

Essential

Annual Reports 2002



Sharing knowledge

A message from the Chairman of PricewaterhouseCoopers

The past year or two has been fairly traumatic for the accounting profession with high profile financial reporting scandals in the United States and Australia.

Financial reporting scandals

As with most major corporate collapses, the recent examples in the US and Australia will undoubtedly be shown to have multiple causes, including (perhaps most importantly) failures in corporate governance.

Much of the media comment on these collapses has been on the companies' financial reporting. This is not surprising given that financial reports are the most widely available and visible communication by directors to their shareholders - it is where the directors report the results of their stewardship on behalf of shareholders.

The important point is that the financial statements are the responsibility of directors. It is their signature that appears on the statements certifying compliance with generally accepted accounting practice, and truth and fairness. Good corporate governance practices demand that directors fully inform themselves about the content and presentation of the financial report before approving it for publication. Directors should insist that the report is of the highest quality and it tells the story in a straightforward, honest and transparent manner. While this may be painful in years of poor performance, the trust and respect built up in the market will be rewarded in the long run.

Continuing with the traditions of this publication, the 2002 edition of *Essential Annual Reports* is designed to help directors to prepare their own annual reports to the highest standards.

ValueReporting™

While preparing quality financial statements that comply with generally accepted accounting practice is an important facet of reporting to stakeholders, it is becoming increasingly apparent that this alone is not enough. Stakeholders demand more information about a company's performance in a much wider meaning of the term. Triple Bottom Line (financial, environmental and social) reporting is becoming widely adopted by many leading companies.

PricewaterhouseCoopers' response to this demand is ValueReporting™. In 2002 *Essential Annual Reports* we illustrate how ValueReporting™ can be incorporated into an annual report.

International Accounting Standards Board

The new International Accounting Standards Board (IASB) has begun work in earnest to try to establish itself as the setter of high quality financial reporting standards that can be used in a global setting.

While much of its first year was taken up on administrative matters and establishing its operating procedures, it is now very much up and running and dealing with the technical financial reporting issues it was set up for. In 2002 the IASB expect to issue exposure drafts proposing improvements to thirteen existing standards, and the revision or creation of four other standards.

In New Zealand, the Financial Reporting Standards Board (FRSB) is increasing its commitment to work with the IASB and other major national standard setters, and to harmonise its standards with those of the IASB. We wholeheartedly support this commitment and urge the FRSB to push ahead with its harmonisation efforts to the maximum degree possible.

Format of *Essential Annual Reports*

The pace of change in financial reporting is set to dramatically increase over the near future. In response to this, and in view of the increasing use of the electronic medium as a means for companies to communicate with their stakeholders, this edition of *Essential Annual Reports* is provided solely in an electronic format. This will enable us to respond to changes in financial reporting requirements on a timely basis.



Robin G Hill
Chairman
PricewaterhouseCoopers, New Zealand
15 May 2002

ValueReporting™

Previous issues of Essential Holdings have acted as a manual of all mandatory disclosures required to meet Generally Accepted Accounting Practice as defined under the Financial Reporting Act 1993, specified disclosures under The Companies Act 1993, and the NZSE Listing Rules. However, these are the minimum requirements and today's investors and other stakeholders are demanding more disclosure.

The Annual Report is one communication tool. In line with what the world's markets are telling us we have recognised that the statutory disclosures are not enough on their own. PricewaterhouseCoopers has carried out research across 14 countries to determine what information investors and stakeholders want and need to properly value a company's shares. A new reporting framework, ValueReporting™, has been the result of this extensive research, our own experience and our best thinking about how companies can improve their corporate communications. ValueReporting™ is a comprehensive approach for measuring and managing corporate performance and structuring communications about that performance.

Accordingly, we have added a ValueReporting™ flavour to this edition of Essential Holdings. ValueReporting™ refers to the additional information that our research has determined is required by investors and stakeholders. Within Essential Holdings we have given some examples of additional disclosures and these have been noted throughout the report. These examples are only part of the whole picture and we have not attempted to meet all best practices recommended by ValueReporting™.

What is ValueReporting™

Philosophically, ValueReporting™ presumes transparency. Whatever information management uses to run the company should be the bases of what it reports to the marketplace. This philosophy stands in stark contrast to the prevailing practice where most companies report only what regulation requires. Just as every management decision must be subjected to a cost/benefit analysis, so must a company's communications strategy.

The ValueReporting™ Framework addresses four principal categories of corporate reporting:

- **Market Overview** - a clear explanation from management's perspective of industry dynamics and market positioning.
- **Value Strategy** - the depth and clarity of strategy.
- **Managing for Value** - how companies manage their financial resources from an economic point of view.
- **Value Platform** - critical inputs for creating future value by investing in the activities and relationships that underpin value creation - such as customers, brands, innovation, people, supply chain and corporate reputation.

ValueReporting™ Best practice model

External		Internal	
Market Overview	Value Strategy	Managing for Value	Value Platform
<ul style="list-style-type: none"> – Competitive environment – Regulatory environment – Macro-economic environment 	<ul style="list-style-type: none"> – Goals – Objectives – Governance – Organisation 	<ul style="list-style-type: none"> – Financial performance – Financial position – Risk management – Segmental 	<ul style="list-style-type: none"> – Innovation – Brands – Customers – Supply chain – People – Reputation <ul style="list-style-type: none"> – Social – Environmental – Ethical

In order for a company to paint a comprehensive and coherent picture of its business, management must provide significant information within each of the four categories.

ValueReporting™ is about communication. As such, the ValueReporting™ Framework applies to all forms of external communication - the annual report being only one of these. The ValueReporting™ Framework can apply to all organisations, however, the exact content of annual reports prepared using the ValueReporting™ Framework will differ for each company. Therefore, the information provided in Essential Holdings under the ValueReporting™ umbrella is not a prescriptive model and is not designed to give examples of ValueReporting™ in all areas of the framework.

PricewaterhouseCoopers has collated a set of examples of 61 real-life companies across the world whose corporate communications reflect the principles of ValueReporting™. These are published in the ValueReporting™ Forecast 2002. You can order a copy of the Forecast by logging onto www.valuereporting.com and clicking on the best practice tab (you will be asked to register and the cost of the forecast is US\$150).

For more information on ValueReporting™ visit our website www.valuereporting.com (you will be asked to register) or email andy.britton@nz.pwcglobal.com.

Publication Guide

Models presented

This publication presents model annual reports, which incorporate financial statements, for four reporting entities – Essential Holdings Limited, Essential (Differential) Limited, Essential (Exempt) Limited and Essential (Dormant) Limited.

Essential Holdings Limited

Essential Holdings Limited is an "issuer", as defined by the Financial Reporting Act 1993. This model illustrates an annual report, prepared using the full disclosure requirements provided by the Companies Act 1993 and the New Zealand Stock Exchange Listing Rules. Model financial statements, including Group financial statements, which have been prepared in accordance with "full compliance" of New Zealand generally accepted accounting practice, are presented.

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*.

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.

Essential (Dormant) Limited

Essential (Dormant) Limited is a non-trading entity. Non-trading entities are still legally required to prepare an annual report and financial statements, which are illustrated in this model. Because of its ownership structure, the Company is not able to take advantage of the exempt company concessions.

The illustrated models reflect 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 reports and financial statements have been prepared in accordance with the relevant legislation, listing rules and accounting standards in force on 31 March 2002, the balance dates of the reporting entities. 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, the publication date.

Reporting guide

Overall reference guide

Each model provides references to the legislation, accounting promulgation or listing rule 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
FRO	Financial Reporting Order 1994
NZSE	New Zealand Stock Exchange Listing Rules
SAA	Securities Amendment Act 1988
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 Holdings 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

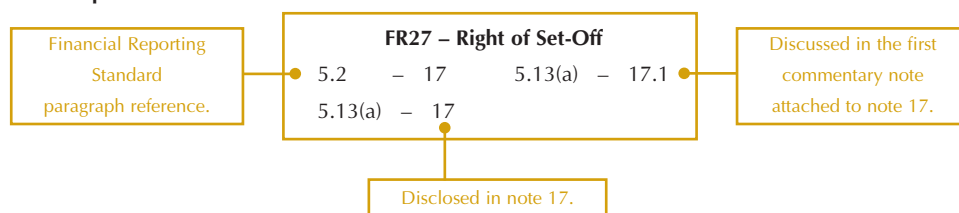
AR – Annual Report

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(b) – AP
5.1	–	AP.1	5.5(c) – AP
5.3	–	AP.2	5.5(d) – AP
5.5(a)	–	AP	5.9 – AP.3
			5.11 – AP
			5.11 – AP.4
			5.12 – AP.4
			5.13 – AP.4
			5.14 – AP.4
			5.20 – AP
			5.20 – AP.5

FRS2 Presentation of Financial Reports			
5.2(a)	–	Perf	5.17 – Pos
5.2(b)	–	ME	5.17 – CF
5.2(c)	–	Pos	6.3* – Perf
5.2(d)	–	CF	6.4 – 2.1
5.2(e)	–	NI	6.4 – 3
5.2(f)	–	AP	6.7 – Perf
5.2(f)	–	1	6.10 – Perf
5.15	–	Perf.1	6.12* – Perf
5.15	–	AP	6.13(a)* – Perf
5.17	–	Perf	6.13(b)* – Perf
5.17	–	ME	
			7.2 – ME
			7.3(a)* – ME
			7.3(a)(i)* – ME
			7.3(a)(ii)* – ME
			7.3(a)(iii)* – ME
			7.3(a)(iv)* – ME
			7.3(b)* – ME
			7.3(c)* – ME
			7.3(d)* – ME
			7.4 – ME.1
			8.1 – Pos
			8.5(a)(i)* – Pos
			8.5(a)(ii) – Pos
			8.5(a)(iii) – Pos
			8.5(a)(iv) – Pos
			8.5(a)(v)* – Pos
			8.5(a)(v)* – 11
			9.1(a) – CF
			9.1(b) – CF
			9.1(c) – CF

SSAP3 Accounting for Depreciation			
5.8	–	3	5.8 – 24
			5.8(a) – AP
			5.8(b) – AP

FRS3 Accounting for Property, Plant and Equipment			
11.1(a)	–	18	11.3(d) – 3
11.1(b)	–	AP	11.3(e) – 18.4
11.1(c)	–	AP	11.3(f) – 18
11.3(a)	–	18	11.4(a) – 7
11.3(b)	–	18.4	11.4(b) – AP
11.3(b)(ii)	–	18	11.4(c) – 18
11.3(c)	–	3	11.4(d) – 18
			11.4(e) – AP
			11.4(e) – 18
			11.4(f) – 18.1
			11.4(g) – 18.2
			11.6 – 18.3
			11.8(a) – ME
			11.8(b) – 18.1
			11.9(a) – 18
			11.10 – 18.3
			12.5 – 18.2
			12.8 – 18.2
			12.10 – 18.2

FRS4 Accounting for Inventories									
5.29(a)	–	AP	5.29(b)(i)	–	25	5.29(c)	–	25.1	
5.29(b)(i)	–	Pos	5.29(b)(ii)	–	25	5.29(d)	–	25	

FRS5 Events After Balance Date											
5.6	–	9	5.6	–	31	6.1	–	AR	6.5	–	31

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	5.16	–	ME.1	
5.2	–	ME.2	5.7	–	4				

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	–	2.1	6.13(c)	–	3	8.2(c)	–	Pos	8.10(e)	–	12
5.2	–	Perf.2	6.13(d)(i)	–	3	8.2(d)	–	18	8.10(f)	–	12
5.2	–	2.1	6.13(d)(ii)	–	3	8.2(e)	–	18	8.11	–	12
5.3	–	Perf.3	6.13(e)(i)	–	3	8.2(f)	–	24	8.13	–	12
5.4	–	NI	6.13(e)(ii)	–	3	8.2(f)(i)	–	24	8.14	–	18
5.5	–	Perf.1	6.13(e)(iii)	–	3	8.2(f)(ii)	–	24	8.16	–	19
6.2	–	Perf	6.13(f)	–	3	8.3	–	23	8.17	–	Pos
6.2	–	2	6.13(g)	–	3	8.4	–	18	8.19	–	Pos
6.4	–	Perf	6.13(h)	–	3	8.6	–	27	8.19	–	5
6.4	–	2	6.13(i)	–	3	8.6	–	30	8.19	–	7
6.6	–	Perf	8.2(a)	–	27	8.7	–	18	8.19	–	8
6.6	–	2	8.2(a)(i)	–	27	8.8	–	18	8.22(a)	–	5
6.7	–	2	8.2(a)(ii)	–	27	8.8	–	25	8.22(a)(i)	–	5
6.7	–	2.1	8.2(a)(iii)	–	27	8.10(a)	–	15	8.22(a)(ii)	–	5
6.9(a)*	–	2	8.2(b)(i)	–	Pos	8.10(b)(i)	–	15.1	8.22(b)	–	5.1
6.9(b)*	–	2	8.2(b)(iii)	–	Pos	8.10(b)(ii)	–	15.1	8.22(c)	–	5
6.10	–	3	8.2(b)(iii)	–	21	8.10(b)(iii)	–	12	8.22(d)	–	5.1
6.11	–	3	8.2(b)(iv)	–	23	8.10(b)(iv)	–	15.1	8.22(e)	–	5.1
6.11	–	3.1	8.2(b)(v)	–	23	8.10(c)	–	15			
6.13(a)	–	3	8.2(b)(vi)	–	Pos	8.10(d)	–	15			
6.13(b)	–	3	8.2(b)(vi)	–	23	8.10(e)	–	Pos			

