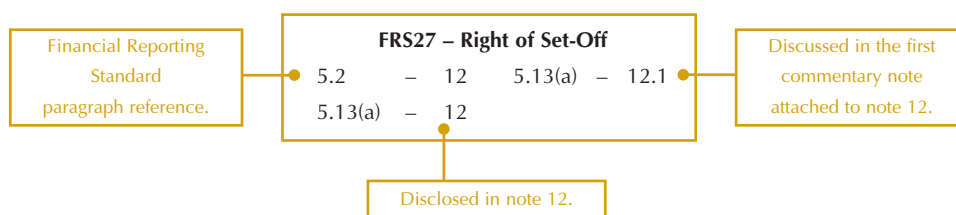
*AR* – Annual Report

*NI* – Not illustrated in this publication

\* – indicates consequential amendment to the FRS as a consequence of adopting FRS36, FRS37 and FRS38

Numerical references are to notes to the financial statements.

### Example:



FRS1 Disclosure of Accounting Policies			
5.1 – AP	5.5(c) – AP	5.12 – AP.4	5.20 – AP
5.1 – AP.1	5.5(d) – AP	5.13 – AP.4	5.20 – AP.5
5.3 – AP.2	5.9 – AP.3	5.14 – AP.4	
5.5(a) – AP	5.11 – AP	5.19(a) – AP	
5.5(b) – AP	5.11 – AP.4	5.19(b) – AP	

FRS2 Presentation of Financial Reports			
5.2(a) – Perf	5.17 – Pos	7.2 – ME	7.4 – ME.1
5.2(b) – ME	6.3* – Perf	7.3(a)* – ME	8.1 – Pos
5.2(c) – Pos	6.4 – 1.1	7.3(a)(i)* – ME	8.5(a)(i) – Pos
5.2(e) – NI	6.4 – 2	7.3(a)(ii)* – ME	8.5(a)(ii) – Pos
5.2(f) – AP	6.7 – Perf	7.3(a)(iii)* – ME	8.5(a)(iii) – Pos
5.15 – Perf.1	6.10 – Perf	7.3(a)(iv)* – ME	8.5(a)(iv) – Pos
5.15 – AP	6.12* – Perf	7.3(b)* – ME	8.5(a)(v)* – Pos
5.17 – Perf	6.13(a)* – Perf	7.3(c)* – ME	8.5(a)(v)* – 8
5.17 – ME	6.13(b)* – Perf	7.3(d)* – ME	

SSAP3 Accounting for Depreciation	
Not illustrated in this publication as the company does not have any intangible assets other than goodwill on consolidation	

FRS3 Accounting for Property, Plant and Equipment			
11.1(a) – 13	11.3(b)(ii) – 13	11.6 – 13.3	12.5 – 13.4
11.1(b) – AP	11.3(c) – 2	11.8 – 13.1	12.8 – 13.4
11.1(c) – AP	11.3(d) – 2	11.10 – 13.3	12.10 – 13.4
11.3(a) – 13	11.3(e) – 13.2		
11.3(b) – 13.2	11.4 – 13.1		

FRS4 Accounting for Inventories					
5.29(a)	–	AP	5.29(b)(i) – Pos	5.29(c) – NI	5.29(d) – AP

FRS5 Events After Balance Date					
5.6	–	7	5.6 – 23	6.1 – AR	6.5 – 23

SSAP6 Materiality in Financial Statements	
SSAP6 sets out the general criteria for applying the materiality test to information for inclusion in the financial statements, where materiality is not addressed specifically in a financial reporting standard.	

FRS7 Extraordinary Items and Fundamental Errors					
5.2	–	AP.6	5.6* – Perf	5.7 – 3	5.16 – ME.1
5.2	–	ME.2			

SSAP8 Accounting for Business Combinations	
Not illustrated in this publication as FRS36, FRS37 and FRS38, which replace SSAP8, have been adopted prior to their application dates.	

FRS9 Information to be Disclosed in Financial Statements					
5.1	–	1.1	6.13(d) – 2	8.2(d) – 13	8.10(f) – NI
5.2	–	Perf.2	6.13(e) – 2	8.2(e) – 13	8.13 – 9
5.2	–	1.1	6.13(f) – 2	8.2(f) – 19	8.16 – 14
5.3	–	Perf.3	6.13(h) – 2	8.3 – 18	8.17 – Pos
5.4	–	NI	6.13(i) – 2	8.6 – 20	8.19 – Pos
5.5	–	Perf.1	8.2(a) – 20	8.6 – 22	8.19 – 4
6.6	–	Perf	8.2(a)(i) – 20	8.7 – 13	8.19 – 5
6.6	–	1	8.2(a)(ii) – 20	8.8 – AP	8.19 – 6
6.7	–	1	8.2(a)(iii) – 20	8.8 – 13	8.22(a) – 4
6.7	–	1.1	8.2(b)(i) – Pos	8.10(a) – 10	8.22(a)(i) – 4
6.9*	–	1	8.2(b)(iii) – Pos	8.10(b)(i) – 10.1	8.22(a)(ii) – 4
6.10	–	2	8.2(b)(iii) – 16	8.10(b)(ii) – 10.1	8.22(b) – 4.1
6.11	–	2	8.2(b)(iv) – 18	8.10(b)(iii) – 9	8.22(c) – 4.1
6.11	–	2.1	8.2(b)(v) – 18	8.10(b)(iv) – 10.1	8.22(d) – 4.1
6.13(a)	–	2	8.2(b)(vi) – Pos	8.10(d) – 10	8.22(e) – 4.1
6.13(b)	–	2	8.2(b)(vi) – 18	8.10(e) – Pos	
6.13(c)	–	NI	8.2(c) – Pos	8.10(e) – 9	

FRS10 Statement of Cash Flows	
Fully exempt under the <i>Framework for Differential Reporting</i>	

SSAP11 Expenditures Carried Forward to Future Accounting Periods	
Withdrawn in 1994.	

SSAP12 Accounting for Income Tax	
Fully exempt under the <i>Framework for Differential Reporting</i> however the entity must disclose the accounting policy adopted for income tax.	
AP	

**FRS13 Accounting for Research and Development Activities**

Qualifying entities are required to comply with FRS13 with the exception of section 5. Where this exemption is applied, all research and development costs must be recognised as an expense in the period in which they are incurred.

AP

**FRS14 Accounting for Construction Contracts**

Qualifying entities may recognise profit on all construction contracts on a completed method as described in paragraph 4.1 of FRS14 and need not comply with any other paragraphs of FRS14.

**FRS15 Provisions, Contingent Liabilities and Contingent Assets**

7.1	–	11.2	11.3	–	21	11.6(c)	–	21.1	11.12	–	21.1
11.1(a)	–	11	11.3(b)	–	21.1	11.8	–	21	11.12	–	21.2
11.1(d)	–	11.1	11.3(c)	–	21.1	11.10	–	21	11.13	–	21.3
11.2	–	11	11.6	–	21	11.10	–	21.2			
11.2(c)	–	11.2	11.6(b)	–	21.1						

**SSAP16 Accounting for Government Grants**

Withdrawn in 1995.

**SSAP17 Accounting for Investment Properties and Properties Intended For Sale**

Qualifying entities which recognise investment property revaluations or development margins must comply with all provisions of SSAP17. Other qualifying entities need not account for investment properties and properties intended for sale in terms of SSAP17.

AP

Note: Development properties are not illustrated in this publication.

**SSAP18 Accounting for Leases and Hire Purchase Contracts**

5.11-13	–	NI	5.15(a)	–	13	5.16	–	2	5.18	–	NI
5.14	–	9.2	5.15(c)	–	9	5.17	–	14	5.20	–	13
5.14	–	14									

**FRS19 Accounting for Goods and Services Tax**

AP

**FRS20 Accounting for Shares Issued Under a Dividend Election Plan**

5.1	–	NI	5.1(b)	–	NI	5.4	–	7			
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**FRS21 Accounting for the Effects of Changes in Foreign Currency Exchange Rates**

7.1(a)	–	AP	7.1(c)	–	5	7.1(d)	–	5	7.1(e)	–	9.1
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**SSAP21 Accounting for the Effects of Changes in Foreign Currency Exchange Rates**

5.13(d)	–	NI									
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SSAP22 Related Party Disclosures											
5.1	–	22	5.1(b)	–	22	5.1(d)	–	22	5.2	–	22
5.1(a)	–	22	5.1(c)	–	22	5.1(e)	–	22	5.3	–	22

The Company has elected to comply fully with SSAP22. Entities qualifying for differential reporting exemptions must comply with paragraphs 5.1(a) and 5.1(b) but are exempt from all other paragraphs of SSAP22.

SSAP23 Financial Reporting for Segments	
Fully exempt under the <i>Framework for Differential Reporting</i> .	

FRS24 Interim Financial Statements	
Not illustrated in this publication.	

SSAP25 Accounting for Interests in Joint Ventures and Partnerships											
5.4	–	AP	5.6(b)	–	17.1	5.6(d)	–	17	5.7	–	17
5.6(a)	–	17	5.6(c)	–	14	5.6(e)	–	17.2	5.9	–	21
5.6(a)	–	17.1	5.6(c)	–	21						

FRS26 Accounting for Defeasance of Debt											
5.22(a)(i)	–	9	5.22(a)(iii)	–	1	5.22(b)	–	9.3	5.22(d)	–	9.4
5.22(a)(ii)	–	9	5.22(a)(iii)	–	9	5.22(c)	–	9			

FRS27 Right of Set-Off										
5.2	–	12	5.13(a)	–	12.1	5.13(c)	–	12.3		
5.13(a)	–	12	5.13(b)	–	12.2					

SSAP 28 Accounting for Fixed Assets	
Not illustrated in this publication as replaced by FRS3 for periods ending on or after 31 March 2002.	

FRS29 Prospective Financial Information	
Not illustrated in this publication.	

FRS30 Reporting Share Ownership Arrangements Including Employee Share Ownership Plans	
Not illustrated in this publication.	

FRS31 Disclosure of Information About Financial Instruments	
Fully exempt under the <i>Framework for Differential Reporting</i> .	

FRS32 Financial Reporting by Superannuation Schemes	
Not illustrated in this publication.	

**FRS33 Disclosure of Information by Financial Institutions**

Not illustrated in this publication. Although the Group holds an interest in a financial institution, the principal activity of the Group is not that of a financial institution. Therefore this standard does not apply.

