

Essential (Exempt) 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 (Exempt) Limited. Essential (Exempt) Limited is an "exempt company", as defined by Section 2 of the Financial Reporting Act 1993. This model illustrates financial statements prepared in accordance with the promulgated orders in Council issued under the Financial Reporting Order 1994.

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 in force on 31 March 2002, the balance date of the exempt company. These requirements remain unchanged at 30 June 2002.

Reference guide

The model provides references to the legislation 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
FRO	Financial Reporting Order 1994

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.



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

CA S208(2)

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 annual report and the financial statements presented on pages 3 to 6 are signed for and on behalf of the Board.

CA S211(1)

WH Bellbird
Chairperson

SL Delves
Managing Director

15 May 2002

Auditors' Report

To the shareholders of Essential (Exempt) Limited

We have audited the financial statements on pages 3 to 6. The financial statements provide information about the past financial performance of the Company for the year ended 31 March 2002 and its financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 5 and 6.

Directors' Responsibilities

The Company's Directors are responsible for the preparation and presentation of financial statements that comply with Section 12 of the Financial Reporting Act 1993.

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, 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 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 3 to 6 comply with Section 12 of the Financial Reporting Act 1993.

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



Chartered Accountants

Auckland

Essential (Exempt) Limited
Profit and Loss Statement

For the year ended 31 March 2002

FRO Schedule

Comparatives required:

FRO Schedule

	Note	2002 \$	2001 \$
Revenue			
Turnover		904,817	645,875
Other revenues		2,538	3,400
		<u>907,355</u>	<u>649,275</u>
Expenses			
Cost of sales		(432,710)	(307,809)
Selling		(87,241)	(61,572)
Administration		(177,969)	(144,494)
	1	<u>(697,920)</u>	<u>(513,875)</u>
Net surplus before income tax		209,435	135,400
Income tax		(75,397)	(41,974)
		<u>\$134,038</u>	<u>\$93,426</u>
Net surplus after income tax			
Shareholders' funds at beginning of year		208,491	140,465
Dividends paid and payable		(95,000)	(27,000)
Other changes in shareholders' funds			
Investment revaluation reserve		3,400	1,600
		<u>\$250,929</u>	<u>\$208,491</u>
Shareholders' funds at end of year			

Note: The terms Profit and Loss Statement and Balance Sheet are used in the Financial Reporting Order 1994.

Essential (Exempt) Limited
Balance Sheet

As at 31 March 2002

FRO Schedule

Comparatives required:
 FRO Schedule

	Note	2002 \$	2001 \$
Current assets			
Bank		3,428	1,250
Inventories		42,399	49,876
Accounts receivable		90,780	56,780
Advances and loans to directors and shareholders		7,000	45,000
Other current assets		1,486	3,478
		<u>145,093</u>	<u>156,384</u>
Current liabilities			
Loans and overdrafts	3	13,256	10,916
Accounts payable		40,482	34,655
Advances and loans from directors and shareholders		-	3,400
Dividends payable		56,000	27,000
Tax payable		26,997	11,974
Other current liabilities		3,600	3,600
		<u>140,335</u>	<u>91,545</u>
Net current assets		<u>4,758</u>	<u>64,839</u>
Non-current assets			
Tangible assets:			
Land and buildings		72,200	73,600
Motor vehicles		40,383	19,240
Plant and machinery		84,038	89,462
Advances and loans to directors and shareholders		6,250	13,250
Investments		73,000	14,800
Intangible assets		4,800	5,400
Other non-current assets		4,000	-
		<u>284,671</u>	<u>215,752</u>
Non-current liabilities			
Term loans	3	-	55,000
Advances and loans from directors and shareholders		25,000	-
Other non-current liabilities		13,500	17,100
		<u>38,500</u>	<u>72,100</u>
Net assets		<u>\$250,929</u>	<u>\$208,491</u>
Shareholders' funds			
Paid in capital		50,000	50,000
Investment revaluation reserve		5,000	1,600
Retained earnings		195,929	156,891
		<u>\$250,929</u>	<u>\$208,491</u>

Essential (Exempt) Limited
Statement of Accounting Policies

For the year ended 31 March 2002

FRO Schedule

Entity reporting

These financial statements are for Essential (Exempt) Limited (“the Company”), a company registered in New Zealand under the Companies Act 1993.

FRO Schedule

Statutory base

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

FRO Schedule

The Company is an exempt company within the meaning of the Financial Reporting Act 1993. The financial statements are presented in the format, and comply with the requirements, of the Financial Reporting Order 1994.

Measurement base

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of investments.

FRO Schedule

Reliance is placed on the assumption that the Company is a going concern. Accrual accounting is used to record the effects of transactions and events when they occur.

FRO S4

Accounting policies

The following accounting policies, which materially affect the measurement of profit and the financial position, have been applied:

FRO Schedule

Turnover

Turnover shown in the profit and loss statement comprises the amounts received and receivable by the Company for goods supplied to customers in the ordinary course of business. Turnover is stated exclusive of goods and services tax collected from customers.

Fixed assets

The cost of purchased fixed assets 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.

FRO S4

Leased assets

Finance leases

Leases under which the Company assumes substantially all the risks and rewards incidental to ownership have been classified as finance leases and are capitalised. The asset and corresponding liability are recorded at the inception of the lease at the lower of the fair value of the leased asset, or the discounted present value of minimum lease payments including residual values.

Capitalised leased assets are depreciated in accordance with rates established for owned assets.

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.

FRO S4

Depreciation

Depreciation is calculated using the rates permitted under the Income Tax Act 1994. The rates are as follows:

Buildings	4% diminishing value
Motor vehicles	26 to 31.2% diminishing value
Plant and equipment	9.5 to 48% diminishing value

FRO S4

Intangible assets

The cost of purchasing the right to use patents is capitalised and recognised as intangible assets. These intangible assets are amortised over their legal life, as permitted under the Income Tax Act 1994.

FRO S4

Essential (Exempt) Limited

Statement of Accounting Policies

For the year ended 31 March 2002

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.

FRO S4

Investments

Investments are stated at directors' valuation.

FRO Schedule

Accounts receivable

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

FRO S4

Tax

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

FRO S4

Non-current assets

Non-current assets, other than investments, are stated at cost.

FRO S4

Changes in accounting policies

There have been no changes in accounting policies during the year.

FRO Schedule

Notes to the Financial Statements

1 Expenses

	2002	2001
	\$	\$
Expenses include:		
Depreciation	27,681	23,948
Amortisation	600	600
Directors' and shareholders' remuneration	34,000	28,500
Interest expense	2,725	4,650
Lease and rental costs	2,300	1,500

FRO Schedule

2 Imputation credit account

Imputation credits available to shareholders as at 31 March 2002 are \$72,681 (2001: \$44,814).

FRO Schedule

3 Securities

The bank overdraft and term loan facility are secured by a first charge over certain assets.

FRO Schedule

4 Contingent liabilities

A writ has been issued against the Company claiming damages of \$50,000 (2001: nil) relating to a patent infringement. The Company disputes the claim and legal advisers to the Company consider that it is unlikely that any liability will arise in respect of this claim.

FRO Schedule

5 Audit

These financial statements have been audited. The opinion is included at page 2.

FRO Schedule

The financial statements of exempt companies must comply with the requirements of format set out in the Financial Reporting Order 1994, however, additional information may be disclosed if the directors choose.



Image credits

Essential (Exempt) Limited:

cover page	Pebble photographed by Elspeth Ross
page 1	Aerial view of circular housing photographed by Tom Nebbia
page 7	Upland ferns photographed by Paul Harris

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