FRS10 Statement of Cash Flows											
5.1	–	CF	5.13(a)(ii)	–	CF	5.17	–	CF	5.26	–	CF.2
5.3	–	CF	5.13(a)(iii)	–	CF	5.19	–	CF	5.27	–	CF.2
5.6	–	AP	5.13(a)(iv)	–	NI	5.21	–	CF	5.31	–	CF.3
5.8	–	CF	5.13(b)(i)*	–	CF	5.22	–	CF	5.33	–	CF.4
5.11	–	CF	5.13(b)(ii)	–	CF	5.24(a)	–	CF.1	5.36	–	AP
5.13(a)(i)	–	CF	5.13(c)(i)	–	CF	5.24(b)	–	CF.1			

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

SSAP12 Accounting for Income Tax					
5.9	–	7	5.13 – 13.4	5.14(c) – 13.1	5.14(f)(i) – 10
5.10	–	13	5.14(a) – AP	5.14(d) – 13.2	5.14(f)(ii) – 10
5.10	–	14	5.14(b) – 15	5.14(e) – 14	5.14(g) – 13.3

FRS13 Accounting for Research and Development Activities					
5.16	–	24	5.19(c) – AP	5.19(e)(i) – 24	5.19(e)(iii) – 24
5.19(a)	–	AP	5.19(d) – AP	5.19(e)(ii) – 3	5.19(e)(iv) – 3
5.19(b)	–	3	5.19(e) – 24	5.19(e)(ii) – 24	5.19(e)(iv) – 24

FRS14 Accounting for Construction Contracts					
5.27(a)	–	26	5.27(b) – 26		

FRS15 Provisions, Contingent Liabilities and Contingent Assets					
7.1	–	16.3	11.2 – 16	11.6(b) – 29.1	11.10 – 29.2
11.1(a)	–	16	11.2(c) – 16.3	11.6(c) – 29.1	11.12 – 29.1
11.1(b)	–	16	11.3 – 29	11.8 – 29	11.12 – 29.2
11.1(c)	–	16	11.3(b) – 29.1	11.10 – 29	11.13 – 29.3
11.1(d)	–	16.1	11.3(c) – 29.1		
11.1(e)	–	16.2	11.6 – 29		

SSAP16 Accounting for Government Grants			
Withdrawn in 1995.			

SSAP17 Accounting for Investment Properties and Properties Intended For Sale					
5.9(a)	–	AP	5.9(d) – 7.1	5.9(e) – 7.1	5.9(f) – 7.1
5.9(b)	–	NI	5.9(e) – 7	5.9(f) – 7	5.9(g) – 23
5.9(c)	–	23			

Note: Development properties are not illustrated in this publication.

SSAP18 Accounting for Leases and Hire Purchase Contracts					
5.11-13	–	NI	5.15(a) – 18	5.16 – 3	5.18 – NI
5.14	–	12.2	5.15(b) – 3	5.17 – 19	5.20 – 18
5.14	–	19	5.15(c) – 12		

FRS19 Accounting for Goods and Services Tax					
AP					

FRS20 Accounting for Shares Issued Under a Dividend Election Plan								
5.1	–	ME	5.1(b)	– 7	5.4	–	9	

FRS21 Accounting for the Effects of Changes in Foreign Currency Exchange Rates										
7.1(a)	–	AP	7.1(c)	– 7	7.1(e)	–	12.1	7.1(f)	–	CF
7.1(b)	–	2	7.1(d)	–	7	7.1(e)	–	28		

SSAP21 Accounting for the Effects of Changes in Foreign Currency Exchange Rates									
AP									

SSAP22 Related Party Disclosures											
5.1	–	30	5.1(b)	–	30	5.1(d)	–	30	5.2	–	30
5.1(a)	–	30	5.1(c)	–	30	5.1(e)	–	30	5.3	–	30

SSAP23 Financial Reporting for Segments											
5.1	–	1	5.5	–	1	5.6(d)	–	1	5.8	–	1.4
5.1	–	1.1	5.6(a)	–	1	5.6(e)	–	1	5.9	–	1
5.2	–	1.2	5.6(b)	–	1	5.7	–	1	5.10	–	1.5
5.3	–	1	5.6(c)	–	1	5.7	–	1.3	5.11	–	1
5.4	–	1.2									

FRS24 Interim Financial Statements				
Not illustrated in this publication.				

SSAP25 Accounting for Interests in Joint Ventures and Partnerships											
5.4	–	AP	5.6(b)	–	22.1	5.6(d)	–	22	5.7	–	22
5.6(a)	–	22	5.6(c)	–	29	5.6(e)	–	22.2	5.9	–	29
5.6(a)	–	22.1	5.6(c)	–	19						

FRS26 Accounting for Defeasance of Debt											
5.22(a)(i)	–	12	5.22(a)(iii)	–	2	5.22(b)	–	12.3	5.22(d)	–	12.4
5.22(a)(ii)	–	12	5.22(a)(iii)	–	12	5.22(c)	–	12			

FRS27 Right of Set-Off										
5.2	–	17	5.13(a)	–	17.1	5.13(c)	–	17.3		
5.13(a)	–	17	5.13(b)	–	17.2					

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									
5.1(a)	-	6	5.1(d)	-	6	5.4(b)	-	6	
5.1(b)	-	6	5.2	-	6	5.4(c)	-	6	
5.1(c)	-	6	5.4(a)	-	6	5.6	-	6.1	

FRS31 Disclosure of Information About Financial Instruments											
6.1(a)	-	AP	6.3	-	28	6.11	-	28	6.14(a)	-	28
6.1(b)	-	28	6.4	-	28	6.14	-	28	6.14(b)	-	28
6.1(c)	-	28	6.4(a)	-	28						

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)	-	20	6.2(g)	-	20	6.3(d)(ii)	-	24	6.3(d)(viii)	-	24.2
6.2(b)	-	20	6.3(a)	-	24	6.3(d)(iii)	-	24.2	6.3(d)(ix)	-	24
6.2(c)	-	20	6.3(b)	-	24.1	6.3(d)(iv)	-	24.2	6.4	-	24.3
6.2(d)	-	20	6.3(c)	-	3	6.3(d)(v)	-	24	6.5	-	20.6
6.2(e)	-	20	6.3(d)	-	24	6.3(d)(vi)	-	24.2	6.6	-	31
6.2(f)	-	20	6.3(d)(i)	-	24	6.3(d)(vii)	-	24.2			

FRS37 Consolidating Investments in Subsidiaries											
5.1	-	Perf	5.28	-	20.2	6.8(b)	-	20	6.9(c)	-	20
5.1	-	ME	6.4	-	20.3	6.8(c)	-	20.4	6.9(d)	-	2
5.1	-	Pos	6.4(a)	-	20	6.8(d)	-	20.5	6.9(d)	-	3
5.1	-	CF	6.4(b)	-	20	6.9(a)	-	20	6.9(d)	-	20
5.1	-	20.1	6.4(c)	-	20	6.9(b)	-	20	6.13	-	20.1
5.5	-	20.1	6.8(a)	-	20	6.9(c)	-	2			

FRS38 Accounting for Investments in Associates											
5.1	-	21.1	6.2(a)	-	21	6.8	-	29	6.9(d)	-	21
5.3	-	21.1	6.2(b)	-	21	6.9(a)(i)	-	21	6.9(f)	-	21
5.5	-	21.1	6.2(c)	-	21	6.9(a)(ii)	-	21	6.11(a)	-	21.4
5.20	-	2	6.2(e)	-	21	6.9(a)(iv)	-	21	6.11(b)	-	21
5.30	-	21.2	6.7(a)	-	29	6.9(b)	-	21	6.11(c)	-	21.5
5.31	-	21.2	6.7(b)	-	19	6.9(c)	-	21	6.11(d)	-	21.6
6.2	-	21.3									

Essential Holdings Limited

Annual Report for year ended 31 March 2002



The Board of Directors is pleased to present the Annual Report of Essential Holdings Limited for the year ended 31 March 2002.

CA S208(1)

For, and on behalf of, the Board.

WH Bellbird
Chairperson

SL Delves
Managing Director

CA S211(1)

15 May 2002



Contents

The Chairperson's Perspective	2
The Road Ahead	7
Returns to Stakeholders	10
Our Approach to Corporate Governance	16
Your Directors	23
Other Statutory Information	29
Financial Statements	32
Auditors' Report	34

The Chairperson's Perspective

We have pleasure in presenting this annual report to our shareholders. The report includes all information required to be disclosed under the Companies Act 1993 and by the New Zealand Stock Exchange. In addition to our statutory obligations, we have included additional information to assist you in understanding the activities of the Essential Holdings Group.

The Board is committed to becoming more transparent in its reporting to stakeholders. This means providing consistent reporting and telling both the good and bad news in a timely manner. The Board considers that this approach to reporting is essential to ensure that we are meeting the needs of all our stakeholders. In order to achieve greater transparency, we have made a commitment to adopt the ValueReporting™ framework developed by PricewaterhouseCoopers. This annual report includes some new disclosures that we believe contribute to our move towards greater transparency, and our reporting will continue to evolve over time. While we are pleased to have made some progress in this annual report we acknowledge that there remains a long way to go.

Where it all began

Essential Holdings Limited was established in 1952 when Mr MacDonald opened his first adventure travel store selling clothing, books and souvenirs in Whangarei. The Company continued its growth strategy by opening further stores throughout New Zealand and is now recognised as the market leader in this industry. Essential Holdings expanded its horizons beyond adventure travel stores building on the strength of its knowledge of the leisure market. It now has subsidiaries operating in the leisure marine industry catering to the luxury launch market as well as the weekend sailor.

In 1979 Essential Holdings Limited listed on the New Zealand Stock Exchange.

Today the Essential Holdings Group operates in two core sectors - tourism and leisure marine. These activities take advantage of New Zealand's unique environment and the love many New Zealanders have for the water.

The tourism interests operate through the activities of the Parent and subsidiaries under the CleanBreak Adventures trading name. There are two subsidiaries in the leisure marine business, catering to the luxury launch market as well as the weekend sailor.