**FRS34 Life Insurance Business**

Not illustrated in this publication

**FRS35 Financial Reporting of Insurance Activities**

Not illustrated in this publication

**FRS36 Accounting for Acquisitions Resulting in Combinations of Entities or Operations**

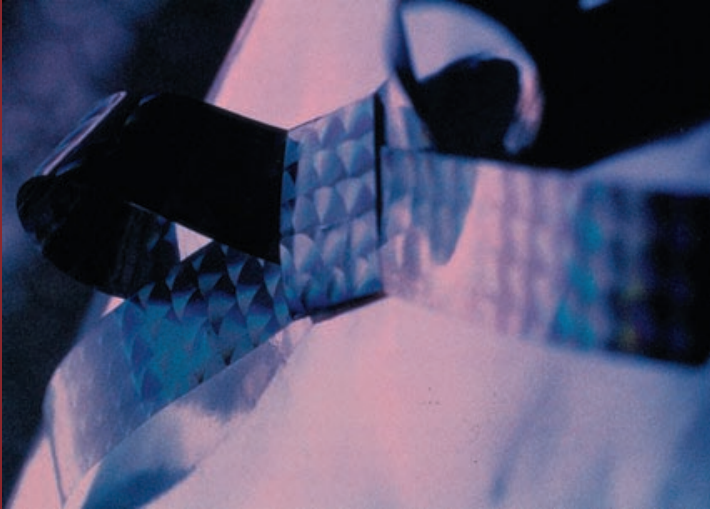
6.2(a)	–	15	6.2(g)	–	15	6.3(d)(ii)	–	19	6.3(d)(viii)	–	19.2
6.2(b)	–	15	6.3(a)	–	19	6.3(d)(iii)	–	19.2	6.3(d)(ix)	–	19
6.2(c)	–	15	6.3(b)	–	19.1	6.3(d)(iv)	–	19.2	6.4	–	19.3
6.2(d)	–	15	6.3(c)	–	2	6.3(d)(v)	–	19	6.5	–	15.6
6.2(e)	–	15	6.3(d)	–	19	6.3(d)(vi)	–	19.2	6.6	–	23
6.2(f)	–	15	6.3(d)(i)	–	19	6.3(d)(vii)	–	19.2			

**FRS37 Consolidating Investments in Subsidiaries**

5.1	–	Perf	6.4	–	15.3	6.8(b)	–	15	6.9(c)	–	15
5.1	–	ME	6.4(a)	–	15	6.8(c)	–	15.4	6.9(d)	–	1
5.1	–	Pos	6.4(b)	–	15	6.8(d)	–	15.5	6.9(d)	–	2
5.1	–	15.1	6.4(c)	–	15	6.9(a)	–	15	6.9(d)	–	15
5.5	–	15.1	6.8(a)	–	15	6.9(b)	–	15	6.13	–	15.1
5.28	–	15.2									

**FRS38 Accounting for Investments in Associates**

5.1	–	16.1	6.2(a)	–	16	6.8	–	21	6.9(d)	–	16
5.3	–	16.1	6.2(b)	–	16	6.9(a)(i)	–	16	6.9(f)	–	16
5.5	–	16.1	6.2(c)	–	16	6.9(a)(ii)	–	16	6.11(a)	–	16.4
5.20	–	1	6.2(e)	–	16	6.9(a)(iv)	–	16	6.11(b)	–	16
5.30	–	16.2	6.7(a)	–	21	6.9(b)	–	16	6.11(c)	–	16.5
5.31	–	16.2	6.7(b)	–	14	6.9(c)	–	16	6.11(d)	–	16.6
6.2	–	16.3									



The Board of Directors have pleasure in presenting the annual report of Essential (Differential) Limited, incorporating the financial statements and auditors' report, for the year ended 31 March 2002.

CA S208(1)

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 Essential (Differential) Limited authorised these financial statements presented on pages 4 to 35 for issue on 15 May 2002.

CA S211(1), FRS5 6.1

For and on behalf of the Board.

WH Bellbird  
Chairperson

SL Delves  
Managing Director

15 May 2002



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## Auditors' Report

To the shareholders of Essential (Differential) Limited

We have audited the financial statements on pages 4 to 35. The financial statements provide information about the past financial performance of the Company and Group for the year ended 31 March 2002 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 7 to 11.

### Directors' Responsibilities

The Company's Directors are responsible for the preparation and presentation of the financial statements which give a true and fair view of the financial position of the Company and Group as at 31 March 2002 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 with or interests in the Company or any of its subsidiaries other than in our capacities as auditors, tax advisers and providers of other assurance 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 4 to 35:
  - (i) comply with generally accepted accounting practice in New Zealand; and
  - (ii) give a true and fair view of the financial position of the Company and Group as at 31 March 2002 and their financial performance for the year ended on that date.

Our audit was completed on 15 May 2002 and our unqualified opinion is expressed as at that date.



Chartered Accountants

Auckland

**Essential (Differential) Limited & Subsidiaries**  
**Statements of Financial Performance**

For the year ended 31 March 2002

FRS2 5.2(a), 5.17  
 FRA S8(1)(b)(i)  
 Requirement to consolidate:  
 FRA S9(1)(b)  
 FRS37 5.1

	Notes	Group		Parent		
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	
Operating revenue	1	49,878	52,455	9,500	10,325	FRS9 6.6
Operating expenses	2	(43,879)	(44,217)	(5,508)	(6,264)	
<b>Operating surplus before income tax</b>		<b>5,999</b>	<b>8,238</b>	<b>3,992</b>	<b>4,061</b>	FRS2 6.13(a)*
Income tax		(3,615)	(3,629)	(1,059)	(1,212)	FRS2 6.12*
<b>Operating surplus</b>		<b>2,384</b>	<b>4,609</b>	<b>2,933</b>	<b>2,849</b>	FRS2 6.7, 6.13(b)*
Extraordinary item	3	(134)	-	-	-	FRS2 6.10, FRS7 5.6*
<b>Net surplus for the year</b>		<b>2,250</b>	<b>4,609</b>	<b>2,933</b>	<b>2,849</b>	FRS2 6.3*
Net surplus attributable to minority interest	8	(355)	(235)	-	-	FRS2 6.3*
<b>Net surplus attributable to parent shareholders</b>		<b>\$1,895</b>	<b>\$ 4,374</b>	<b>\$2,933</b>	<b>\$2,849</b>	

**Perf.1** Comparative figures should be provided for all items in the financial statements. The comparative figures should be stated so they correspond to the current year disclosures. Where comparative figures have been restated so that the information corresponds to that presented in the current year, the nature of, and the reason for the restatement should be disclosed.

FRS2 5.15  
 FRS9 5.5

**Perf.2** Items must not be offset against other items, unless a right of set-off exists under FRS27 *Right of Set-Off*.

FRS9 5.2

**Perf.3** If the current reporting period and the preceding reporting period are of unequal lengths, this fact must be clearly stated.

FRS9 5.3

**Essential (Differential) Limited & Subsidiaries**  
**Statements of Movements in Equity**

For the year ended 31 March 2002

FRS2 5.2(b), 5.17  
 Requirement to consolidate:  
 FRS37 5.1

	Notes	Group		Parent		
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	
<b>Net surplus for the year, comprising</b>						
Parent shareholders' interest	6	1,895	4,374	2,933	2,849	
Minority interest	8	355	235	-	-	FRS2 7.3(a)(i)*
		<b>2,250</b>	<b>4,609</b>	<b>2,933</b>	<b>2,849</b>	FRS2 7.3(a)(i)*
<b>Other recognised revenues and expenses</b>						
Increase in asset revaluation reserve	5	-	47	-	-	FRS2 7.3(a)(ii)*
Foreign currency translation reserve movement	5	(26)	26	-	-	FRS2 7.3(a)(iii)*
Total minority interest in changes in revaluation and foreign currency translation reserves		-	-	-	-	FRS2 7.3(a)(iv)*
Amalgamation gain	15	-	-	80	-	
<b>Total recognised revenues and expenses</b>		<b>2,224</b>	<b>4,682</b>	<b>3,013</b>	<b>2,849</b>	FRS2 7.3(a)*
Contributions from owners	4	1,547	1,155	1,547	1,155	FRS2 7.3(c)*
Distributions to owners	7	(1,037)	(2,608)	(1,037)	(2,608)	FRS2 7.3(b)*
Minority interest in contributions from/(distributions to) owners	8	27	(210)	-	-	FRS2 7.3(d)*
<b>Movements in equity for the year</b>		<b>2,761</b>	<b>3,019</b>	<b>3,523</b>	<b>1,396</b>	FRS2 7.2
<b>Equity at beginning of the year, comprising</b>						
Parent shareholders' interest		23,694	20,700	21,712	20,316	
Minority interest		391	366	-	-	
		<b>24,085</b>	<b>21,066</b>	<b>21,712</b>	<b>20,316</b>	FRS2 7.2
<b>Equity at end of the year, comprising</b>						
Parent shareholders' interest		26,073	23,694	25,235	21,712	
Minority interest		773	391	-	-	
		<b>\$26,846</b>	<b>\$24,085</b>	<b>\$25,235</b>	<b>\$21,712</b>	FRS2 7.2

**ME.1** The correction of fundamental errors is made by adjusting the opening equity in the statement of movements in equity. The adjustment and the nature of the error must be disclosed.

FRS7 5.16  
 FRS2 7.4

**ME.2** Where an entity changes an accounting policy in order to comply with a financial reporting standard, and that standard requires a prior period adjustment be made, the adjustment would be reported in the statement of movements in equity as an adjustment to opening equity. The amount and nature of the prior period adjustment needs to be disclosed.