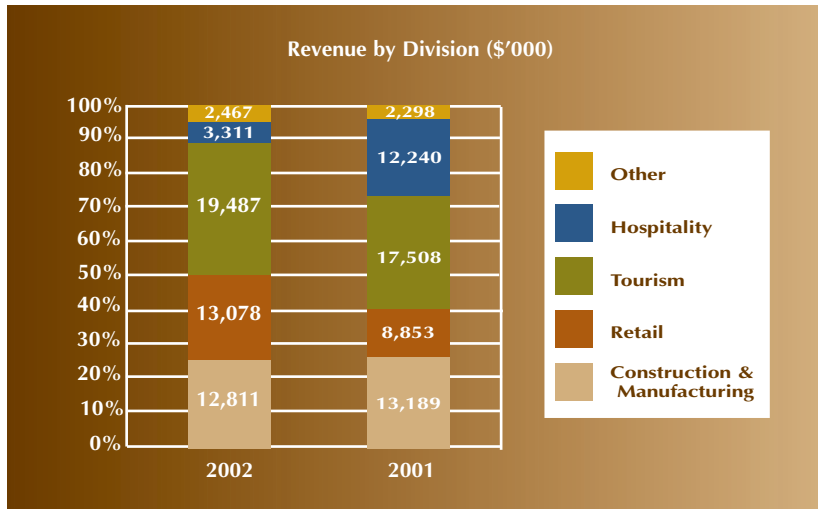
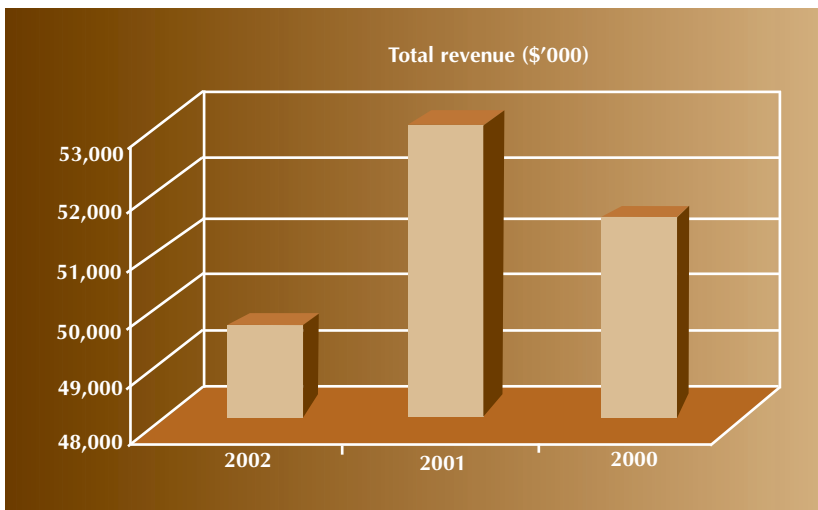
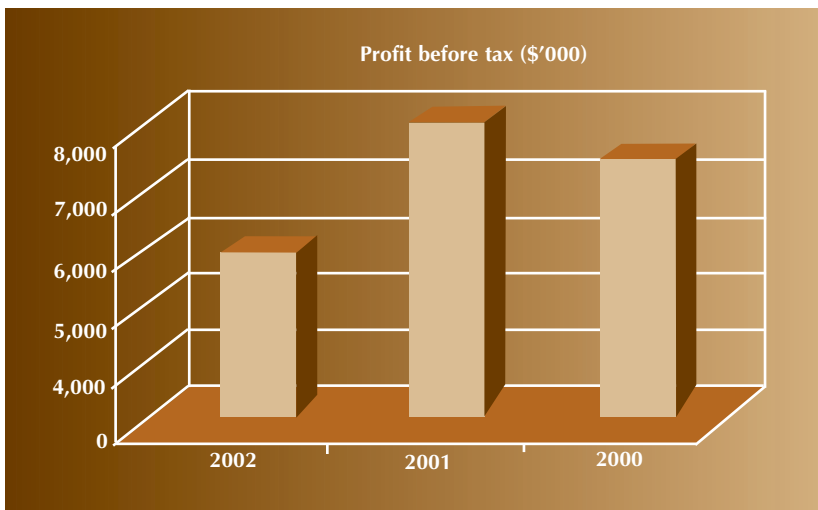
Essential Holdings has interests in other activities, although these generally support the core focus of the business.



CA S211(1)(a)



Financial Performance at a glance



Commentary on the Group's financial performance follows.

Economic Value Added (EVA®)

EVA® defines value creation as the return a business generates over and above the cost of capital. A business or activity that generates a positive economic profit (i.e. EVA® positive) creates value for our shareholders, whereas a business that generates a negative economic profit (i.e. EVA® negative) destroys value, even if it continues to generate an accounting profit.

Essential Holdings defines EVA® as operating surplus after income tax less the cost of capital employed. Our target is to achieve positive EVA® through continued diversification of the business and through building strategic alliances within the industry sectors in which we operate.

We achieved our target of positive EVA® in 2002 and 2001.

	Note	2002 Adjusted \$'000	2002 \$'000	2001 \$'000
Operating surplus before income tax		6,984	5,349	7,548
Interest expense		594	594	701
Amortisation of goodwill	1	380	380	282
Operating surplus before interest, income tax and amortisation of goodwill		7,958	6,323	8,531
Income tax	2	(2,698)	(2,698)	(2,820)
Operating surplus before extraordinary item		5,260	3,625	5,711
Extraordinary item		(134)	(134)	-
Operating Surplus		5,126	3,491	5,711
Average capital employed	3	30,228	30,228	27,543
Weighted average cost of capital	4	10.30%	10.30%	10.25%
Capital charge		(3,113)	(3,113)	(2,822)
EVA		\$2,013	\$378	\$2,889

Adjusted 2002 excludes the loss on sale of BreakAway Restaurants Limited.

Note 1 Includes amortisation of goodwill relating to associates.

Note 2 The reported tax expense is adjusted for the statutory tax impact of the interest expense.

Note 3 We have estimated the economic value of capital employed as total equity less unamortised goodwill plus net debt.

Note 4 The weighted average cost of capital is calculated in accordance with Essential Holdings' EVA® policy as follows:

- Cost of equity using Capital Asset Pricing model with a market risk premium of 8%.
- Risk free rate of return based on the current yield to maturity on five year Government Stock (6.6%).
- Beta estimates based on average of monthly returns over five years.
- Cost of debt of 8%.

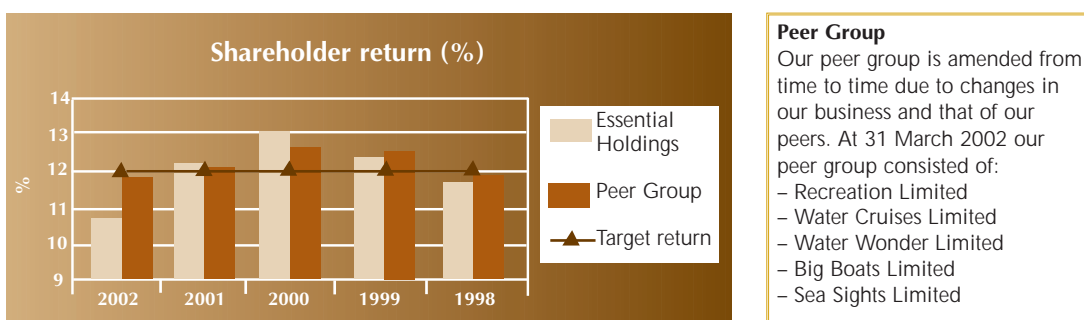
Note (i) Managing for Value

Inclusion of shareholder value metrics such as Economic Value Added (EVA®) allows stakeholders to assess the performance of management after adjusting for the cost of capital.

Note (i)

Building Shareholder Value

Our primary measure of shareholder value is the total shareholder return over five years. Total shareholder return is measured as the dividend payments and the increase in share value as measured by the market valuation. Results for the last five years are pictured below. Our aim is to achieve a return of 12% each year. Our actual return is benchmarked each year against a peer group of 5 major tourist operators within New Zealand and Australia. Despite failure to meet our target during the current year, we expect an improvement during 2003.



The results for Essential Holdings are presented in more detail within the review of business activities and in the financial statements.

Low Points

This year has not been without some disappointment. Essential Holdings reported a surplus after taxation of \$2,312,000 for the year ended 31 March 2002 representing a 51% drop from the prior period.

Towards the end of last year it became apparent that the Food and Hospitality sector was not performing as expected. After analysis of this investment the Board concluded that a better return on funds invested could be gained elsewhere. The business did not provide any strategic advantage for Essential Holdings and hence the decision was made to sell the business, which operated under the subsidiary BreakAway Restaurants Limited. The disposal generated a pre-tax loss on sale of \$1.6 million, reflecting the state of the market.

Essential Holdings also suffered an extraordinary loss of \$134,000 after tax. During the year 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 Essential Holdings and en-route to New Zealand, was destroyed. The inventory was insured but the insurance company has subsequently been placed into liquidation. It is unlikely that Essential Holdings will receive compensation.

Note (ii) Managing for Value

Inclusion of total shareholder returns allows stakeholders to assess the effectiveness of managements strategies.

Goals and Objectives

The objectives of Essential Holdings are to continue to enhance shareholder wealth as follows:

- Grow market share for existing businesses to achieve increases in revenue from operating activities of at least 5% per annum.
- Review procedures in current businesses to reduce costs by 6% per annum over the next two years through improvements in efficiency of the divisions. This review will encompass administration and production costs.
- Continue to diversify Essential Holdings operations.
- Consider potential strategic alliances where this enables Essential Holdings to develop in new markets and products without increasing Essential Holdings' risk profile.
- Develop our management and employees through initiatives such as the training and needs surveys, due for completion in September 2002. We aim to have a dynamic management team capable of motivating employees who are dedicated to teamwork and co-operation.

Essential Holdings' ability to achieve its goals depends on many known and unknown risks and uncertainties, including changes in general economic and business conditions. These factors could cause the anticipated performance of Essential Holdings to differ materially from those implied in any forward looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed within the business activities section below.

We look forward to a challenging year ahead. One where we can build on our strengths, learn from our mistakes, and continue to enhance value to our shareholders.



WH Bellbird

Note (iii) Value Strategy

Investors need to know management's key objectives, targets, and milestones, along with the actions required to meet strategic aims and create shareholder value.

Note (iii)

The Road Ahead

CleanBreak Adventures

CleanBreak operates through New Zealand and Australian subsidiaries. The New Zealand subsidiary operates a passenger catamaran around Milford Sound. The company upgraded the catamaran this year, bringing the larger Sweet Sounds into operation in time for the main tourist season. The upgraded catamaran contributed an additional \$500,000 revenue for the 8 months. The Australian operation is based around the Great Barrier Reef, where the newly commissioned Barrier Break operates diving and scenic tours. The Barrier Break contributed an additional \$750,000 revenue for the 11 months. CleanBreak Adventures also operates helicopter rides, bungee jump and fishing tours.

Key Financial Data

	Future Indicator	Actual 2002	Actual 2001	Actual 2000
Revenues (\$'000)	➡	19,487	17,508	16,650
Earnings before income tax (EBIT) (\$'000)	➡	2,536	1,929	1,750
Net surplus before income tax (\$'000)	➡	2,401	1,705	1,504
Free cashflow (\$'000)*	➡	2,453	1,955	1,549
Marketing costs (\$'000)		310	280	277
Market share**				
CleanBreak Adventures (New Zealand)	➡	61%	57%	59%
CleanBreak Adventures (Australia)	➡	53%	52%	48%
Net assets (\$'000)	➡	9,980	7,945	7,997

Note (iv)

* Free cashflow is defined as operating cashflows, excluding interest. Taxation cashflow is adjusted for the tax effect of interest.

** Measured as a percentage of estimated turnover for the respective sites.

The services provided by CleanBreak Adventures are in key tourist locations within New Zealand and Australia. We maintain this market share by continuing to promote our brand and back this up with high quality, value for money services. The upgrade of the vessels was a key part of this strategy.

We expect to expand our revenues by the marketing of our strong brand. The key to maintaining our brand is obtaining feedback from our customers and stakeholders, and acting on the results. We carry out continuous customer surveys, and annual surveys of employees and the community. Action plans are developed from results and monitored monthly by senior management.

Note (iv) Managing for Value

Companies should provide a transparent view of business segments' performance to enable investors to understand the underlying performance.

We view the outlook for tourism in both New Zealand and Australia as strong. Events of September 11, 2001 seem to have had only a short term impact on visitor numbers and we believe that this is due to the relatively safe environment provided by New Zealand and Australia.

Leisure Marine

Specialty Boats Limited is a New Zealand leader in the construction of yachts designed to meet the specifications of individual clients. Based in Whangarei, the company has a renowned design and construction team. Among the yachts launched this year were Liberdardee and Wanaka Wonder, both are already having success on the water.

Complementing the built-to-order boats are the operations of PleasureCraft Limited. This company was acquired during the current financial year and has proven to be a successful addition to the Group. PleasureCraft Limited is a major retailer of yachts, small pleasure craft and marine suppliers within New Zealand. The company also manufactures the successful Kiwiby class of yachts. This versatile weekend sailing boat continues to sell well. PleasureCraft Limited has an active research team working on new machine design and process development.

The challenge for this division remains its ability to attract and retain skilled employees. A benefit of the PleasureCraft Limited acquisition is that this entity has established a successful recruitment programme which has meant it has been able to attract the most talented people. This programme is backed up with an ongoing training programme allowing staff to continually upgrade their skills. This programme has now been rolled out over the whole leisure marine division and we are assessing how it can be adopted by the rest of the Group.