FRS2 5.2

# Essential (Differential) Limited & Subsidiaries

## Statements of Financial Position

As at 31 March 2002

FRS2 5.2(c), 5.17, 8.1

FRA 58(1)(a)

Requirement to consolidate:

FRA 59(1)(a)

FRS37 5.1

	Notes	Group		Parent		
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	
<b>Equity</b>						
Share capital	4	22,042	20,495	22,042	20,495	FRS2 8.5(a)(v)*
Reserves	5	166	192	-	-	
Retained earnings	6	3,865	3,007	3,193	1,217	
<b>Parent shareholders' equity</b>		<b>26,073</b>	<b>23,694</b>	<b>25,235</b>	<b>21,712</b>	
Minority interests	8	773	391	-	-	FRS2 8.5(a)(v)*
<b>Total equity</b>		<b>26,846</b>	<b>24,085</b>	<b>25,235</b>	<b>21,712</b>	FRS9 8.17, 8.19
<b>Liabilities</b>						
<b>Non-current liabilities</b>						
Payables and accruals		38	43	38	43	FRS2 8.5(a)(iv)
Borrowings	9	5,429	4,570	3,538	3,492	
<b>Total non-current liabilities</b>		<b>5,467</b>	<b>4,613</b>	<b>3,576</b>	<b>3,535</b>	
<b>Current liabilities</b>						
Bank overdraft	9	1,061	1,638	234	143	FRS2 8.5(a)(iii)
Payables and accruals	10	3,454	4,732	712	2,279	FRS9 8.10(e)
Provisions	11	47	-	-	-	
Borrowings	9	656	888	376	674	
<b>Total current liabilities</b>		<b>5,218</b>	<b>7,258</b>	<b>1,322</b>	<b>3,096</b>	
<b>Total liabilities</b>		<b>10,685</b>	<b>11,871</b>	<b>4,898</b>	<b>6,631</b>	
<b>Total equity and liabilities</b>		<b>\$37,531</b>	<b>\$35,956</b>	<b>\$30,133</b>	<b>\$28,343</b>	
<b>Assets</b>						
<b>Non-current assets</b>						
Investments in subsidiaries	15	-	-	4,750	6,100	FRS2 8.5(a)(ii)
Investments in associates	16	3,248	3,381	2,000	2,120	FRS9 8.2(b)(i)
Other investments	18	2,414	1,764	2,352	1,764	FRS9 8.2(b)(iii)
Accounts receivable	20	1,340	1,250	4,050	2,375	FRS9 8.2(b)(vi)
Property, plant and equipment	13	20,175	20,188	13,858	12,609	
Goodwill on consolidation	19	1,769	1,051	-	-	
<b>Total non-current assets</b>		<b>28,946</b>	<b>27,634</b>	<b>27,010</b>	<b>24,968</b>	
<b>Current assets</b>						
Cash and bank balances		2,828	4,054	-	-	FRS2 8.5(a)(i)
Other investments	18	432	486	432	486	FRS9 8.2(c)
Accounts receivable	20	2,249	1,885	1,455	1,487	FRS9 8.2(b)(vi)
Construction contracts		189	49	-	-	
Property, plant and equipment held for sale		100	-	-	-	
Inventories		2,787	1,848	1,236	1,402	FRS4 5.29(b)(i)
<b>Total current assets</b>		<b>8,585</b>	<b>8,322</b>	<b>3,123</b>	<b>3,375</b>	
<b>Total assets</b>		<b>\$37,531</b>	<b>\$35,956</b>	<b>\$30,133</b>	<b>\$28,343</b>	

# Essential (Differential) Limited & Subsidiaries

## Statement of Accounting Policies

For the year ended 31 March 2002

FRS1 5.1, FRS2 5.2(f)

### 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, its subsidiaries and associates.

FRS1 5.5(a)

### Statutory base

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

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

FRS1 5.5(a)

### Measurement base

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain assets as identified in specific accounting policies below.

FRS1 5.5(b)

### Accounting policies

The financial statements are prepared in accordance with New Zealand generally accepted accounting practice.

The Parent and Group are qualifying entities within the *Framework for Differential Reporting*. The Parent and Group qualify on the basis that they are not publicly accountable and Essential (Differential) Limited is a wholly owned subsidiary of BigFish Holdings Limited. The Parent and Group have taken advantage of all differential reporting concessions available to them except for SSAP22 *Related Party Disclosures*, and FRS19 *Accounting for Goods and Services Tax*, with which they have complied fully. In addition, the Parent and Group have elected to capitalise financing costs that are directly attributable to the acquisition or construction of property, plant and equipment in accordance with FRS3 *Accounting for Property, Plant and Equipment*.

FRS1 5.5(c)

FRS1 5.19 (a), (b)

The accounting policies that materially affect the measurement of financial performance and financial position are set out below.

### Group financial statements

The Group financial statements consolidate the financial statements of subsidiaries, using the purchase method, and include the results of associates using the equity method.

Subsidiaries are entities that are controlled, either directly or indirectly, by the Parent.

Associates are entities in which the Parent, either directly or indirectly, has a significant but not controlling interest.

All material transactions between subsidiaries or between the Parent and subsidiaries are eliminated on consolidation.

The results of subsidiaries or associates acquired or disposed of during the year are included in the consolidated statement of financial performance from the date of acquisition or up to the date of disposal.

### Revenue

#### Goods and services

Revenue comprises the amounts received and receivable for goods and services supplied to customers in the ordinary course of business.

#### Construction contracts

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

FRS14, diff rep

#### Grants

Grants received are recognised in the statement of financial performance 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.

# Essential (Differential) Limited & Subsidiaries

## Statement of Accounting Policies

For the year ended 31 March 2002

### Investment income

Dividend income is recognised in the period the dividend is declared.

Interest and rental income are accounted for as earned.

### Income Tax

The income tax expense recognised for the year is determined using tax rules.

SSAP12, diff rep

### Goods and Services Tax (GST)

The statement of financial performance has been prepared so that all components are stated exclusive of GST. All items in the statement of financial position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

FRS19

### Foreign currencies

#### Transactions

Transactions denominated in a foreign currency are converted to New Zealand dollars at the exchange rates in effect at the date the transaction is settled.

FRS21 7.1(a), diff rep

Monetary assets and liabilities arising from trading transactions or overseas borrowings that remain unsettled at balance date are translated at closing rates.

#### Foreign operations

Revenues and expenses of independent foreign operations are translated to New Zealand dollars at the exchange rates in effect at the date of the transaction, or at rates approximating them. Assets and liabilities are converted to New Zealand dollars at the rates of exchange ruling at balance date.

FRS21 7.1(a)

Exchange differences arising from the translation of independent foreign operations are recognised in the foreign currency translation reserve, together with unrealised gains and losses on foreign currency monetary liabilities that are identified as hedges against these operations.

### Property, plant and equipment

#### Initial recording

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

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

In previous years, all financing costs were expensed as incurred.

### Depreciation

Depreciation of property, plant and equipment, other than freehold land, 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:

diff rep

FRS3 11.1(b), (c)

Buildings	4%
Plant and equipment	10 – 15.5%
Leasehold improvements	6.5 – 12.5%
Motor vehicles	30%
Office equipment	10 - 40%
Jetty	3%
Adventure tourism equipment	10 - 20%
Rental boats	7.5%
Catamaran	20%

# Essential (Differential) Limited & Subsidiaries

## Statement of Accounting Policies

For the year ended 31 March 2002

### Leased assets

#### As lessee

##### Finance leases

Assets under finance leases are recognised as non-current assets in the statement of financial position. Leased assets are recognised initially at the lower of the present value of the minimum lease payments or their fair value. A corresponding liability is established and each lease payment allocated between the liability and interest expense. Leased assets are depreciated on the same basis as equivalent property, plant and equipment.

##### Operating Leases

Leases that are not finance leases are classified as operating leases. Operating lease payments are recognised as an expense in the periods the amounts are payable.

#### As lessor

##### Operating leases

Equipment leased out under short-term operating leases is included as property, plant and equipment in the statement of financial position and depreciated over its expected useful life. Rental income is brought to account on a straight line basis over the lease term.

### Investments

Investments in subsidiaries and associates are stated at cost in the statement of financial position of the Parent.

Investment properties are recognised on the same basis as other land and buildings held within the Group. The investment properties are depreciated using the rates for similar buildings.

Other investments are stated at the lower of cost or net realisable value.

### Joint ventures

When a member of the Group participates in a joint venture arrangement, that member recognises its proportionate interest in the individual assets, liabilities and expenses of the joint venture. The liabilities recognised include its share of those for which it is jointly liable.

### Goodwill

The excess of cost over the fair value of the net assets of the subsidiaries and associate entities is recognised as goodwill and is amortised to the statement of financial performance on a straight line basis over the shorter of its estimated useful life or twenty years.

### Research and development

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

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first in, first out basis and in the case of manufactured goods, includes direct materials, labour and production overheads. Certain inventories are subject to restriction of title clauses, including Romalpa Clauses.

### Contract work in progress

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.

### Accounts receivable

Accounts receivable are carried at estimated realisable value after providing against debts where collection is doubtful.

SSAP18

SSAP17, diff rep

SSAP25 5.4

FRS13, diff rep

FRS4 5.29(a), (d)

FRS9 8.8

diff rep

## Essential (Differential) Limited & Subsidiaries

# Statement of Accounting Policies

For the year ended 31 March 2002

### Impairment

Annually, the directors assess the carrying value of each asset. Where the estimated recoverable amount of the asset is less than its carrying amount, the asset is written down. The impairment loss is recognised in the statement of financial performance.

### Warranties

A liability is recognised for the expected value of claims on product sales that are still under warranty at balance date.

### Employee entitlements

Employee entitlements to salaries and wages, annual leave, long service leave and other benefits are recognised when they accrue to employees.

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

### Early adoption of financial reporting standards

The Board of Directors has elected to adopt the requirements of Financial Reporting Standard No. 36 *Accounting for Acquisitions Resulting in Combinations of Entities or Operations*, Financial Reporting Standard No. 37 *Consolidating Investments in Subsidiaries* and Financial Reporting Standard No. 38 *Accounting for Investments in Associates* prior to the application dates specified in these standards. In addition, the Board of Directors has also applied various consequential amendments which were made to other financial reporting standards as a result of the approval and adoption of the three new financial reporting standards listed above.

The adoption of these standards has not resulted in any change in the amounts recognised in these financial statements, except for investments in associates. These changes, and their financial effect, are set out in the changes in accounting policies section of the statement of accounting policies.

### Changes in accounting policies

During the year the Group and the Parent changed the following accounting policies.

#### Capitalisation of financing costs

Under the new policy, financing costs that are directly attributable to the acquisition or construction of property, plant and equipment are capitalised. Formerly, all financing costs were expensed as incurred.

The Board of Directors has adopted this change in accounting policy after reviewing the requirements of Financial Reporting Standard No. 3 *Accounting for Property, Plant and Equipment*. While capitalisation of financing costs is not required under that standard until periods ending on or after 31 March 2004, the Board believes their inclusion more fairly reflects the true cost of the fixed assets.

This change in policy has resulted in \$16,388 of financing costs being capitalised during the year.

#### Provision for dividends

Under the new policy, dividends proposed after balance date are not recognised in the financial statements, but are disclosed in the notes to the financial statements (refer note 7). Previously, all proposed dividends were recognised as liabilities in the statement of financial position.

The Board of Directors has adopted this change to conform to the requirements of the revised Financial Reporting Standard No. 5 *Events After Balance Date*.

As a result of changing this accounting policy the final dividend (disclosed in note 7 as \$1,334,920) has not been recognised in the statement of financial position. Previously this would have been recognised as a liability.

#### Investments in associates

As stated in the early adoption of financial reporting standards section of the statement of accounting policies, the Board of Directors has elected to apply the requirements of Financial Reporting Standard No. 38 *Accounting for Investments in Associates* prior to the application date specified in the standard. As a consequence of adopting this financial reporting standard the following accounting policies have been changed:

FRS1 5.20

FRS1 5.5(d), 5.11

# Essential (Differential) Limited & Subsidiaries

## Statement of Accounting Policies

For the year ended 31 March 2002

### Goodwill on acquisition

Under the new policy, goodwill attributable to the acquisition of an associate is recognised as part of the carrying amount of the investment and is not recognised separately in the statement of financial position. Previously, such goodwill was separately recognised and classified as an intangible asset.