Key Financial Data

	Future Indicator	Actual 2002	Actual 2001	Actual 2000
Revenues (\$'000)	➔	12,811	13,189	11,274
Earnings before income tax (EBIT) (\$'000)	➔	1,461	1,710	1,450
Net surplus before income tax (\$'000)	➔	1,314	1,690	893
Free cashflow (\$'000)*	➔	1,227	1,368	1,378
Marketing costs (\$'000)	➔	617	683	548
Market share**				
Specialty Boats	➔	4%	2%	3%
PleasureCraft	➔	35%	n/a	n/a
Net assets (\$'000)	➔	3,645	2,017	8,011

* Free cashflow is defined as operating cashflows, excluding interest. Taxation cashflow is adjusted for the tax effect of interest.

** Measured as a percentage of estimated turnover. Specialty Boats Limited market based on global US\$ and PleasureCraft Limited on the New Zealand market.

Essential Holdings Limited & Subsidiaries

For the year ended 31 March 2002

Due to the lead time with orders, the events of September 11, 2001 have not yet impacted on the result. It is difficult to assess at this stage what the full impact will be. For this reason we expect relatively flat growth for this division within the next year. Staging of the America's Cup is again a key marketing opportunity and we will be ensuring our brand is in that marketplace.

Food and Hospitality

Until recently the Group operated a chain of restaurants through BreakAway Restaurants Limited, including the interests in a café in Queenstown. This part of the Group was sold during the year.

Marine Money

Essential Holdings operates a small finance company, through Marine Money Limited. This division exists as a financing vehicle to help customers acquire yachts. All funding for this subsidiary is sourced within Essential Holdings.

Returns to Stakeholders

Shareholders

We are pleased to report increased returns to shareholders through both dividends and capital growth.

Five Year Trend Statement	2002	2001	2000	1999	1998	2002 Peer Group
Return on equity %	9.9%	20.3%	17.5%	17.6%	16.9%	17.2%
Interest cover (x times)	10x	11.8x	9.5x	10.2x	10.2x	10x
Net debt/equity ratio %	37.0%	42.1%	47.2%	36.6%	31.2%	51.3%
Interim dividend per ordinary share (cents)	7.0	8.0	8.0	8.0	8.0	**
Final dividend per ordinary share (cents)	12.0*	16.0	12.0	10.5	11.6	**
Available imputation credits (\$'000)	1,315	1,436	1,501	1,478	1,465	**

* Due to the change in accounting policy regarding the treatment of proposed dividends (see Changes in Accounting Policies on page 45). The final dividend has not been recognised in the statement of financial position.

** Ratio dependent on the share structure of the Peer Group and therefore not comparable.

Peer Group

Our peer group is amended from time to time due to changes in our business and that of our peers. At 31 March 2002 our peer group consisted of:

- Recreation Limited
- Water Cruises Limited
- Water Wonder Limited
- Big Boats Limited
- Sea Sights Limited

Earnings per share

The surplus for the year, before the extraordinary item, represented a return of 20.5 cents per share (2001: 43.9 cents) based on 10,936,612 weighted average ordinary shares on issue during the year (2001: 10,299,284). The earnings per share after the extraordinary item was 19.3 cents (2001: 43.9 cents). The diluted earnings per share was not materially different from undiluted amounts.

Essential Holdings Limited & Subsidiaries

For the year ended 31 March 2002

Essential Holdings in the Community

Essential Holdings' profitable performance contributes to the community through the generation of wealth and employment.

The value returned to the community is disclosed in the table below (excluding amounts paid to suppliers who in turn provide employment and wealth).

Value Returned to the Community	2002 \$'000	2001 \$'000
Benefits paid to employees	4,013	5,136
Taxes paid to governments	2,862	2,614
Dividends paid to shareholders	1,843	1,609
TOTAL	\$8,718	\$9,359

Executive Remuneration

The number of employees within the Group receiving remuneration and benefits above \$100,000 are as indicated in the following table.

CA S211(1)(g)

	2002		2001	
	Parent	Subsidiaries	Parent	Subsidiaries
\$190,000 - 199,999	1		1	
\$160,000 - 169,999	1	1	1	1
\$140,000 - 149,999	2		1	1
\$120,000 - 129,999	2		1	
\$110,000 - 119,999		1	2	1

Donations

During the current financial year donations totaling \$17,000 were made by companies in the Group (2001: \$14,000) of which \$7,000 were made by the Parent (2001: \$6,000). Donations made in the current financial year by the Parent were:

CA S211 (1)(h)

- West Coast Preservation Group \$1,500
- Wellington Youth Development Group \$2,000
- Far North Walkway Society \$2,000
- Kakapo Breeding Research Programme \$1,500.

Donations of \$2,000 each were made by other members of the Group to:

- Trout Research Institute
- Pohutakawa Protection Council
- Hector Dolphin Preservation Society
- Outer Island Sanctuary Programme
- Youth Water Awareness Campaign.

Complaints by the Public

In the year to 31 March 2002, 12 complaints were received in relation to environmental matters, compared to 18 in the previous year.

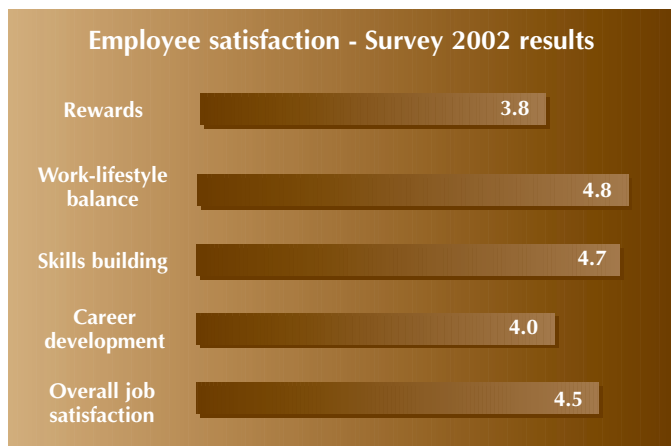
Our policy is that the company receiving the complaint responds to it and provides appropriate information where requested. The Ethics Committee of the Board reviews all correspondence related to complaints. We are satisfied that all complaints were addressed appropriately and that no member of Essential Holdings was in breach of our Environmental Code or any statute or regulation.

Employee Satisfaction

Essential Holdings is proud of the employment conditions under which staff operate.

Securing the best people available continues to be paramount to our success. Our recognition of the need to accept flexible working hours continues to find favour with most employees. As previously mentioned Essential Holdings has gained access to even better training and recruitment programmes through the acquisition of PleasureCraft Limited.

This table shows the results of our 2002 employee satisfaction survey. Eighty two percent of employees responded to the survey and were asked to rate the measures on a scale from 1 to 5, where 5 represented very satisfied and 1 represented unsatisfied. Our remuneration policy will be reviewed over the next 12 months in an effort to improve satisfaction in this area.



Note (v)

Note (v) Value Platform

Critical to a company's success is its commitment to human capital. Investment in people is becoming increasingly important. Satisfaction surveys are a measure of the success of this investment.

Employee Turnover

Retaining our staff is of great importance to our business. Our employee turnover has remained constant since the prior year. Our goal is to reduce turnover to 17% during the next year.

Employee Turnover	Target 2003	Target 2002	Actual 2002	Target 2001	Actual 2001
	17%	19%	20%	18%	20%

Note (vi)

Health and Safety

Essential Holdings runs the **Safe Place** programme, which focuses on improving the safety of the work environment and the systems on which their safety depends. Our long term goal is to be recognised within New Zealand as a leader in safety by ensuring that our activities do not cause harm to our employees, contractors who work for us, neighbours, customers and the general public. We have set targets to be met by the end of 2006 that reflect this commitment.

We categorise accidents and incidents as **lost time** (where an employee is unable to work for a day or more) and **medical care incidents** (where an employee requires medical attention beyond first aid). The targets we set reflect the number of hours of "safe time" worked. The target safe time before a **lost time** incident is 1 million hours worked. Currently the safe time period is 740,000 hours. This represents an improvement of 120,000 hours from last year. The safe time target for **medical care incidents** is 150,000 hours worked. Currently the safe time period is 84,000 hours.

We expect to achieve the targets through the continued development of a culture which recognises that safety is the first priority in the management of our businesses, and by encouraging all staff to play their full part in the promotion of safe working.

The **Safe Place** programme includes actions designed to identify and prevent potential cases of occupational overuse syndrome (OOS). Line managers are now accountable for occupational health matters. They have access to the Essential Holdings Safe Place Team which is able to provide advice on the detection of problems likely to lead to OOS and remedies, should OOS occur. Costs associated with remedying OOS related working environments are attributable to the Safe Place Team, which has its own operating budget. This ensures line managers do not have conflicting financial and safety goals.

During the year Essential Holdings gained accreditation to the Workplace Safety Management Practices Scheme, achieving Tertiary status and a resulting 20% discount in ACC premium when compared to the previous year.

Note (vi) Value Platform

Employee turnover provides a measure of an organisation's ability to retain staff. Disclosure of the target level provides an indication of the "healthy" level of turnover and allows stakeholders to assess the impact of the actual level of staff turnover.

Environment

Environmental Management

We are conscious of our responsibility to the environment.

We rely on the maintenance of a healthy environment for the tourist activities operated through the CleanBreak companies. We have an Environmental Code, which all members of the Group are required to comply with.

In the year ended 31 March 2002 we initiated a review of the physical and energy resources consumed, and the by-products produced by our business activities. The results of the survey are shown in the table below.

We have measured our carbon dioxide (CO₂) emissions in accordance with the Greenhouse Gas Initiative (GHG Protocol) developed by the World Business Council for Sustainable Development and the World Resources Institute.

We have only reported on the entities we control and not on the equity share of our associates. This additional amount will be reported on in next year's annual report. We intend to engage PricewaterhouseCoopers to verify the emission calculations in future years.

We have reported on the basis of the following scope emissions in accordance with the GHG Protocol:

- Scope 1 emissions include all transportation fuels.
- Scope 2 includes purchased electricity.
- Scope 3 other indirect emissions which are a consequence of our activities and includes employee business travel.

Our target is to reduce emissions by 10% for the year ending March 2004. This will have an immediate financial benefit given the potential implications of the "carbon tax" recently proposed by the Government.

Note (vii)

Note (viii)

Note (vii) Value Platform

Research suggests that a company with a strong, consistent image has a distinct advantage over its peers. Increasingly, organisations are publishing a Triple Bottom Line report as a means of communicating environmental, ethical, and social responsibility. ValueReporting™ incorporates this element of reporting into the Value Platform, Corporate Reputation area of the framework.

Note (viii) Value Platform

A company can reap the benefits of excellence in environmental management only if it communicates its performance in a credible fashion to a broad set of stakeholders.

Summary of CO₂ Emissions for the period 1 April 2001 to 31 March 2002

Direct or Indirect Emissions	Source of Emissions	Description	Metric Tonnes of CO₂
Direct - Scope 1	Petrol	352,460 litres	839.0
	Diesel	1,010,350 litres	2,780.0
	LPG	192 litres	0.3
	Total direct emissions		3,619.3
Indirect - Scope 2	Electricity purchased	557,350 kilowatt hours	94.0
Indirect - Scope 3	Air Travel	38,400 kilometres	7.0
	Total indirect emissions		101.0
Total emissions (carbon footprint)			3,720.3

Environmental Responsibility Awards

CleanBreak (New Zealand) Limited received an award for environmental responsibility from the Auckland Environmental Agency.

Resource Management Act

In the year to 31 March 2002, Specialty Yachts Limited breached the Resource Management Act on two occasions. The breaches were unintentional but are clearly unacceptable. In both cases Specialty Yachts Limited discharged chemicals into the ground at its principal construction site in Whangarei. The chemicals did not enter any water.

Our Approach to Corporate Governance

NZSE 10.5.3(h)

The directors are responsible to the shareholders for the performance of Essential Holdings in both the short and the longer term and seek to balance these sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure Essential Holdings is properly managed. The Board draws on relevant corporate governance best practice principles to assist and contribute to the performance of the Group.

Note (ix)

The functions of the Board include:

- Review and approval of corporate strategies, the annual budget and financial plans.
- Overseeing and monitoring organisational performance and the achievement of Essential Holdings' strategic goals and objectives.
- Monitoring financial performance including approval of the annual and half-year financial reports and liaison with Essential Holdings' auditors.
- Appointment of, and assessment of the performance of, the Managing Director and the members of the senior management team.
- Ensuring there are effective management processes in place and approving major corporate initiatives.
- Enhancing and protecting the reputation of Essential Holdings.
- Ensuring the significant risks facing Essential Holdings and its controlled entities have been identified and appropriate and adequate control, monitoring and reporting mechanisms are in place.
- Reporting to shareholders.

A description of Essential Holdings' main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire year.

The Board of Directors

The Board operates in accordance with the broad principles set out in its charter including that:

- The Board should be comprised of both executive and non-executive directors with a majority of non-executive directors. At the date of signing the Annual Report the Board consisted of five non-executives and three executive directors.

Note (ix) Value Strategy

Communications relating to corporate governance matters should cover how governance influences current and future corporate value through supervision, oversight and the accountability of the Board of Directors and Management.

- In recognition of the importance of independent views and the Board's role in supervising the activities of management, the Chairperson should be a non-executive director.
- The Chairperson of the Board is elected by the full Board and should meet regularly with the Managing Director.
- There is sufficient benefit to Essential Holdings in maintaining a mix of directors on the Board from different backgrounds with complementary skills and experience.
- The Board should undertake an annual Board performance review and consider the appropriate mix of skills required by the Board to maximise its effectiveness and its contribution to Essential Holdings. The Board's current practice is that the review discussion is facilitated by the Chairperson outside the normal programme of Board meetings. Outcomes of the review are documented together with the goals which are set for the coming year. In 2003, the performance review process is to be expanded to include a formal review by the Chairperson of the performance of each non-executive director.

The Board has established a number of committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Current committees of the Board are the remuneration and succession, audit, ethics, and risk assessment and management committees. Each is comprised entirely of non-executive directors. The committee structure and membership is reviewed on an annual basis. A policy of rotation of committee members applies.

Each of these committees has its own written charter setting out its role and responsibilities and the manner in which the committee is to operate. All matters determined by committees are submitted to the full Board as recommendations for Board decision.

The Essential Holdings' constitution specifies that all directors must retire from office no later than the third annual meeting following their last election. Where eligible, a director may stand for re-election subject to the following limitations:

- No director (other than the Managing Director) may serve more than four terms (12 years).
- On attaining the age of 70 years, a director will retire at the next annual meeting and will not seek re-election.

In addition the Board seeks to ensure that the membership at any point in time represents an appropriate balance between directors with experience and knowledge of Essential Holdings and directors with an external or fresh perspective.

Commitment

The Board meets for ten Board meetings and an additional corporate strategy workshop during the year. At least two of those meetings are held at operational sites of the Group and a full tour of the facilities is included as part of the visit.

Non-executive directors are expected to spend at least 40 days a year preparing for, and attending Board and committee meetings and associated activities.

Independent Professional Advice

Directors and Board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at Essential Holdings' expense. Prior written approval of the Chairperson is required, but this will not be unreasonably withheld.

Remuneration and Succession Committee

The Remuneration and Succession Committee consists of the following non-executive directors:

N Lateagne (Chairperson)

TM Nair

RB Clarkson

The main responsibilities of the committee are to:

- Review the membership of the Board and the performance of executive directors on an annual basis, having regard to present and future needs of Essential Holdings.
- Make recommendations on Board composition and appointments.
- Advise the Board on remuneration policies and practices generally.
- Make specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors.

When the need for a new director is identified, the committee prepares a short-list of candidates with appropriate skills and experience. Where necessary, advice is sought from independent search consultants. The full Board then appoints the most suitable candidate who must stand for election at the next annual general meeting of Essential Holdings.

New directors are provided with a letter of appointment setting out their responsibilities and rights and participate in a comprehensive, formal induction programme.

Executive remuneration and other terms of employment are reviewed annually by the committee having regard to performance, relevant comparative information and independent expert advice. As well as a base salary, remuneration packages include superannuation, retirement and termination entitlements, performance-related bonuses and fringe benefits.

Remuneration packages are set at levels that are intended to attract and retain first class executives capable of managing the consolidated entity's diverse operations and achieving Essential Holdings' strategic objectives.

Remuneration and other terms of employment for the Managing Director, Finance Director and certain other senior executives are formalised in service agreements.

Remuneration of non-executive directors is determined by the Board within the maximum amount approved by the shareholders from time to time. Non-executive directors are also entitled to retirement benefits in accordance with a shareholder approved scheme.

Audit Committee

The Audit Committee consist of the following non-executive directors:

TM Nair (Chairperson)

TN Buchanan

WH Bellbird

The main responsibilities of the Audit Committee are to:

- Review and report to the Board on the annual report, the half-year financial report and all other financial information published by Essential Holdings or released to the market.
- Assist the Board in reviewing the effectiveness of the organisation's internal control environment covering:
 - Effectiveness and efficiency of operations.
 - Reliability of financial reporting.
 - Compliance with applicable laws and regulations.
- Determining the scope of the internal audit function and ensure that its resources are adequate and used effectively, including co-ordination with external auditors.
- Oversee the effective operation of the risk management framework.
- Recommend to the Board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, and the scope and quality of the audit.
- To review and approve, within established procedures, and before commencement, the nature and scope of non-audit services being provided by the external auditors. These procedures include quantitative and qualitative thresholds for the review, and includes all relatively significant projects.

In fulfilling its responsibilities, the Audit Committee receives regular reports from management and the internal and external auditors. It also meets with the internal and external auditors at least twice a year - more frequently if necessary. The internal and external auditors have a clear line of direct communication at any time to either the Chairperson of the Audit Committee or the Chairperson of the Board.

During the year the Audit Committee reviewed and approved several proposals for the provision of non-audit services by external auditors and were satisfied that the nature and level of services would not affect the overall quality or integrity of the external audit process.

The Audit Committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

Ethics Committee

The Ethics Committee monitors matters affecting the corporate code of conduct. The committee also considers potential conflicts involving directors, particularly those involving the interests registers maintained by Essential Holdings. This includes reviewing any interests directors have in other entities and in transactions involving those entities.

The Ethics Committee consists of the following non-executive directors:

RB Clarkson(Chairperson)

N Lateagne

TN Buchanan

Risk Assessment and Management Committee

The Risk Assessment and Management Committee consists of the following non-executive directors:

TN Buchanan (Chairperson)

WH Bellbird

N Lateagne

Essential Holdings' focus on risk management recognises that risk management is, prima facie, an issue for line management. The recently established risk management framework supports this focus, but provides a structured context for those personnel to undertake a half yearly review of the past performance of, and to profile the current and future risks facing, their area of responsibility. This is monitored by the Board on a quarterly basis.

The internal audit plan is developed in conjunction with the risk management programme and is focused to confirm the operation of the internal controls and to assess the effectiveness and efficiency of the control environment.

In addition the Board requires that each major proposal submitted to the Board for decision be accompanied by a comprehensive risk assessment and, where required, management's proposed mitigation strategies.

Attendance at Meetings

	Board		Remuneration and Succession		Audit		Ethics		Risk Assessment and Management	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
WH Bellbird	11	10			3	3			4	4
RB Clarkson	11	11	2	2			4	4		
EP Franklin	11	9								
TM Nair	11	8	2	2	3	3				
SL Delves	11	11								
TN Buchanan	11	10			3	3	4	3	4	4
N Lateagne	11	11	2	2			4	4	4	4
TL Grey	11	11								

The Environment, Health and Safety Management System (EHSMS)

The Group recognises the importance of environmental and occupational health and safety issues and is committed to the highest levels of performance. To help meet this objective the EHSMS was established to facilitate the systematic identification of environmental and occupational health and safety issues and to ensure that they are managed in a structured manner. This system has been operating for 12 months and allows Essential Holdings to:

- Monitor its compliance with all relevant legislation.
- Continually assess and improve the impact of its operations on the environment.
- Encourage employees to actively participate in the management of environmental and occupational health and safety issues.
- Work with trade associations representing the Essential Holdings businesses to raise standards.
- Use energy and other resources efficiently.
- Encourage the adoption of similar standards by Essential Holdings’ principal suppliers, contractors and distributors.

Interests Register

Each company in the group is required to maintain an interests register in which the particulars of certain transactions and matters involving the directors must be recorded. The interests registers for the Parent and its subsidiaries are available for inspection by shareholders at the registered office of the Parent.

Details of all matters that have been entered in the interests register by individual directors are outlined in the director profiles following. Where a director has declared an interest in a particular entity, as a shareholder and/or director, the declaration serves as notice that the director may benefit from any transactions between the Parent or Group and the identified entities.

Information used by Directors

No member of the Board of Essential Holdings Limited, or any subsidiary, issued a notice requesting to use Group information received in their capacity as directors which would not otherwise have been available to them.

Indemnification and Insurance of Officers and Directors

The Parent indemnifies all directors named in this report, and current and former executive officers of Essential Holdings against all liabilities (other than to the Parent or member of the Group), which arise out of the performance of their normal duties as director or executive officer, unless the liability relates to conduct involving a lack of good faith. This includes indemnity of costs and expenses incurred in defending an action that falls within the scope of the indemnity.

To manage this risk, Essential Holdings has indemnity insurance. The total cost of this insurance during the financial year was \$48,750. Of this, \$24,750 related to insurance of directors with the balance related to insurance of current and former executive officers of Essential Holdings.

CA S211(1)(e)

CA S211(1)(e)

CA S211(1)(e)

Your Directors

CA S211(1)(f)

Wilson Harold Bellbird (Chairperson) BCom, MBA, FCA, 59 years of age

Mr Bellbird is a non-executive director. He has been a member of the Board since 1992 and has chaired the Board for four years. Mr Bellbird is also a member of the Audit Committee, and Risk Assessment and Management Committee. He attended ten meetings of the full Board, and all the meetings of the Audit Committee and Risk Assessment and Management Committee held during the financial year.

Matters entered in the interests register

Mr Bellbird currently chairs the Board of Deep South Limited and is a director of Miskeets Limited. He is also a member of the Coastal Preservation Development Board.

Mr Bellbird received 641 shares on 20 June 2001 as a consequence of electing to receive shares in lieu of dividends (at \$3.20 per share) and acquired 2,500 shares at \$3.35 per share on 12 August 2001. He held 32,550 shares at the end of the financial year. Although Mr Bellbird holds shares in several other companies, in each case, the level of shareholding is not considered by the Ethics Committee to cause any potential conflict of interest.

CA S211(1)(e)
NZSE 10.5.3(c)

Raewyn Beth Clarkson (Deputy Chairperson) BA, FCA, 47 years of age

Miss Clarkson is a non-executive director. She has been a member of the Board since 1998, and has been Deputy Chairperson for two years. Miss Clarkson also chairs the Ethics Committee and is a member of the Remuneration and Succession Committee. She attended all meetings of the full Board as well as the Ethics Committee and Remuneration and Succession Committee.

Matters entered in the interests register

Miss Clarkson is currently a director of Rapido Limited. She also chairs the Young Art Foundation.

Miss Clarkson held 16,875 shares directly and had a beneficial interest in a further 13,748 shares at the end of the financial year.

Miss Clarkson is a major shareholder in Clarkson Vineyards Limited and is a member of its Board. She holds no other shareholding of a level considered by the Ethics Committee to cause any potential conflict of interest.

CA S211(1)(e)
NZSE 10.5.3(c)

Eric Peter Franklin BCom, 38 years of age

Mr Franklin is the strategic planning officer for the Group. He has been on the Board since 2000. He attended nine meetings of the full Board. Mr Franklin was involved in the successful restructuring of the Group and the sale of BreakAway Restaurants Limited. He was a director of BreakAway Restaurants Limited until the date the Group disposed of its interest in that company. Mr Franklin also represents the Group on the board of Fibreglass Applications Limited.

Matters entered in the interests register

Mr Franklin has a loan outstanding to the company. The details, including amounts repaid during the period, are disclosed in note 30 of the financial statements included as part of this Annual Report.

Mr Franklin acquired 1,185 shares at \$3.15 per share on 27 May 2001 and received 290 shares on 20 June 2001 as a consequence of electing to receive shares in lieu of dividends (at \$3.20 per share). He also acquired 3,000 options, at 50 cents per option, in January 2002. The options are exercisable from 1 January 2003 and expire on 1 January 2005. The exercise price is \$3.05 per share. He held 14,750 shares at the end of the financial year. Mr Franklin is also a trustee of the Essential Holdings Employee Share Ownership Plan and holds 45,000 shares non-beneficially.

He holds no other shareholding of a level considered by the Ethics Committee to cause any potential conflict of interest.