This change in accounting policy has resulted in the unamortised balance of goodwill on acquisition of associates amounting to \$188,000 (2001: \$244,000) being transferred from intangible assets to investments in associates in the statement of financial position. The comparative figures have been adjusted to comply with the new policy to assist readers of the financial statements.

FRS2 5.15

### Share of surpluses/(deficits) of associates

Under the new policy the Group's share of the net surpluses/(deficits) of associates is recognised as part of operating surplus before income tax. Previously, the Group recognised dividends received from associates in operating surplus before income tax and recognised the Group's share of retained surpluses of associates in net surplus.

This change in accounting policy has resulted in an increase in operating surplus before income tax of \$24,000 (2001: \$47,000). However, this change in accounting policy has had no effect on net surplus. Comparative figures have been adjusted to comply with the new policy to assist readers of the financial statements.

FRS2 5.15

There have been no other changes in accounting policies.

**AP.1 FRS1 requires that general purpose financial statements include a clear and concise statement of all accounting policies adopted by an entity in the preparation of its financial statements, where the accounting policies are material to those financial statements.**

FRS1 5.1

**AP.2 In the rare circumstances where the application of a FRS results in the inappropriate treatment of an item, so that the financial statements comply with GAAP but may not show a true and fair view of the entity's financial performance or financial position, both the Statement of Concepts and the Financial Reporting Act 1993 require the entity to comply with the FRS and disclose sufficient additional information to achieve fair presentation.**

FRS1 5.3

**AP.3 It is no longer necessary to disclose what used to be referred to as general accounting policies. It is now assumed that the financial statements have been prepared in accordance with the assumptions contained in the Statement of Concepts. Specifically, these are: going concern, period reporting and accruals basis.**

FRS1 5.9

**If the financial statements have not been prepared in accordance with these assumptions, and the effect is material, the entity must disclose this fact and include a statement of the reasons for not applying those assumptions.**

**AP.4 Where an entity changes from one accounting policy to another, the new accounting policy should be reported under the heading associated with the policy itself, and details of the policy change reported as a change in accounting policy.**

FRS1 5.14

**Any change in accounting policy that has a material impact on the position, performance or cash flows of an entity must be disclosed. Specifically, disclosure of the nature, reason for and effect of the change must be made.**

FRS1 5.11

**If a change in accounting policy occurring in the current period does not have a material effect on the current period, but may have a material effect on the financial statements in future periods, the nature of and reason for that change must be disclosed in the current period's financial statements and the effect of the change should be disclosed in the period it becomes material.**

FRS1 5.12

**If a change in accounting policy made in the preceding period did not have a material impact on that period but does have a material impact on the current period, the effect must be disclosed.**

FRS1 5.13

**AP.5 Where an entity elects either to apply a FRS before its application date or to apply early revocation of a standard the entity must disclose its decision.**

FRS1 5.20

**AP.6 Where an accounting policy is changed in order to comply with a statutory requirement or FRS that specifically requires an initial entry to be made to give retroactive effect to the change, the adjustment should be made directly against retained earnings or accumulated deficit at the beginning of the period in which the change is made. In all other cases, the adjustment must be reported within the current period's statement of financial performance.**

FRS7 5.2

**Essential (Differential) Limited & Subsidiaries**  
**Notes to the Financial Statements**

For the year ended 31 March 2002

## 1 Operating revenue

	Group		Parent		
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	
<b>Trading revenue</b>					
Retail goods and services	35,557	38,429	7,500	8,418	
Manufactured goods	1,875	-	-	-	
Operating leases	66	-	-	-	
Construction contracts	10,315	13,180	-	-	
Interest on finance company loans repayable	348	287	-	-	
<b>Investment revenue</b>					
Rental from investment properties	192	181	192	181	
Rental income from within the Group	-	-	83	83	
Surplus from the disposal of investments	17	-	9	-	
Gain on disposal of subsidiary	-	-	250	-	FRS37 6.9(d)
Share of surpluses of associates	195	185	-	-	FRS38 5.20
Dividends from associates	-	-	27	30	FRS9 6.9*
Dividends from subsidiaries	-	-	1,080	1,340	FRS9 6.9*
Other investment income	197	193	342	273	
<b>Other revenue</b>					
Gain on disposal of property, plant and equipment	799	-	-	-	
Grants	300	-	-	-	FRS9 6.7
Net gain on defeasance of debt	17	-	17	-	FRS26 5.22(a)(iii)
<b>Total operating revenue</b>	<b>\$49,878</b>	<b>\$52,455</b>	<b>\$9,500</b>	<b>\$10,325</b>	FRS9 6.6

1.1 Items included in revenue must be disclosed separately if they are of such incidence and size, or of such a nature that their disclosure is necessary to explain the performance of the entity.

FRS9 5.1, 5.2, 6.7  
FRS2 6.4

1.2 There is no requirement, under differential reporting, to disclose discontinued activities.

**Essential (Differential) Limited & Subsidiaries**  
**Notes to the Financial Statements**

For the year ended 31 March 2002

## 2 Operating expenses

FRS9 6.10

	Group		Parent		
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	
Operating expenses include:					
<b>Depreciation of property, plant and equipment</b>					
Buildings	185	185	172	175	FRS3 11.3(c)
Plant and equipment	114	142	-	-	
Leasehold improvements	18	59	-	-	
Motor vehicles	232	214	102	98	
Office equipment	92	97	17	19	
Jetty	57	-	-	-	
Adventure tourism equipment	163	174	-	-	
Rental boats	6	-	-	-	
Catamaran	561	80	-	-	
Total depreciation	1,428	951	291	292	
Net loss on sale of property, plant and equipment	-	86	-	47	
Impairment of plant	57	-	-	-	FRS9 6.13(a), FRS3 11.3(d)
Rental expense on operating leases	153	330	55	55	FRS9 6.13(i), SSAP18 5.16
Amortisation of goodwill	342	235	-	-	FRS9 6.13(b), FRS36 6.3(c)
<b>Costs of offering credit</b>					
Bad and doubtful debts	13	5	8	-	FRS9 6.13(d)
<b>Cost of borrowings</b>					
Interest on borrowings and financing charges related to finance leases	594	701	282	358	FRS9 6.13(h)
<b>Governance expenses</b>					
Directors' fees	310	261	230	209	FRS9 6.13(f)
<b>Fees paid to auditors</b>					
	284	217	132	120	FRS9 6.13(e)
<b>Unusual items</b>					
Staff retrenchment costs	-	354	-	-	FRS2 6.4 FRS9 6.11
Termination of operating lease	100	-	-	-	FRS9 6.11
Loss on sale of subsidiary	1,631	-	-	-	FRS2 6.4, FRS37 6.9(d)

2.1 **Items included in operating expenses should be disclosed separately if they are of such incidence, size, or nature that their disclosure is necessary to explain the performance of the reporting entity.**

FRS9 6.11

**Essential (Differential) Limited & Subsidiaries**  
**Notes to the Financial Statements**

For the year ended 31 March 2002

### 3 Extraordinary item

FRS7 5.7

	Group		Parent	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Loss arising from appropriation of inventory	(200)	-	-	-
Tax effect at 33%	66	-	-	-
<b>Net loss after tax on extraordinary item</b>	<b>(\$134)</b>	-	-	-

On 27 September 2001, a military coup took place on Partridge Island. Previously this country had been considered politically stable. During the unrest following the coup a shipment of inventory purchased by a member of the Group and en-route to New Zealand, was destroyed. The inventory was fully insured but the insurance company has subsequently been placed into liquidation. It is unlikely that the Group will receive compensation.

### 4 Share capital

	Group		Parent	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>Issued and paid up capital</b>				
<b>Ordinary shares</b>				
Balance at beginning of year	18,495	17,340	18,495	17,340
Shares issued during the year	1,547	1,155	1,547	1,155
Balance at end of year	20,042	18,495	20,042	18,495
<b>Preference shares</b>				
	2,000	2,000	2,000	2,000
	<b>\$22,042</b>	\$20,495	<b>\$22,042</b>	\$20,495

FRS9 8.19

#### Share issue details and rights

FRS9 8.22(a)

##### Ordinary shares

As at 31 March 2002 there were 11,124,334 shares issued and fully paid (2001: 10,417,223). All ordinary shares rank equally with one vote attached to each fully paid ordinary share.

FRS9 8.22(a)(i), (ii)

##### Share issue

On 25 July 2002, 707,111 ordinary shares were issued for cash at \$2.19 per share. On 10 August 2001, 532,258 ordinary shares were issued for cash at \$2.17 per share.

##### Preference shares

FRS9 8.22(a)

There were 1,000,000 shares on issue at balance date (2001: 1,000,000). The dividends are set at 10% of issue price and rank above ordinary dividends, but do not accumulate. Preference shares are non-redeemable and carry voting rights on the same basis as ordinary shares.

**4.1 Where relevant, there must also be disclosure of: any capital not capable of being called upon except in the event of, and for the purpose of, winding up the company; share warrants (options), including the terms of exercise of the warrants; calls in arrears; and cumulative preferred dividends in arrears.**

FRS9 8.22(b), (c), (d), (e)

**Essential (Differential) Limited & Subsidiaries**  
**Notes to the Financial Statements**

For the year ended 31 March 2002

**5 Reserves**

FRS9 8.19

	Group		Parent	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>Balances</b>				
Foreign currency translation reserve	-	26	-	-
Share of associates' asset revaluation reserve	<b>166</b>	166	-	-
	<b>\$166</b>	\$192	-	-

**Analysis**

**Foreign currency translation reserve**

FRS21 7.1(c), (d)

Balance at beginning of year	<b>26</b>	-	-	-
Net exchange difference on translation of overseas subsidiary	<b>(26)</b>	26	-	-
Balance at end of year	-	26	-	-

**Share of associates' asset revaluation reserve**

Balance at beginning of year	<b>166</b>	119	-	-
Net revaluations	-	47	-	-
Balance at end of year	<b>166</b>	166	-	-
Comprising:				
Land revaluation reserve	<b>166</b>	166	-	-

**6 Retained earnings**

FRS9 8.19

	Group		Parent	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>Analysis</b>				
Balance at beginning of year	<b>3,007</b>	1,241	<b>1,217</b>	976
Net surplus for the year	<b>1,895</b>	4,374	<b>2,933</b>	2,849
Amalgamation adjustment	-	-	<b>80</b>	-
Dividends paid and provided	<b>(1,037)</b>	(2,608)	<b>(1,037)</b>	(2,608)
<b>Balance at end of year</b>	<b>\$3,865</b>	\$3,007	<b>\$3,193</b>	\$1,217

**Essential (Differential) Limited & Subsidiaries**  
**Notes to the Financial Statements**

For the year ended 31 March 2002

## 7 Dividends

	Group		Parent	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
<b>Interim</b>				
On ordinary shares	837	801	837	801
<b>Declared final</b>				
On preference shares	200	200	200	200
On ordinary shares	-	1,607	-	1,607
<b>Total dividends</b>	<b>\$1,037</b>	<b>\$2,608</b>	<b>\$1,037</b>	<b>\$2,608</b>

FRS20 5.4

The dividends are fully imputed.

Subsequent to year end the Board of Directors resolved to pay a final dividend of 12 cents per ordinary share, a total of \$1,334,920.

FRS5 5.6

## 8 Minority interests

FRS2 8.5(a)(v)\*

	Group	
	2002 \$'000	2001 \$'000
Balance at beginning of year	391	366
Acquisition of PleasureCraft Limited	222	-
Share of surplus in subsidiaries	355	235
Dividends paid and provided to minority interests	(195)	(210)
<b>Balance at end of year</b>	<b>\$773</b>	<b>\$391</b>

**Essential (Differential) Limited & Subsidiaries**  
**Notes to the Financial Statements**

For the year ended 31 March 2002

**9 Borrowings**

	Group		Parent		
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	
<b>Borrowings due within 12 months</b>					
Secured bank loans and debentures - onshore	309	775	253	674	FRS9 8.10(e)
Secured bank loans and debentures - offshore	205	-	-	-	FRS9 8.10(e)
Capitalised lease obligations (secured)	142	113	123	-	SSAP18 5.15(c)
	<b>\$656</b>	<b>\$888</b>	<b>\$376</b>	<b>\$674</b>	
<b>Non-current borrowings</b>					
Secured bank loans and debentures - onshore	3,755	3,997	3,087	3,492	FRS9 8.10(e)
Secured bank loans and debentures - offshore	822	-	-	-	FRS9 8.10(e)
Loans from directors (unsecured)	350	-	-	-	FRS9 8.10(b)(iii)
Capitalised lease obligations (secured)	502	573	451	-	SSAP18 5.15(c), diff rep
	<b>\$5,429</b>	<b>\$4,570</b>	<b>\$3,538</b>	<b>\$3,492</b>	

**Security**

**Bank overdraft**

The bank overdraft is secured by first mortgage over certain freehold land and buildings of the Group.

**Bank loans - onshore**

The bank loans are secured by first mortgage over certain freehold land and buildings of the Group.

**Bank loans - offshore**

Offshore loans are secured by fixed charge over, and assignment of income from, the catamaran.

**Debentures**

Debentures are secured by floating charge over the Group's assets.

**Capitalised lease obligations**

Capitalised lease obligations are secured over the property under lease.

**Foreign currency balances**

It is the Board's policy to hedge all receivables, payables and borrowings denominated in foreign currencies by entering into foreign currency exchange contracts to manage the exposure to fluctuations in currency rates. FRS21 7.1(e)

**Debt defeasance**

During the year, the Parent entered into an in-substance defeasance agreement whereby it irrevocably transferred New Zealand Government Stock of \$423,625 to a trust to service and extinguish a debt of \$440,130. This debt is due on 17 July 2002. This gave rise to a gain on defeasance of \$16,505. At balance date all legal obligations surrounding the defeasance had been fulfilled. Should the trust fail to fulfil its obligations in respect of the debt, considered to be remote, the Parent will be required to assume the debt. FRS26 5.22(a)(i), (ii), (iii)  
FRS26 5.22(c)

**9.1 The financial report must disclose, in aggregate for each foreign currency, the amounts of monetary assets and monetary liabilities denominated in a foreign currency in the case of:** FRS21 7.1(e)

- (a) current assets and current liabilities, or balances reported in the broad order of their liquidity, to the extent that they are not hedged; and
- (b) non-current assets and non-current liabilities, to the extent that they are not hedged to a date at least twelve months after balance date.

**9.2 Disclosure must be made of significant financing restrictions, renewal or purchase options, contingent rentals and other contingencies arising from financing and operating leases.** SSAP18 5.14

**9.3 When a debt which was previously considered extinguished is required to be reinstated, the aggregate amount of the assets and liabilities reinstated, together with the net gain or loss on reinstatement, must be disclosed. The reason for the entity having to reinstate the liability must also be disclosed.** FRS26 5.22(b)

**9.4 For any debt defeased by legal defeasance, details of any secondary obligations must be disclosed, along with the maximum exposure.** FRS26 5.22(d)

**Essential (Differential) Limited & Subsidiaries**  
**Notes to the Financial Statements**

For the year ended 31 March 2002

## 10 Payables and accruals

	Group		Parent		
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	
<b>Current</b>					
Trade creditors	1,070	910	417	473	FRS9 8.10(a)
Unearned income	1,615	1,559	-	-	
Sundry accruals	389	289	199	100	
Dividends payable to shareholders of the Parent	-	1,607	-	1,607	FRS9 8.10(d)
Dividends payable to minority interests	173	140	-	-	
Income tax	60	63	21	24	
GST	147	164	75	75	
	<b>\$3,454</b>	<b>\$4,732</b>	<b>\$712</b>	<b>\$2,279</b>	

**10.1** Amounts payable must distinguish between inter-entity, associate, director and related party payables.

FRS9 8.10(b)(i), (ii), (iv)

## 11 Provisions

	Group		Parent		
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	
Warranty provision	47	-	-	-	FRS15 11.1(a)
Restructuring provision	-	-	-	-	FRS15 11.1(a)
	<b>\$47</b>	<b>-</b>	<b>-</b>	<b>-</b>	

### Warranty

During 2002 the Company began selling certain products with two year warranties. The terms of the warranty provide that the Company will repair or replace items that fail to perform satisfactorily. A provision of \$47,000 has been recognised at the year end based on the average levels of repairs and returns experienced by the industry with respect to similar products. It is expected that \$30,000 will be utilised during 2003 and \$17,000 during 2004. However, the actual amount and timing of warranty claims is uncertain due to the limited actual historical data available to the Company.

FRS15 11.2

### Restructuring

Incident to the Group's acquisition plan for 80% of the shares in PleasureCraft Limited, the administration function of PleasureCraft Limited was closed. This resulted in staff redundancies and the payment of penalties on the early termination of a lease of vacated property. As discussed in note 15, a provision for restructuring costs amounting to \$150,000 was recognised on acquisition of the shares in PleasureCraft Limited. All restructuring expenses were paid in full during 2002.

FRS15 11.2

**11.1** For each class of provision the unused amounts reversed during the period must be disclosed.

FRS15 11.1(d)

**11.2** Where it is probable that some or all of the expenditure required to settle a provision will be reimbursed by another party, the reimbursement must be treated as a separate asset and not offset against the provision. Disclosure is required of the amount of any expected reimbursement and the amount of the asset recognised.

FRS15 7.1, 11.2(c)

**Essential (Differential) Limited & Subsidiaries**  
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For the year ended 31 March 2002

## 12 Set-off of assets and liabilities

FRS27 5.2

The Group has a term deposit of \$1,500,000 with a bank, the maturity of which is linked strictly to an agreement to repay specific borrowings by the Group from that bank. The interest rate receivable on the deposit is higher than that payable on the borrowings. The deposit and related borrowings have been offset in the statement of financial position. Related revenue and expense flows have been offset within the statement of financial performance with the excess of interest revenue and interest expense being included in total interest revenue.

FRS27 5.13(a)

**12.1** In general, where the set-off criteria are met, there is no requirement to disclose the assets and liabilities or revenues and expenses which have been set-off. Details are required to be disclosed only if risk factors, for example, different currencies or interest rates, attach to the assets and liabilities which have been set-off.

FRS27 5.13(a)

**12.2** Details should be disclosed of any other assets and liabilities which meet the criteria for right of set-off but have not been set-off in the financial statements.

FRS27 5.13(b)

**12.3** Details are required of assets and liabilities which are subject to a right of set-off in the future even though a right of set-off does not currently exist and the assets and liabilities continue to be recorded in the financial statements.

FRS27 5.13(c)

## 13 Property, plant and equipment

	2002			2001			
	Cost \$'000	Acc depn \$'000	Book value \$'000	Cost \$'000	Acc depn \$'000	Book value \$'000	
<b>Group</b>							
Freehold land	4,792	-	4,792	5,140	-	5,140	FRS9 8.2(d), FRS3 11.3(a)
Buildings	9,307	(579)	8,728	9,835	(444)	9,391	FRS9 8.2(e), FRS3 11.3(a)
<b>Plant and equipment</b>							
Owned	-	-	-	850	(255)	595	FRS3 11.1(a)
Capitalised finance lease assets	1,207	(671)	536	1,053	(516)	537	FRS3 11.1(a), SSAP18 5.15(a)
Total plant and equipment	1,207	(671)	536	1,903	(771)	1,132	FRS3 11.3(a)
Leasehold improvements	78	(27)	51	1,556	(756)	800	FRS3 11.1(a), 11.3(a)
Motor vehicles	979	(230)	749	1,115	(246)	869	FRS3 11.1(a), 11.3(a)
Office equipment	392	(202)	190	549	(232)	317	FRS3 11.1(a), 11.3(a)
Jetty	907	(57)	850	-	-	-	FRS3 11.1(a), 11.3(a)
Adventure tourism equipment	2,528	(1,094)	1,434	2,591	(1,060)	1,531	FRS3 11.1(a), 11.3(a)
Rental boats	134	(56)	78	-	-	-	FRS3 11.1(a), 11.3(a)
Catamaran	3,321	(554)	2,767	2,629	(2,118)	511	FRS3 11.1(a), 11.3(a)
Capital work in progress (Jetty)	-	-	-	497	-	497	FRS3 11.1(a), 11.3(a), (b)(ii)
	<b>\$23,645</b>	<b>(\$3,470)</b>	<b>\$20,175</b>	<b>\$25,815</b>	<b>(\$5,627)</b>	<b>\$20,188</b>	FRS3 11.3(a)

**Essential (Differential) Limited & Subsidiaries**  
**Notes to the Financial Statements**

For the year ended 31 March 2002

	2002			2001			
	Cost	Acc depn	Book value	Cost	Acc depn	Book value	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>Parent</b>							
<b>Freehold land</b>	4,450	-	4,450	3,600	-	3,600	FRS9 8.2(d), FRS3 11.3(a)
<b>Buildings</b>	8,925	(525)	8,400	8,925	(353)	8,572	FRS9 8.2(e), FRS3 11.3(a)
<b>Plant and equipment</b>							
Capitalised finance lease assets	1,053	(599)	454	-	-	-	FRS3 11.1(a), 11.3(a) SSAP18 5.15(a)
<b>Motor vehicles</b>	566	(118)	448	516	(123)	393	FRS3 11.1(a), 11.3(a)
<b>Office equipment</b>	233	(127)	106	78	(34)	44	FRS3 11.1(a), 11.3(a)
	<b>\$15,227</b>	<b>(\$1,369)</b>	<b>\$13,858</b>	<b>\$13,119</b>	<b>(\$510)</b>	<b>\$12,609</b>	FRS3 11.3(a)

**Restriction on title**

Land (\$316,000) upon which the jetty has been constructed was acquired by CleanBreak Adventures (New Zealand) Limited from the Government in 1995. The land is now subject to a claim to the Waitangi Tribunal under the Treaty of Waitangi Act 1975. The Waitangi Tribunal has the power to determine, in appropriate circumstances, that the land be returned to the Government in order that it be returned to Maori claimants. In the event that ownership of the land is resumed by Government, compensation will be paid to CleanBreak Adventures (New Zealand) Limited.