Tricia Mary Nair PhD, 43 years of age

Dr Nair is a non-executive director and represents the interests of BXP Holdings Limited, the major shareholder of the Company, and has been on the Board since 2001. She chairs the Audit Committee, and is a member of the Risk Assessment and Management Committee. She attended eight meetings of the full Board and all of the Audit Committee and Risk Assessment and Management Committee meetings held during the financial year.

Dr Nair is also a director of Specialty Boats Limited, PleasureCraft Limited and Marine Money Limited.

Matters entered in the interests register

Dr Nair received 562 shares on 20 June 2001 as a consequence of electing to receive shares in lieu of dividends (at \$3.20 per share) and sold 5,000 shares at \$3.42 per share on 2 March 2002. She held 16,000 shares at the end of the financial year.

Dr Nair is a member of the Board of BXP Holdings Limited. She does not have an interest in any other entity of a level considered by the Ethics Committee to cause any potential conflict of interest.

CA S211(1)(e)
NZSE 10.5.3(c)

NZSE 10.5.4

CA S211(1)(e)
NZSE 10.5.3(c)

Sarah Louise Delves (Managing Director and Chief Executive Officer) BBS, 45 years of age

Ms Delves has been the Managing Director and Chief Executive Officer of the Group since 1999. Prior to that, she was the Chief Executive of Milford Sound Tourist Corporation. She has been on the Board since 2000. She attended all meetings of the full Board.

Ms Delves is also a director of Marine Money Limited, CleanBreak Adventures (New Zealand) Limited and CleanBreak Adventures (Australia) Limited. She was also a director of Administration Limited until it was amalgamated into the Parent and removed from the register of companies.

Matters entered in the interests register

Ms Delves acquired 15,000 shares on 13 July 2001 at \$3.35 per share. She also acquired 5,000 options, at 50 cents per option, in January 2002. The options are exercisable from 1 January 2003 and expire on 1 January 2005. The exercise price is \$3.05 per share. She held 28,000 shares in the company at the end of the financial year.

Ms Delves is currently a director of, and holds a controlling interest in, Spencer Limited, a fibreglass importer. During the current period the Group acquired raw materials from Spencer Limited. The acquisitions were made on normal commercial terms and amounted to \$1,500,000.

Ms Delves does not have any other shareholdings of a level considered by the Ethics Committee to cause any potential conflict of interest.

Thomas Nathan Buchanan, 68 years of age

Mr Buchanan is a non-executive director and has been on the Board since 1990.

Mr Buchanan chairs the Risk Assessment and Management Committee and is a member of the Audit Committee and the Ethics Committee. He attended ten meetings of the full Board, three of the Ethics Committee meetings and all Audit Committee meetings and Risk Assessment and Management Committee meetings.

Mr Buchanan is also a director of CleanBreak Adventures (New Zealand) Limited, CleanBreak Adventures (Australia) Limited and Great Catch Limited.

Matters entered in the interests register

Mr Buchanan held 11,606 shares at the end of the financial year. Mr Buchanan is also a trustee of the Essential Holdings Employee Share Ownership Plan and holds 45,000 shares non-beneficially.

Mr Buchanan is a partner in the law firm of Buchanan, Smith and Armstrong. The Group paid that firm legal fees of \$67,500 during the current financial year. The amounts were negotiated on normal terms and conditions. Although Mr Buchanan holds shares in various companies, he holds no shareholding of a level considered by the Ethics Committee to cause any potential conflict of interest.

CA S211(1)(e)
NZSE 10.5.3(c)

CA S211(1)(e)
NZSE 10.5.3(c)

Natasha Lateagane BBS, 27 years of age

Ms Lateagane is a non-executive director and was appointed to the Board in 2001. She chairs the Remuneration and Succession Committee and is a member of the Ethics Committee and Risk Assessment and Management Committee. She attended all of the meetings of the full Board and all meetings of the Remuneration and Succession Committee, Ethics Committee and Risk Assessment and Management Committee.

Ms Lateagane is also a director of CleanBreak Adventures (New Zealand) Limited, CleanBreak Adventures (Australia) Limited and Geothermal Activities Limited.

Matters entered in the interests register

Ms Lateagane held 4,000 shares in the company at the end of the financial year.

Ms Lateagane is a partner in the accounting firm of Clarke & Co. Although Ms Lateagane holds shares in various companies, she holds no shareholding of a level considered by the Ethics Committee to cause any potential conflict of interest.

CA S211(1)(e)
NZSE 10.5.3(c)

Michael Alan Desmond LLM, 63 years of age

Mr Desmond resigned from the Board in April 2001. He had been a director since 1987.

Matters entered in the interests register

At the time of his resignation Mr Desmond held 9,800 shares in the company.

CA S211(1)(e)
NZSE 10.5.3(c)

Tama Lester Grey, 47 years of age

Mr Grey was appointed to the Board in May 2001. He is the Chief Executive of CleanBreak Adventures (New Zealand) Limited. He attended all of the meetings of the full Board held during the financial year.

Mr Grey is also a director of CleanBreak Adventures (New Zealand) Limited, CleanBreak Adventures (Australia) Limited and was a director of BreakAway Restaurants Limited until the date the Group disposed of its interest in that company.

Matters entered in the interests register

Mr Grey received 239 shares and had a beneficial interest in 197 shares, issued on 20 June 2001 as a consequence of electing to receive shares in lieu of dividends (at \$3.20 per share). He also acquired 2,000 shares at \$3.47 per share on 2 February 2002. He held 12,123 shares directly and had a beneficial interest in a further 10,000 shares at the end of the financial year.

Mr Grey is currently a director of HDL Limited. Mr Grey is a major shareholder in HDL Limited. He holds no other shareholding of a level considered by the Ethics Committee to cause any potential conflict of interest.

CA S211(1)(e)
NZSE 10.5.3(c)

Essential Holdings Limited & Subsidiaries

For the year ended 31 March 2002

Directors of Essential Holdings Limited	2002		2001	
	Directors' Fees	Other Remuneration	Directors' Fees	Other Remuneration
WH Bellbird (Chairperson)	49,800	-	46,800	-
RB Clarkson (Deputy-chairperson)	40,300	-	38,000	-
EP Franklin	19,800	154,000	16,400	148,600
TM Nair	30,800	-	30,400	-
SL Delves	24,800	195,000	22,400	190,000
TN Buchanan	22,300	-	19,300	-
N Lateagane	22,300	-	19,300	-
MA Desmond (resigned April 2001)	-	-	13,400	-
TL Grey	19,800	132,000	3,000	112,000

CA S211(1)(e), (f)

The fees and remuneration have been entered in the interests register. Board members who are appointed by the Parent to represent it on the Board of a subsidiary do not receive additional directors' fees or remuneration. If a director is appointed to the Board of an associate any fees or remuneration is recognised as revenue in the Group and does not pass to the individual concerned.

Directors of Subsidiaries

In most cases, the Boards of the Group's subsidiaries are comprised of a majority of members from the Board of the Parent. The responsibilities of the individual directors are indicated in the profiles above. There are two external directors on the subsidiary Boards. The profiles of these individuals are given below.

Richard Neil Jackson BSc, 61 years of age

Mr Jackson is the founder of PleasureCraft Limited. The Group acquired a controlling interest in PleasureCraft during the current financial year. Mr Jackson remains on the Board of PleasureCraft Limited.

Matters entered in the interests register

Mr Jackson was paid \$18,150 in director's fees during the current financial year. The acquisition of PleasureCraft Limited was partially financed by a loan from Mr Jackson. The loan was financed under normal commercial terms. The details are disclosed in note 30 of the financial statements included as part of this Annual Report. Mr Jackson did not hold any shares in the Parent at the end of the financial year, and did not buy or sell any shares. Mr Jackson was contracted to provide architectural services on a development undertaken by CleanBreak Adventures (New Zealand) Limited. The contract was under normal commercial terms and was approved by the Ethics Committee. He has a 20% shareholding in PleasureCraft Limited, but holds no other shareholding of a level considered by the Ethics Committee to cause any potential conflict of interest.

CA S211(1)(e), (f), S211(2)

Julie Patricia Smythe BA, 52 years of age

Mrs Smythe is an independent director on the Board of Specialty Boats Limited, and has been on that Board since 2000. She is a member of the Upper Hikurangi Community Board. She attended all of the meetings of the Board of Specialty Boats Limited.

Mrs Smythe was a director of BreakAway Restaurants Limited until the date the Group disposed of its interest in that company.

Matters entered in the interests register

Mrs Smythe was paid \$18,150 in director's fees by Specialty Boats Limited during the current financial year, and \$5,000 in director's fees by BreakAway Restaurants Limited. Mrs Smythe has a loan outstanding to Specialty Boats Limited. The details, including amounts repaid during the period, are disclosed in note 30 of the financial statements included as part of this Annual Report. Mrs Smythe did not hold any shares in any company in the Group at the end of the financial year, and did not buy or sell any shares. She holds no shareholding of a level considered by the Ethics Committee to cause any potential conflict of interest.

CA S211(1)(e), (f), S211(2)



Other Statutory Information

Shareholder information

The ordinary shares of Essential Holdings Limited are listed on the New Zealand Stock Exchange. The information in the disclosures below have been taken from the Company's registers at 30 April 2002.

Twenty largest ordinary equity holders

NZSE 10.5.3(b)

Holder	Number held	% of issued equity
BXP (New Zealand) Limited	4,706,706	42.31
National Nominees Limited	562,869	5.06
AN Investments Limited	531,407	4.78
Rushkin Limited	508,869	4.57
Jackson Enterprises Limited	350,001	3.15
Essential Employee Share Ownership Plan	339,000	3.05
Extreme Adventures Australia Pty	274,735	2.47
Whitfield Limited	257,488	2.31
TDR Corporation Limited	257,238	2.31
PLK Holdings Limited	247,500	2.22
Sterling Investments (UK) plc	239,046	2.15
Technical Investments (#9) Limited	234,570	2.11
Essential Holdings Limited (held as Treasury Stock)	222,487	2.00
Whitewater Limited	136,500	1.23
The Life Company	77,000	0.69
SRD Custodians Limited	68,600	0.62
J Chevalier	63,000	0.57
Business Services Limited	37,100	0.33
WH Bellbird (Director)	32,550	0.29
WM Treasury Limited	30,240	0.27
Total	9,176,906	82.49%

Distribution of equity securities

NZSE 10.5.3(d)

Range of equity holdings	Number of holders	Number of shares held	% of issued equity
1-4,999	1,856	332,902	3.00
5,000-9,999	100	236,740	2.12
10,000-49,999	50	1,477,676	13.28
50,000-99,999	3	208,600	1.88
100,000-499,999	10	2,558,565	23.00
500,000-999,999	3	1,603,145	14.41
1,000,000 plus	1	4,706,706	42.31
Total	2,023	11,124,334	100.00%

Substantial Security Holders

The following information is given in accordance with Section 26 of the Securities Amendment Act 1988. According to notices received, the following persons were substantial security holders in the Company as at 30 April 2002:

Holder	Number of shares held
BXP (New Zealand) Limited	4,706,706
National Nominees Limited	562,869

The total number of issued voting securities of the Company as at 30 April 2002 was 11,124,334.

Shareholder Enquiries

Shareholders should send changes of address and requests for payment of dividends by direct credit to NZ Registry Limited at the address noted in the directory. Notification must be in writing. Questions relating to shareholdings or share certificates should also be addressed to NZ Registry Limited. For information about the Group please contact the Manager, External Relations at the registered office by sending an e-mail to info@essentialholdings.co.nz or visit us at our website <http://www.essentialholdings.co.nz>.

NZSE 10.5.3(a)

SAA S26(1)

Auditors

The principal auditor for the Group is PricewaterhouseCoopers. In addition to audit services, PricewaterhouseCoopers provided tax and assurance services in relation to the sale of BreakAway Restaurants Limited in the current year. The Group acquired the consultancy assistance while restructuring its operations. The remuneration for services provided by PricewaterhouseCoopers or the current financial year was:

	2002		2001	
	Audit	Other	Audit	Other
Essential Holdings Limited	67,000	65,000	61,000	59,000
Specialty Boats Limited	5,638	9,020	5,125	8,200
PleasureCraft Limited	5,638	9,020	-	-
CleanBreak Adventures (Australia) Limited	16,568	14,631	15,477	12,850
CleanBreak Adventures (New Zealand) Limited	5,638	9,020	5,121	8,200
Administration Limited	2,819	-	2,563	-
BreakAway Restaurants Limited	16,913	48,000	15,375	32,000
Marine Money Limited	3,947	2,256	3,588	2,051
	\$124,161	\$156,947	\$108,249	\$122,301

Some sections of CleanBreak Adventures (Australia) Limited are audited by a firm other than PricewaterhouseCoopers. The other auditor received remuneration of \$3,384 (2001: \$2,050) for audit services provided to PleasureCraft Limited. No other services were provided.

- The Companies Act requires the disclosure of matters entered in the interests register. All transactions entered into by directors involving shares of the Company are required to be included in this register. The NZSE Listing Rules require the disclosure only of the holdings at the end of the financial year.**
- The NZSE also requires the disclosure of the current credit rating status, if any, of the issuer, all waivers granted by the NZSE or the Market Surveillance Panel and the details related to circumstances where the NZSE has exercised its powers under Rule 5.4.2. These powers relate to suspension and censure, for example, of a company.**



Essential Holdings Limited

Financial Statements

Directors' Responsibility Statement

The directors are responsible for ensuring that the financial statements give a true and fair view of the financial position of the Company and the Group as at 31 March 2002 and their financial performance and cash flows for the year ended on that date.

The directors consider that the financial statements of the Company and the Group have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates and that all relevant financial reporting and accounting standards have been followed.

The directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

The directors consider they have taken adequate steps to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

The directors have pleasure in presenting the financial statements, set out on pages 35 to 91, of Essential Holdings Limited and Group for the year ended 31 March 2002.

The Board of Directors of Essential Holdings Limited authorised these financial statements for issue on 15 May 2002.

For and on behalf of the Board.

WH Bellbird
Chairperson

SL Delves
Managing Director

15 May 2002

A directors' responsibility statement is not required but is recommended. If a directors' responsibility statement is not provided, the directors must still provide the information required by the Companies Act 1993, Financial Reporting Act 1993 and FRS5 *Events After Balance Date*, as indicated above.

CA S211(1)(b), S211(2)
FRA S10(1)(a), S13(1)(a)
FRS5 6.1

CA S211(1)(b)
FRA S10(1)(b), S13(1)(b)



Index to Financial Statements

Auditors' Report	34	15 Payables and accruals	65
Financial Statements		16 Provisions	65
Statements of Financial Performance	35	17 Set-off of assets and liabilities	66
Statements of Movements in Equity	36	18 Property, plant and equipment	67
Statements of Financial Position	37	19 Commitments	70
Statements of Cash Flows	38	20 Investments in subsidiaries	71
Statement of Accounting Policies	41	21 Investments in associates	74
Notes to the Financial Statements		22 Joint venture	77
1 Segment information	48	23 Other investments	78
2 Operating revenue	51	24 Intangible assets	79
3 Operating expenses	52	25 Inventories	81
4 Extraordinary item	53	26 Construction contracts	81
5 Share capital	54	27 Accounts receivable	82
6 Employee share ownership plan	56	28 Financial instruments	83
7 Reserves	58	29 Contingent gains and losses	88
8 Retained earnings	59	30 Related party information	90
9 Dividends	59	31 Events occurring after balance date	91
10 Imputation balances	60	Notice of Annual Meeting	92
11 Minority interests	60	Proxy	93
12 Borrowings	61	Postal voting form	94
13 Deferred tax	63	Directory	95
14 Income tax	64		

Auditors' Report

To the shareholders of Essential Holdings Limited

We have audited the financial statements on pages 35 to 91. The financial statements provide information about the past financial performance and cash flows 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 41 to 47.

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 and cash flows for the year ended on that date.

Auditors' Responsibilities

We are responsible for expressing an independent opinion on the financial statements presented by the Directors and reporting our opinion to you.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- (a) the significant estimates and judgements made by the Directors in the preparation of the financial statements; and
- (b) whether the accounting policies are appropriate to the circumstances of the Company and Group, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

We have no relationship with or interests in the Company or any of its subsidiaries other than in our capacities as auditors under the Companies Act 1993, 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 35 to 91:
 - (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 and cash flows 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 Holdings 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	2	49,164	52,475	9,525	10,350
Operating expenses	3	(43,815)	(44,927)	(5,533)	(6,289)
Operating surplus before income tax		5,349	7,548	3,992	4,061
Income tax	14	(2,502)	(2,589)	(894)	(914)
Operating surplus		2,847	4,959	3,098	3,147
Extraordinary item	4	(134)	-	-	-
Net surplus for the year		2,713	4,959	3,098	3,147
Net surplus attributable to minority interest	11	(401)	(236)	-	-
Net surplus attributable to parent shareholders		\$2,312	\$4,723	\$3,098	\$3,147
Operating surplus comprises:					
Operating surplus from continuing activities		4,088	3,490	2,848	3,147
Operating (deficit)/surplus from discontinued activities		(1,241)	1,469	250	-
		2,847	4,959	3,098	3,147

FRS9 6.6

FRS2 6.13(a)*

FRS2 6.12*

FRS2 6.7, 6.13(b)*

FRS2 6.10, FRS7 5.6*

FRS2 6.3*

FRS2 6.3*

FRS9 6.2

FRS9 6.4

- 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 must be disclosed.
- Perf.2** Items must not be offset against other items, unless a right of set-off exists under FRS27 *Right of Set-Off*.
- Perf.3** If the current reporting period and the preceding reporting period are of unequal lengths, this fact must be clearly stated.

FRS2 5.15

FRS9 5.5

FRS9 5.2

FRS9 5.3

Essential Holdings 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	
Net surplus for the year, comprising						
Parent shareholders' interest	8	2,312	4,723	3,098	3,147	
Minority interest	11	401	236	-	-	FRS2 7.3(a)(i)*
		2,713	4,959	3,098	3,147	FRS2 7.3(a)(i)*
Other recognised revenues and expenses						
Increase/(decrease) in investment property revaluation reserve	7	88	(64)	88	(64)	FRS2 7.3(a)(ii)*
Increase in asset revaluation reserves	7	48	47	48	-	FRS2 7.3(a)(ii)*, FRS3 11.8(a)
Foreign currency translation reserve movement	7	(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	8, 20	-	-	33	-	
Total recognised revenues and expenses		2,823	4,968	3,267	3,083	FRS2 7.3(a)*
Contributions from owners	5	2,347	1,169	2,347	1,169	FRS2 7.3(c)*
Distributions to owners	9	(980)	(2,698)	(980)	(2,698)	FRS2 7.3(b)*
Share options issued	7	10	15	10	15	
Share election reserve	7	(1,250)	270	(1,250)	270	FRS20 5.1
Convertible notes reserve	7	-	283	-	283	
Repurchase of shares	5, 8	(807)	-	(807)	-	
Minority interest in contributions from/ (distributions to) owners	11	46	(210)	-	-	FRS2 7.3(d)*
Movements in equity for the year		2,189	3,797	2,587	2,122	FRS2 7.2
Equity at beginning of year, comprising						
Parent shareholders' interest		25,925	22,154	23,960	21,838	
Minority interest		392	366	-	-	
		26,317	22,520	23,960	21,838	FRS2 7.2
Equity at end of year, comprising						
Parent shareholders' interest		27,667	25,925	26,547	23,960	
Minority interest		839	392	-	-	
		\$28,506	\$26,317	\$26,547	\$23,960	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.

FRS7 5.2

Essential Holdings Limited & Subsidiaries
Statements of Financial Position

As at 31 March 2002

	Notes	Group		Parent	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Equity					
Share capital	5	22,060	20,493	22,060	20,493
Reserves	7	894	2,024	703	1,807
Retained earnings	8	4,713	3,408	3,784	1,660
Parent shareholders' equity		27,667	25,925	26,547	23,960
Minority interests	11	839	392	-	-
Total equity		28,506	26,317	26,547	23,960
Liabilities					
Non-current liabilities					
Payables and accruals	15	38	43	38	43
Borrowings	12	5,146	4,287	3,255	3,209
Deferred tax	13	315	682	114	87
Total non-current liabilities		5,499	5,012	3,407	3,339
Current liabilities					
Bank overdraft	12	890	1,642	-	-
Payables and accruals	15	3,448	3,539	712	1,092
Provisions	16	47	-	-	-
Borrowings	12	656	888	376	674
Total current liabilities		5,041	6,069	1,088	1,766
Total liabilities		10,540	11,081	4,495	5,105
Total equity and liabilities		\$39,046	\$37,398	\$31,042	\$29,065
Assets					
Non-current assets					
Investments in subsidiaries	20	-	-	4,750	6,100
Investments in associates	21	3,248	3,381	2,000	2,120
Other investments	23	6,282	5,501	6,220	5,501
Accounts receivable	27	1,340	1,250	4,050	2,375
Property, plant and equipment	18	17,965	18,519	10,619	9,307
Intangible assets	24	2,412	1,915	-	-
Total non-current assets		31,247	30,566	27,639	25,403
Current assets					
Cash and bank balances		2,095	2,607	279	285
Other investments	23	432	486	432	486
Accounts receivable	27	2,204	1,848	1,456	1,489
Construction contracts	26	189	49	-	-
Property, plant and equipment held for sale		100	-	-	-
Inventories	25	2,779	1,842	1,236	1,402
Total current assets		7,799	6,832	3,403	3,662
Total assets		\$39,046	\$37,398	\$31,042	\$29,065

FRS2 5.2(c), 5.17, 8.1
 FRA 58(1)(a)

Requirement to consolidate:
 FRA 59(1)(a)
 FRS37 5.1

FRS2 8.5(a)(v)*

FRS2 8.5(a)(v)*
 FRS9 8.17, 8.19

FRS2 8.5(a)(iv)

FRS2 8.5(a)(iii)
 FRS9 8.10(e)

FRS2 8.5(a)(ii)
 FRS9 8.2(b)(i)
 FRS9 8.2(b)(iii)
 FRS9 8.2(b)(vi)

FRS2 8.5(a)(i)*
 FRS9 8.2(c)
 FRS9 8.2(b)(vi)

FRS4 5.29(b)(i)

Statements of Cash Flows

For the year ended 31 March 2002

	Notes	Group		Parent	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Operating activities					
Cash was provided from					
Receipts from customers		48,213	52,137	7,800	8,706
Interest received		187	188	342	272
Dividends received		222	186	1,137	1,320
Grants		300	-	-	-
Finance company loan repayments		839	629	-	-
		49,761	53,140	9,279	10,298
Cash was applied to					
Payments to suppliers		(33,377)	(35,283)	(2,661)	(3,582)
Payments to employees		(4,013)	(5,136)	(1,353)	(1,432)
Other operating expenses		(2,026)	(2,234)	(724)	(705)
Finance lease charges		(70)	(71)	-	-
Interest paid		(524)	(630)	(282)	(358)
Net GST paid		(40)	(6)	(15)	(12)
Income tax paid		(2,822)	(2,608)	(936)	(930)
Finance company loans made		(1,107)	(1,079)	-	-
		(43,979)	(47,047)	(5,971)	(7,019)
Net cash inflows from operating activities		5,782	6,093	3,308	3,279
Investing activities					
Cash was provided from					
Proceeds from sale of property, plant and equipment		1,404	51	42	20
Proceeds from sale of investments		162	-	1,662	-
Advances and loans repaid		39	39	19	19
Proceeds from disposal of associate		129	-	129	-
Loan from Employee Share Ownership Plan		50	-	50	-
Proceeds from disposal of subsidiary	20	1,522	-	-	-
		3,306	90	1,902	39
Cash was applied to					
Purchase of property, plant and equipment		(5,257)	(1,158)	(1,095)	(195)
Capitalised interest paid		(16)	-	-	-
Advances and loans to subsidiaries		-	-	(1,675)	(350)
Loans to Employee Share Ownership Plan		-	(150)	-	(150)
Purchase of investments		(758)	(1,701)	(696)	(1,701)
Patents and development activities		(200)	(470)	-	-
Purchase of subsidiary	20	(2,089)	-	-	-
		(8,320)	(3,479)	(3,466)	(2,396)
Net cash outflows from investment activities		(5,014)	(3,389)	(1,564)	(2,357)

FRS2 5.2(d), 5.17

FRS10 5.1

FRA S8(1)(c)

Requirement to consolidate:

FRA S9(1)(d)

FRS37 5.1

FRS10 5.21

FRS2 9.1(a), FRS10 5.8

FRS10 5.13(a)(i)

FRS10 5.13(a)(ii)

FRS10 5.13(a)(iii)

FRS10 5.17

FRS10 5.3

FRS2 9.1(b)

FRS10 5.13(c)(i)