FRS9 8.7, 8.8

**Operating leases**

Included in the Group financial statements are boats leased to customers under operating leases with a cost of \$133,750 (2001: nil), and accumulated depreciation of \$55,813 (2001: nil).

SSAP18 5.20

**13.1 In respect of items of property, plant and equipment accounted for under the historical cost system of accounting, the entity may adopt the rates of depreciation applicable for income tax purposes. If this exemption is taken, the entity is not required to comply with the requirements of paragraphs 8.16 and 8.19 of FRS3 Accounting for Property, Plant and Equipment.**

FRS3 2.2

**If an entity chooses to revalue a class of property, plant and equipment, it must account for depreciation in accordance with FRS3 i.e. the above differential reporting exemption is not available. In addition, the entity must disclose the information required under paragraphs 11.4 and 11.8:**

FRS3 11.4, 11.8

- the revaluation surplus
- the dates and amounts of valuations supporting the recognised valuations
- the name and qualifications of the valuer(s)
- the bases of the valuations
- any significant assumptions or limiting conditions upon which the valuations are based
- as a separate component of total recognised revenues and expenses, the sum of all revaluation increments and decrements recognised in the statement of movements in equity during the period
- the sum of all revaluation increments and decrements recognised in the statement of financial performance during the period.

**Essential (Differential) Limited & Subsidiaries**  
**Notes to the Financial Statements**

For the year ended 31 March 2002

- 13.2 For each class of property, plant and equipment, and in total for all classes, the following should be disclosed: FRS3 11.3(b), (e)
- the carrying amount of property, plant and equipment not in current use separately disclosing items that have been withdrawn from use and are not in regular use; and items under construction;
  - the total of impairment losses reversed during the period.
- 13.3 When an entity ceases to revalue a class of property, plant and equipment then, in addition to the disclosures regarding the change in accounting policy required under FRS1 *Disclosure of Accounting Policies*, the entity must also disclose: FRS3 11.6, 11.10
- the fact that the class of items is no longer accounted for under the modified historical cost system, and
  - the basis upon which the class of item is now accounted for, and
  - whether the measurement base has previously been changed and, if so, when.
- 13.4 When an entity revalues items of property, plant and equipment on a cyclical basis, some items of property, plant and equipment will be recorded in the financial statements based on their existing use as determined in previous periods and some will be recorded based on their highest and best use as determined under FRS3. The change in the basis of valuation is a change in accounting policy and the entity should continue to disclose the change in the valuation basis as a change in accounting policy up until, and including, the first accounting period in which all revalued classes of property, plant and equipment are valued based on the new accounting policy. FRS3 12.5  
FRS3 12.8, 12.10

## 14 Commitments

	Group		Parent	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000

### Operating leases

Non-cancellable operating lease commitments:

Within one year	148	138	55	55
Beyond one year	551	606	220	275
	699	744	275	330

The Group leases premises, plant and equipment. Operating leases held over properties give the Group the right to renew the lease subject to a redetermination of the lease rental by the lessor. There are no renewal options or options to purchase in respect of plant and equipment held under operating leases.

	Group		Parent	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000

### Capital expenditure

Amounts committed to capital expenditure:

Group and Parent excluding joint venture	1,025	458	175	20
Proportionate interest in joint venture commitments	250	125	-	-
Share of associates' commitments	75	-	-	-
	1,350	583	175	20

**Essential (Differential) Limited & Subsidiaries**  
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For the year ended 31 March 2002

## 15 Investments in subsidiaries

The Parent's investment in subsidiaries comprises shares at cost. Significant subsidiaries comprise:

FRS37 6.4(a), (c)

Name of entity	Principal activities	Interest held by Group	
		2002	2001
Specialty Boats Limited	Construction of boats	80%	80%
PleasureCraft Limited	Retail of boats	80%	-
CleanBreak Adventures (New Zealand) Limited	Tourism	100%	100%
CleanBreak Adventures (Australia) Limited	Tourism	100%	100%
BreakAway Restaurants Limited	Hospitality	-	100%
Marine Money Limited	Financial services	100%	100%
Administration Limited	Administrative services	-	100%

All subsidiary entities have a balance date of 31 March.

FRS37 6.4(b)

CleanBreak Adventures (Australia) Limited is incorporated in Australia. All other subsidiary entities are incorporated in New Zealand.

FRS37 6.4(a)

### Acquisition of subsidiary

On 1 April 2001 the Group acquired 80% of the shares of PleasureCraft Limited for a cash consideration of \$1,950,000. From 1 April 2001 the operating results of PleasureCraft Limited, consisting of an operating surplus after taxation of \$202,548, have been included in the Group statement of financial performance. The Group did not acquire any subsidiaries in 2001.

FRS36 6.2(a), (b), (c)

FRS37 6.8(a), 6.9(c)

### Summary of the effect of acquisition of subsidiary

	Group	
	2002 \$'000	2001 \$'000
Net assets acquired:		
Bank balances	(483)	-
Net current assets	1,317	-
Restructuring provision	(150)	-
Property, plant and equipment	498	-
Borrowings	(70)	-
	<hr/>	<hr/>
	1,112	-
Minority interest	(222)	-
	<hr/>	<hr/>
	890	-
Goodwill on acquisition	1,060	-
Consideration paid	<hr/>	<hr/>
	1,950	-

FRS36 6.2(e), FRS37 6.9(a)

FRS36 6.2(f)

FRS36 6.2(d)

Incident to the Group's acquisition plan for 80% of the shares in PleasureCraft Limited, the administration function of PleasureCraft Limited was closed. This resulted in staff redundancies and the payment of penalties on the early termination of a lease of vacated property. A provision for restructuring costs amounting to \$150,000 was recognised on acquisition of the shares in PleasureCraft Limited. As disclosed in note 11, all restructuring expenses were paid in full during 2002.

FRS36 6.2(f), (g)

**Essential (Differential) Limited & Subsidiaries**  
**Notes to the Financial Statements**

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**Disposal of subsidiary**

On 31 December 2001 the Group disposed of its entire interest in BreakAway Restaurants Limited. Prior to its disposal, BreakAway Restaurants Limited contributed an after tax surplus to the Group of \$345,000. The disposal of the subsidiary gave rise to a loss of \$1,631,296 to the Group and a gain to the Parent of \$250,000. The Group did not dispose of any subsidiaries in 2001.

FRS37 6.8(b)

FRS37 6.9(c)

**Summary of the effect of disposal of subsidiary**

	<b>Group</b>	
	<b>2002</b>	2001
	<b>\$'000</b>	\$'000
Assets and liabilities disposed of:		
Bank balances	(36)	-
Net current assets	27	-
Property, plant and equipment	3,534	-
Borrowings	(394)	-
	<u>3,131</u>	-
Loss on disposal	(1,631)	-
Total cash received	<u><b>1,500</b></u>	-

FRS37 6.9(b)

FRS37 6.9(d)

**Amalgamation**

On 31 December 2001 Administration Limited was amalgamated into the Parent. 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**

	<b>Parent</b>	
	<b>2002</b>	2001
	<b>\$'000</b>	\$'000
Assets and liabilities amalgamated:		
Bank balances	265	-
Net current assets	(155)	-
Property, plant and equipment	519	-
Borrowings	(449)	-
	<u>180</u>	-
Carrying amount of shares in amalgamated subsidiary	(100)	-
Balance recognised in the statement of movements in equity	<u><b>80</b></u>	-

The assets and liabilities have been brought into the Parent's financial statements at their carrying amounts which approximate their fair value. The operating results of Administration Limited after the amalgamation have been included in the statement of financial performance of the Parent since 31 December 2001. The balance on amalgamation has been recognised in the statement of movements in equity of the Parent. The comparatives for the Parent have not been adjusted for the amalgamation.

Essential (Differential) Limited & Subsidiaries  
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15.1	<p>An entity that meets the definition of a subsidiary in FRS37 <i>Consolidating Investments in Subsidiaries</i> must be consolidated in the group financial statements, unless</p> <ul style="list-style-type: none"><li>- the parent is exempt from preparing group financial statements under statute, or</li><li>- the parent, at the date control is obtained, is obligated to relinquish control within one year, or</li><li>- the parent has, by the earlier of three months after the date control is obtained or the date when the financial statements are approved, entered into a binding arrangement to relinquish control of the subsidiary within one year from the date control is obtained.</li></ul> <p>There are detailed disclosure requirements for temporarily controlled subsidiaries including the name and description of the subsidiary, the reason for holding a controlling interest, the carrying value of the investment in the subsidiary and the amount attributable to the subsidiary included in the group surplus/deficit for the period.</p>	FRS37 5.1, 5.5
15.2	<p>Wherever practicable the reporting periods for subsidiaries should be the same as for the parent. Where the reporting periods are different:</p> <ul style="list-style-type: none"><li>- the financial information used for the subsidiary must cover a reporting period closest to that of the parent;</li><li>- the difference between reporting dates must be no more than three months except in rare circumstances where the different annual balance dates arise under statute and there are no reliable interim financial statements for the subsidiary;</li><li>- the effect of significant transactions and events occurring in the period between the subsidiary's and the parent's reporting periods should be adjusted if those transactions or events would otherwise have been included in the consolidated financial statements had the reporting dates been consistent.</li></ul>	FRS37 5.28
15.3	<p>Detailed disclosures are required for each significant subsidiary. A subsidiary may be significant to the entity reporting in terms of either its size or the nature of its activities. In addition to the detailed disclosures demonstrated in note 15, an entity must disclose for each significant subsidiary:</p> <ul style="list-style-type: none"><li>- the subsidiary's reporting date if different from that of the parent;</li><li>- the parent's ownership interest as at the subsidiary's reporting date and the parent's reporting date (if different);</li><li>- the proportion of voting power held in the subsidiary if different from the ownership interest held;</li><li>- the amount of any interest in the net assets of the parent held by the subsidiary;</li><li>- the fact that the subsidiary's financial statements reporting date changed from that used for consolidation purposes in previous years, and the effect of the change on the consolidated financial statements, if appropriate.</li></ul>	FRS37 6.4
15.4	<p>Where, at the reporting date, the parent's attributable ownership interest in a subsidiary is 50% or less, the subsidiary's legal name together with an explanation of how control exists must be disclosed.</p>	FRS37 6.8(c)
15.5	<p>Where, at the reporting date, the parent's attributable ownership interest in an entity is more than 50%, but the entity is not a subsidiary, the entity's legal name together with an explanation of why control does not exist must be disclosed.</p>	FRS37 6.8(d)
15.6	<p>Where the fair values of identifiable assets and liabilities or the purchase consideration for the acquisition of a subsidiary can be determined only on a provisional basis at the end of the accounting period, this fact together with reasons must be disclosed. Subsequent adjustments to the provisional fair values must be disclosed and explained in the financial statements of the accounting periods concerned.</p>	FRS36 6.5

**Essential (Differential) Limited & Subsidiaries**  
**Notes to the Financial Statements**

For the year ended 31 March 2002

## 16 Investments in associates

### Details of associates

Significant associates and partnerships comprise:

FRS38 6.2(a), (c) (e)

Name of entity	Principal activities	Interest held by Group		Group Carrying Amount	
		2002	2001	2002	2001
				\$'000	\$'000
Great Catch Limited	Fishing tours in Vanuatu	35%	35%	2,006	2,010
Express Coffee Limited	Café	-	30%	-	114
Fibreglass Applications Limited	Fibreglass painters	30%	30%	138	140
Helicopter Tours Partnership	Tourism	40%	40%	674	677
Geothermal Activities Limited	Tourism	30%	30%	430	440

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

FRS38 6.2(a)

All entities have a balance date of 31 March, with the exception of Geothermal Activities Limited which has a 31 December balance date. The directors are not aware of any significant events or transactions since Geothermal Activities Limited's balance date.

FRS38 6.2(b), 6.9(d)

The interest in Express Coffee Limited was sold on 30 September 2001.

FRS38 6.11(b)

### Results of associates

	Group	
	2002	2001
	\$'000	\$'000
Share of surpluses (less deficits) before income tax	302	294
Income tax	(61)	(61)
Share of operating surpluses (less deficits)	241	233
Amortisation of goodwill	(46)	(48)
Share of surpluses (less deficits)	195	185
Other recognised surpluses and deficits	-	-
Increase in asset valuation reserve	-	47
Total recognised revenues and expenses	195	232

FRS38 6.9(a)(i)

FRS38 6.9(a)(ii)

FRS38 6.9(a)(iv)

**Essential (Differential) Limited & Subsidiaries**  
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**Interests in associates**

	Group		Parent		
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	
<b>Shares at cost</b>	-	-	<b>2,000</b>	2,120	
<b>Carrying value</b>					<i>FRS38 6.9(b)</i>
At beginning of year (including goodwill of \$244,000 (2001: \$292,000))	<b>3,381</b>	3,334	-	-	<i>FRS38 6.9(c)</i>
Associate disposed of during the year	<b>(111)</b>	-	-	-	
Share of total recognised revenues and expenses	<b>195</b>	232	-	-	
Dividends	<b>(217)</b>	(185)	-	-	
Balance at end of year (including goodwill of \$188,000 (2001: \$244,000))	<b>3,248</b>	3,381	-	-	<i>FRS38 6.9(c)</i>
	<b>\$3,248</b>	\$3,381	<b>\$2,000</b>	\$2,120	<i>FRS9 8.2(b)(iii)</i>
Included within the above carrying value is:					<i>FRS38 6.9(f)</i>
Goodwill (gross)	<b>430</b>	476	-	-	
Accumulated amortisation	<b>(242)</b>	(232)	-	-	
Unamortised balance of goodwill	<b>188</b>	244	-	-	

- 16.1** An entity that meets the definition of an associate in FRS38 *Accounting for Investments in Associates* must be equity accounted in the group financial statements (or, if the investor does not have any subsidiaries and therefore does not prepare group financial statements, in either the investor's own financial statements or an additional set of financial statements to include the investor and the associate), unless:
- the investor is exempt from preparing group financial statements under statute, or
  - the investor, at the date significant influence is obtained, is obligated to relinquish significant influence within one year, or
  - the investor has, by the earlier of three months after the date significant influence is obtained or the date when the financial statements are approved, entered into a binding arrangement to relinquish significant influence of the entity within one year from the date significant influence is obtained, or
  - another financial reporting standard permits or requires the use of market value accounting to account for the investment.
- FRS38 5.1, 5.3, 5.5*
- 16.2** Wherever practicable the reporting periods for associates should be the same as for the investor. Where the reporting periods are different:
- the financial information used for the associate must cover a reporting period closest to that of the investor;
  - the difference between reporting dates must be no more than three months except in rare circumstances where the different annual balance dates arise under statute and there are no reliable interim financial statements for the associate;
  - the effect of significant transactions and events occurring in the period between the associate's and the investor's reporting periods should be adjusted if those transactions or events would otherwise have been reflected in the carrying amount of the investment in the associate had the reporting dates been consistent.
- FRS38 5.30, 5.31*

**Essential (Differential) Limited & Subsidiaries**  
**Notes to the Financial Statements**

For the year ended 31 March 2002

- |      |   |               |
|------|---|---------------|
| 16.3 | Detailed disclosures are required for each significant associate. An associate may be significant to the entity reporting in terms of either its size or the nature of its activities. In addition to the detailed disclosures demonstrated in note 16, an entity must disclose for each significant associate: <ul style="list-style-type: none"><li>- the associate's reporting date if different from that of the investor;</li><li>- the investor's ownership interest as at the associate's reporting date and the investor's reporting date (if different);</li><li>- the proportion of voting power held in the investor if different from the ownership interest held;</li><li>- the amount of any interest in the net assets of the investor held by the associate; and</li><li>- the fact that the associate's financial statements reporting date changed from that used in applying the equity method in previous years, and the effect of the change on the investor's financial statements, if appropriate.</li></ul> | FRS38 6.2     |
| 16.4 | The legal name of any entity that became an associate during the year together with the corresponding date must be disclosed.   | FRS38 6.11(a) |
| 16.5 | Where, at the reporting date, the investor's attributable ownership interest in an associate is less than 20%, the associate's legal name together with an explanation of how significant influence exists must be disclosed.   | FRS38 6.11(c) |
| 16.6 | Where, at the reporting date, the investor's attributable ownership interest in an entity is more than 20%, but the entity is not an associate, the entity's legal name together with an explanation of why significant influence does not exist must be disclosed.   | FRS38 6.11(d) |

**Essential (Differential) Limited & Subsidiaries**  
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For the year ended 31 March 2002

## 17 Joint venture

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".

SSAP25 5.6(a)

	Group		Parent	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000

### Financial performance

The Group's operating revenues and share of expenses for the year, proportionately consolidated, was:

SSAP25 5.7

SSAP25 5.6(d)

Revenue	213	238	-	-
Expenses	(149)	(167)	-	-
Net contribution to Group operating surplus	64	71	-	-

### Financial position

SSAP25 5.7

The Group's share of assets and liabilities, proportionately consolidated, was:

#### Current assets

Trade receivables	10	10	-	-
Prepayments	7	12	-	-
	17	22	-	-

#### Non-current assets

Adventure tourism equipment	195	91	-	-
Motor vehicles	6	2	-	-
Office equipment	1	1	-	-
	202	94	-	-
Share of total assets included in the Group	219	116	-	-

#### Current liabilities

Trade creditors	(8)	(3)	-	-
Sundry creditors and accruals	(2)	(3)	-	-
Share of total liabilities included in the Group	(10)	(6)	-	-

#### Net assets employed by the joint venture

	209	110	-	-
--	-----	-----	---	---

**17.1 If the balance date of the joint venture is different from the Parent's balance date, this should be disclosed, together with details of any significant unadjusted transactions or events subsequent to its balance date.**

SSAP25 5.6(a), (b)

**17.2 Where the financial statements of the joint venture are unaudited, a statement to that effect should be made.**

SSAP25 5.6(e)

**Essential (Differential) Limited & Subsidiaries**  
**Notes to the Financial Statements**

For the year ended 31 March 2002

## 18 Other investments

	Group		Parent		
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	
<b>Current</b>					
Term deposits	180	135	180	135	FRS9 8.2(b)(vi)
Interests in business undertakings:					FRS9 8.2(b)(v)
Unquoted	-	203	-	203	
Estimated diminution in value	-	(41)	-	(41)	
	-	162	-	162	
Government and local authority stocks and bonds	252	189	252	189	FRS9 8.2(b)(iv)
	<b>\$432</b>	<b>\$486</b>	<b>\$432</b>	<b>\$486</b>	
<b>Non-current</b>					
Term deposits	336	252	336	252	FRS9 8.2(b)(vi)
Shares held in companies listed on a stock exchange	1,574	1,134	1,512	1,134	FRS9 8.2(b)(v)
Government and local authority stocks and bonds	504	378	504	378	FRS9 8.2(b)(iv)
	<b>\$2,414</b>	<b>\$1,764</b>	<b>\$2,352</b>	<b>\$1,764</b>	
<b>Market values</b>					
					FRS9 8.3
Interests in business undertaking - quoted	1,653	1,191	1,588	1,191	
Government and local authority stocks and bonds					
Current	265	198	265	198	
Non-current	554	416	554	416	

The market values are based on quoted prices at balance date for exchange listed investments.

**Essential (Differential) Limited & Subsidiaries**  
**Notes to the Financial Statements**

For the year ended 31 March 2002

## 19 Goodwill on consolidation

FRS9 8.2(f), FRS36 6.3(d)

	Group		Parent		
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	
Goodwill (gross) at beginning of year	2,353	2,353	-	-	FRS36 6.3(d)(i)
Accumulated amortisation at beginning of year	(1,302)	(1,067)	-	-	FRS36 6.3(d)(i)
Unamortised balance at beginning of year	1,051	1,286	-	-	
Goodwill arising on acquisition of subsidiary	1,060	-	-	-	FRS36 6.3(d)(ii)
Current year amortisation	(342)	(235)	-	-	FRS36 6.3(d)(v)
<b>Unamortised balance at end of year</b>	<b>\$1,769</b>	<b>\$1,051</b>	<b>-</b>	<b>-</b>	FRS36 6.3(d)
Comprising:					
Goodwill (gross)	3,413	2,353	-	-	FRS36 6.3(d)(ix)
Accumulated amortisation	(1,644)	(1,302)	-	-	FRS36 6.3(d)(ix)
	<b>1,769</b>	<b>1,051</b>	<b>-</b>	<b>-</b>	FRS9 8.2(f)

An amortisation period of ten years has been adopted in respect of all goodwill arising on consolidation.

FRS36 6.3(a)

**19.1 If goodwill is not amortised on a straight line basis, the basis used and reason that basis is more appropriate than the straight line basis must be disclosed.**

FRS36 6.3(b)

**19.2 The reconciliation of the opening and closing carrying amounts of goodwill must also include the following, if applicable:**

- any adjustments to goodwill resulting from the subsequent identification or changes in values of identifiable assets and liabilities;
- any goodwill derecognised on the disposal of all or part of the business to which it relates during the period;
- any impairment losses recognised during the period;
- any impairment losses reversed during the period;
- any other changes in the carrying amount during the period.

FRS36 6.3(d)(iii)

FRS36 6.3(d)(iv)

FRS36 6.3(d)(vi)

FRS36 6.3(d)(vii)

FRS36 6.3(d)(viii)

**19.3 Where a discount on acquisition arises, the financial statements must disclose:**

FRS36 6.4

- the amount applied to reduce the fair values of recognised identifiable non-monetary assets acquired;
- any amount recognised as revenue during the period;
- any adjustments to amounts arising in previous periods resulting from the subsequent recognition of identifiable assets and liabilities during the period;
- any adjustments to amounts arising in previous periods resulting from subsequent changes either in the values assigned to the identifiable assets and liabilities, or in the cost of acquisition.

**Essential (Differential) Limited & Subsidiaries**  
**Notes to the Financial Statements**

For the year ended 31 March 2002

**20 Accounts receivable**

FRS9 8.2(a)

	Group		Parent		
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	
<b>Current</b>					
Trade receivables	943	758	180	164	FRS9 8.2(a)(i)
Trade receivable due from subsidiary company	-	-	7	7	FRS9 8.2(a)(iii)
Dividends receivable	-	-	780	810	
Construction contract receivables	107	93	-	-	
Prepayments	82	55	2	-	
Finance company loans receivable	895	718	-	-	
Loans to directors	222	261	111	131	FRS9 8.2(a)(ii), 8.6
Loans to subsidiary companies	-	-	375	375	FRS9 8.2(a)(iii)
	<b>\$2,249</b>	<b>\$1,885</b>	<b>\$1,455</b>	<b>\$1,487</b>	
<b>Non-current</b>					
Finance company loans receivable	1,340	1,250	-	-	
Loans to subsidiary companies	-	-	4,050	2,375	FRS9 8.2(a)(iii)
	<b>\$1,340</b>	<b>\$1,250</b>	<b>\$4,050</b>	<b>\$2,375</b>	

For details on the loans to related parties, refer to note 22.

**Essential (Differential) Limited & Subsidiaries**  
**Notes to the Financial Statements**

For the year ended 31 March 2002

## 21 Contingent gains and losses

Group		Parent	
2002	2001	2002	2001
\$'000	\$'000	\$'000	\$'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.

<b>100</b>	-	-	-
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FRS15 11.3

Guarantees to bankers and other financial institutions of associate entities' bank overdraft facilities from which it is anticipated that no material liabilities will arise.

<b>436</b>	312	<b>436</b>	312
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FRS38 6.8, FRS15 11.10

Total of associates' liabilities for which Essential (Differential) Limited is jointly and severally liable. The Company considers it unlikely that any liability will arise.

<b>50</b>	35	<b>50</b>	35
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FRS38 6.8

Total of associates' contingent losses

<b>68</b>	45	<b>48</b>	40
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FRS38 6.7(a)

Guarantees to bankers and other institutions of joint venture overdraft facilities (all secured) from which it is anticipated that no material liabilities will arise.

<b>10</b>	8	-	-
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SSAP25 5.6(c)  
FRS15 11.10

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.

<b>140</b>	140	<b>140</b>	140
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SSAP25 5.6(c)  
FRS15 11.10

Guarantees to bankers and other institutions of subsidiaries' overdraft facilities from which it is anticipated that no material liabilities will arise.

-	-	<b>992</b>	1,763
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FRS15 11.10

Rebates received under the conduit tax relief regime must be refunded to the Inland Revenue Department should ownership continuity requirements cease to be met.

<b>1</b>	-	<b>1</b>	-
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**Essential (Differential) Limited & Subsidiaries**  
**Notes to the Financial Statements**

For the year ended 31 March 2002

**Contingent gains**

FRS15 11.6

Group		Parent	
2002	2001	2002	2001
\$'000	\$'000	\$'000	\$'000

A claim for \$200,000 has been lodged against a construction company for failure to meet certain building specifications.

The claim has been based on an estimate prepared by an independent qualified valuer. The legal advisers to the Group consider it probable that the claim will be successful. However, the actual amount and timing of the receipt of cash flows will be determined by the Courts and are therefore uncertain.

FRS15 11.8

200	-	-	-
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**21.1** Any uncertainties that may affect the amount or timing of outflow/inflow of a contingent liability/asset, must be disclosed where practicable. Any possible reimbursement or repayment that could reduce the financial effect of a contingency should be disclosed where practicable. Where the above information and/or an estimate of the financial effects of a contingent liability/asset is not disclosed because it is not practicable to do so, this fact must be stated.

FRS15 11.3(b), (c), 11.6(b), (c), 11.12

**21.2** Where the possibility of an outflow or inflow relating to a contingent liability or asset is remote, disclosure is required, where practicable, if knowledge of the transaction or event is necessary to meet the objectives of general purpose financial reporting. Where the information is not disclosed because it is not practicable to do so, this fact must be stated.

FRS15 11.10, 11.12

**21.3** In extremely rare cases the disclosures required under FRS15 *Provisions, Contingent Liabilities and Contingent Assets*, may seriously prejudice the position of the reporting entity. In such cases the information need not be disclosed but the general nature of the dispute, together with the fact that, and reason why, the information has not been disclosed, must be stated.

FRS15 11.13

**Essential (Differential) Limited & Subsidiaries**  
**Notes to the Financial Statements**

For the year ended 31 March 2002

**22 Related party information**

SSAP22 5.1

**General**

Essential (Differential) Limited is a wholly owned subsidiary of BigFish Holdings Limited.

SSAP22 5.2

All members of the Group are considered to be related parties of Essential (Differential) Limited. This includes the subsidiaries identified in note 15, the associated entities identified in note 16 and the joint venture identified in note 17.

**Related party transactions and balances**

SSAP22 5.1(a), (b), (c), (d)

**Directors of Essential (Differential) Limited**

Each company within the Group maintains an interests register in which members of its Board record all parties and transactions in which they have, or may have a potential or actual self-interest. During the year the Group and Parent undertook transactions with directors of the Parent as detailed below.

The Group acquired raw materials from Spencer Limited, an entity controlled by SL Delves, managing director and chief executive officer. These acquisitions were made on normal commercial terms and amount to \$1,500,000 (2001: \$1,250,000). A balance of \$115,000 (2001: \$97,850) is outstanding at balance date and is included in trade creditors.

The Group has paid legal fees of \$67,500 (2001: \$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 year end.

The following directors borrowed money from the Group. All loans are secured by mortgage over the director's residences and are repayable on demand. Interest is charged at 5% per annum (2001: 6%).

FRS9 8.6

	Group		Parent	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
<b>JP Smythe</b>				
Balance at beginning of year	131	150	131	150
Amounts repaid during the year	(20)	(19)	(20)	(19)
Balance at end of year	111	131	111	131
<b>EP Franklin</b>				
Balance at beginning of year	130	150	-	-
Amounts repaid during the year	(19)	(20)	-	-
Balance at end of year	111	130	-	-
	222	261	111	131

**Essential (Differential) Limited & Subsidiaries**  
**Notes to the Financial Statements**

For the year ended 31 March 2002

**Other related parties**

Consulting fees of \$45,000 (2001: nil) were paid to RN Jackson, a director of PleasureCraft Limited, a subsidiary company, in respect of architectural services rendered. These services were undertaken on normal commercial terms. A balance of \$5,780 (2001: nil) is outstanding at year end.

During the year the Group borrowed \$350,000 from RN Jackson, a director of PleasureCraft Limited, a subsidiary company. The loan is interest only and repayable at the end of five years. Interest charged on the loan is 6%.

During the year the Parent increased the loan advanced to Specialty Boats Limited from \$325,000 to \$1,625,000. Interest received during the year was \$53,263 (2001: \$20,350).

A further loan of \$250,000 was made by the Parent to Marine Money Limited, increasing the loan outstanding at year end to \$1,350,000. Interest received during the year was \$140,000 (2001: \$118,125).

Interest of \$52,263 (2001: \$52,263) was received by the Parent from CleanBreak Adventures (New Zealand) Limited on their loan of \$1,075,000.

All loans to subsidiary companies attract interest of 9.25% (2001: 9.25%) and have been advanced at normal commercial terms. Loans are repayable on demand.

The Parent has received dividends from its subsidiaries and associated entities as disclosed in note 1.

The Group has received dividends from its associated entities as disclosed in note 16.

Administration Limited provided accounting and administrative services to members of the Group, free of charge, until amalgamated in December 2001. Subsequent to this time, these services have been provided by the Parent. These services continue to be provided free of charge.

SSAP22 5.3

The Parent received rental of \$82,500 (2001: \$82,500) from subsidiary companies for the rental of building space in buildings owned by the Parent. At year end \$6,875 (2001: \$6,875) was outstanding. Rent is charged at normal commercial rates.

No amounts owed by related parties have been written off or forgiven during the year.

SSAP22 5.1(e)

**22.1 Under differential reporting there is no requirement to disclose the value of any related party transactions or amounts outstanding at balance date.**

**23 Events occurring after balance date**

FRS5 6.5

As disclosed in note 7, subsequent to year end the Board of Directors declared a final dividend of 12 cents per share.

FRS5 5.6

On 1 May 2002, Essential (Differential) Limited acquired 100% of the shares in PleasureCraft (Nelson) Limited, a boat builder and retailer, for a cash consideration of approximately \$1,100,000. The consideration for the shares in PleasureCraft (Nelson) Limited will be finalised following receipt of the audited financial statements of that company for the period ended 30 April 2002. The boat building function of PleasureCraft (Nelson) Limited will be closed in June 2002 resulting in staff redundancies.

FRS36 6.6

The effect of the acquisition of the shares in PleasureCraft (Nelson) Limited is summarised below. The following figures have been determined on a provisional basis and will be finalised on receipt of the audited financial statements of PleasureCraft (Nelson) Limited for the period ended 30 April 2002.

	Group	
	2002	2001
	\$'000	\$'000
Net assets acquired:		
Bank balances	100	-
Inventory	450	-
Other net current assets	150	-
Restructuring provision	(200)	-
Property, plant and equipment	300	-
	<u>800</u>	-
Goodwill on acquisition	300	-
Cash consideration to be paid	<u>1,100</u>	-



## Image credits

*Essential (Differential) Limited:*

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page 1	Bow photographed by Tony Cenicola
page 2	Tree bark photographed by James Morris
page 36	Desert photographed by David Skernick

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