FRS10 5.3

Essential Holdings Limited & Subsidiaries
Statements of Cash Flows continued

For the year ended 31 March 2002

	Notes	Group		Parent		
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	
Financing activities						
Cash was provided from						
Proceeds from borrowings		1,857	-	-	-	
Issue of convertible notes		-	1,500	-	1,500	
Issue of options		10	15	10	15	
Issue of ordinary shares		1,380	137	1,380	137	
		3,247	1,652	1,390	1,652	
Cash was applied to						
Share repurchases		(808)	-	(808)	-	
Repayment of principal on borrowings		(961)	(867)	(810)	(774)	
Finance lease principal payments		(130)	(104)	-	-	
Dividends paid to Parent shareholders		(1,680)	(1,399)	(1,680)	(1,399)	FRS10 5.13(b)(i)*
Dividends paid to minority interests		(163)	(210)	-	-	FRS10 5.13(b)(ii)
		(3,742)	(2,580)	(3,298)	(2,173)	
Net cash outflows from financing activities		(495)	(928)	(1,908)	(521)	FRS10 5.3
Net increase/(decrease) in cash held						
Foreign currency translation adjustment		(33)	28	-	-	FRS10 5.19, FRS21 7.1(f)
Cash from amalgamation	20	-	-	158	-	
Cash at beginning of year		965	(839)	285	(116)	FRS10 5.22
Cash at end of year		\$1,205	\$965	\$279	\$285	FRS10 5.22
Composition of cash						
Cash and bank balances		2,095	2,607	279	285	FRS10 5.22
Bank overdraft		(890)	(1,642)	-	-	
		1,205	965	279	285	

- CF.1** As appropriate, the statement of cash flows should disclose separately within operating, financing and investing activities:
- Extraordinary items which have a cash flow impact.
 - Items of such incidence and size or nature that their separate disclosure is necessary to explain the cash flows of the entity.
- CF.2** Where assets and liabilities are affected by non-cash transactions, such as the acquisition of a business through the issue of shares, this must be disclosed in the notes to the financial statements. The statement of cash flows should reflect only the cash element of transactions.
- CF.3** Where part, or all, of cash balances held are restricted or are otherwise not available for general use, this fact must be disclosed.
- CF.4** When a cash flow combines receipts and payments to present a net cash flow, a note to the financial report must identify it as such and provide the reasons those receipts and payments have been set-off.

Statements of Cash Flows continued

For the year ended 31 March 2002

	Group		Parent	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Reconciliation of operating surplus to net cash flows from operating activities				
Reported surplus after tax	2,312	4,723	3,098	3,147
Minority interest share of surpluses	401	236	-	-
	2,713	4,959	3,098	3,147
Items not involving cash flows				
Depreciation expense	983	1,051	294	288
Impairment of property, plant and equipment	62	-	105	-
Increase in estimated doubtful debts	11	9	5	-
Amortisation expense	735	611	-	-
Development expenditure written off	-	200	-	-
Development expenditure written back	(45)	(195)	-	-
Unbilled construction contract surplus	(140)	36	-	-
Estimated diminution of investment	-	41	-	41
Share of surpluses retained by associates	22	(47)	-	-
Defeasance of debt	(17)	-	(17)	-
Movement in foreign exchange	(54)	-	-	-
Deferred tax	(317)	(23)	(38)	(12)
	1,240	1,683	349	317
Impact of changes in working capital items				
Accounts receivable	(46)	(188)	(1)	-
Dividends receivable	-	-	30	(50)
Inventory	208	(261)	166	(161)
Prepayments	(16)	2	-	-
Construction contract receivables	(14)	(17)	-	-
Trade creditors	(154)	161	(56)	54
Lease receivables	(268)	(450)	-	-
Accruals	(5)	6	(2)	(8)
GST payable	(17)	(3)	(1)	(18)
Long service leave	(7)	1	(7)	1
Service warranties	(6)	-	-	-
Unearned income	42	191	-	-
Tax provision	(3)	3	(5)	(5)
Termination of operating lease payable	100	-	-	-
	(186)	(555)	124	(187)
Items classified as investing activities				
Loss/(surplus) on disposal of property, plant and equipment	397	6	(4)	2
Gain on disposal of investment	(17)	-	(9)	-
Loss/(gain) on disposal of subsidiary	1,635	-	(250)	-
	2,015	6	(263)	2
Net cash flow from operating activities	\$5,782	\$6,093	\$3,308	\$3,279

FRS10 5.11

Essential Holdings 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 Holdings Limited as a separate legal entity.

The consolidated financial statements for the "Group" are for the economic entity comprising Essential Holdings Limited, its subsidiaries and associates.

FRS1 5.5(a)

Statutory base

Essential Holdings Limited is a company registered under the Companies Act 1993 and is an issuer in terms of the Securities Act 1978.

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

FRS1 5.5(c)

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 surplus on a construction contract is recognised when it can be estimated reliably. The percentage of completion method is used to determine the appropriate amount to recognise in a given period. The full amount of an anticipated loss, including that relating to future work on the contract, is recognised as soon as it is foreseen.

FRS14

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.

Investment income

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

Interest and rental income are accounted for as earned.

Essential Holdings Limited & Subsidiaries

Statement of Accounting Policies

For the year ended 31 March 2002

Income Tax

The income tax expense recognised for the year is based on the accounting surplus, adjusted for permanent differences between accounting and tax rules.

SSAP12

The impact of all timing differences between accounting and taxable income is recognised as a deferred tax liability or asset. This is the comprehensive basis for the calculation of deferred tax under the liability method.

SSAP12 5.14(a)

A deferred tax asset, or the effect of losses carried forward that exceed the deferred tax liability, is recognised in the financial statements only where there is virtual certainty that the benefit of the timing differences, or losses, will be utilised.

Goods and Services Tax (GST)

The statement of financial performance and statement of cash flows have 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, FRS10 5.6

Foreign currencies

Transactions

Transactions denominated in a foreign currency are converted to New Zealand dollars at the exchange rates in effect at the date of the transaction, except when forward currency contracts have been taken out to cover short-term forward currency commitments. Where short-term forward currency contracts have been taken out, the transaction is translated at the rate contained in the contract.

FRS21 7.1(a)

Monetary assets and liabilities arising from trading transactions or overseas borrowings are translated at closing rates. Gains and losses due to currency fluctuations on these items are included in the statement of financial performance, except where monetary liabilities are identified as a hedge against an independent foreign operation.

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.

Equity

Share issue costs

Costs associated with the issue of shares are recognised as a reduction of the amount collected per share.

Convertible notes

On issue of convertible notes, the fair value of the conversion option is recognised and presented as a component of shareholders' equity. The obligation to make future payments of principal and interest to note holders is carried as a liability until extinguished on conversion or maturity of the notes.

Share options

No compensation expense is recognised in respect of share options granted pursuant to Executive Staff Share Option Schemes if the exercise price, together with any amounts received when the options are granted, is equal to or greater than the market price of the shares on the date that the options are granted. If the options are granted at a discount to the market price, a compensation expense is recognised in the statement of financial performance based on that discount. Amounts received at the date the options are granted are recognised in the share option reserve. When the options are exercised or the options lapse, the proceeds received together with the amounts previously received and recorded in the share option reserve are transferred to share capital.

Statement of Accounting Policies

For the year ended 31 March 2002

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.

Revaluations

Land and buildings are revalued by independent registered valuers on the basis of open market value for highest and best use, with a willing but not anxious buyer and a willing but not anxious seller. The revaluations are conducted on a systematic basis across the Group so that each asset is revalued every five years.

In previous years, land and buildings were revalued on the basis of open market value for the existing use of the asset.

FRS3 11.4(b), (e)

Depreciation

Depreciation of property, plant and equipment, other than freehold land, is calculated on a straight line basis so as to expense the cost of the assets, or the revalued amounts, to their residual values over their useful lives as follows:

	Estimated useful life
Buildings	50 years
Plant and equipment	10-20 years
Leasehold improvements	10 years
Motor vehicles	3 years
Office equipment	3 years
Jetty	20 years
Adventure tourism equipment	13-20 years
Rental boats	10 years
Catamaran	31 years

FRS3 11.1(b), (c)

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.

SSAP18

Essential Holdings Limited & Subsidiaries

Statement of Accounting Policies

For the year ended 31 March 2002

Investments

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

Investment properties are stated at open market value less estimated costs of disposal as determined by independent registered valuers at each balance date. Unrealised increases in the value of investment properties are included in the investment property revaluation reserve. Investment properties are not depreciated.

SSAP17 5.9(a)

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.

SSAP25 5.4

Intangible assets

Patents, trade marks and licences

Patents, trademarks and licences are amortised over their anticipated useful lives which range between three and ten years.

SSAP3 5.8(a), (b)

Research and development

All research costs are recognised as an expense when incurred.

FRS13 5.19(a), (c), (d)

When a project reaches the stage where it is reasonably certain that further expenditure can be recovered through the processes or products produced, development expenditure is recognised as a development asset. The asset is amortised from the commencement of commercial production of the product to which it relates, on a straight line basis, over the period of expected benefit, which ranges from two to ten years.

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.

FRS4 5.29(a)

Inventories

Raw materials, work-in-progress and finished goods 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.

Contract work in progress

Contract work in progress is stated at cost plus the surplus recognised to date, 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.

FRS14

Accounts receivable

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

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.

Statement of Accounting Policies

For the year ended 31 March 2002

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.

Financial instruments

Recognised

Financial instruments carried on the statement of financial position include cash and bank balances, investments, receivables, trade creditors and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial instruments, including derivatives, that are designated as hedges of specific items are recognised on the same basis as the underlying hedged items.

Derivatives that do not constitute hedges are stated at market value and any resultant gain or loss is recognised in the statement of financial performance.

Unrecognised

The net differential paid or received on interest swaps is recognised as a component of interest expense or revenue over the period of the agreement.

Premium paid on interest rate options, and net settlements on maturity of forward rate agreements are amortised to the statement of financial performance over the period of the underlying asset or liability.

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

FRS31 6.1(a)

Statement of cash flows

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

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

FRS10 5.36

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.

FRS1 5.20

Statement of Accounting Policies

For the year ended 31 March 2002

Changes in accounting policies

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

FRS1 5.5(d), 5.11

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 9). 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 9 as \$533,968) has not been recognised in the statement of financial position. Previously this would have been recognised as a liability.

Basis of revaluations

Under the new policy, the basis of revaluing land and buildings is to open market value for the highest and best use for the asset. Under the previous accounting policy land and buildings were revalued on the basis of open market value for the existing use for the asset.

The Board of Directors has adopted this change to conform to the requirements of Financial Reporting Standard No.3 *Accounting for Property, Plant and Equipment*.

This change in accounting policy has not had any material effect in the current period.

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:

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

Essential Holdings Limited & Subsidiaries

Statement of Accounting Policies

For the year ended 31 March 2002

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 Holdings Limited & Subsidiaries
Notes to the Financial Statements

For the year ended 31 March 2002

FRS2 5.2(f)

1 Segment information

SSAP23 5.1, 5.9

Industry segments

	Construction and manufacturing		Retail		Tourism		Hospitality		Unallocated and other		Total	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Assets												
Segment	5,214	3,307	12,308	11,024	12,504	9,196	-	3,940	7,266	6,806	37,292	34,273
Unallocated head office	-	-	-	-	-	-	-	-	2,744	3,935	2,744	3,935
Total	5,214	3,307	12,308	11,024	12,504	9,196	-	3,940	10,010	10,741	40,036	38,208
Intersegment	-	-	(210)	-	-	-	-	-	(780)	(810)	(990)	(810)
Consolidated	5,214	3,307	12,098	11,024	12,504	9,196	-	3,940	9,230	9,931	\$39,046	\$37,398
Revenue												
Segment	12,811	13,189	13,078	8,853	19,487	17,508	3,311	12,240	2,226	2,104	50,913	53,894
Unallocated head office	-	-	-	-	-	-	-	-	241	194	241	194
Total	12,811	13,189	13,078	8,853	19,487	17,508	3,311	12,240	2,467	2,298	51,154	54,088
Intersegment	(300)	-	(20)	-	-	-	-	-	(1,670)	(1,613)	(1,990)	(1,613)
Consolidated	12,511	13,189	13,058	8,853	19,487	17,508	3,311	12,240	797	685	\$49,164	\$52,475
Result												
Segment	1,461	1,710	3,785	3,251	2,536	1,929	381	1,886	2,126	2,220	10,289	10,996
Interest expense	(147)	(20)	(14)	-	(135)	(224)	(14)	(63)	(480)	(514)	(790)	(821)
Unusual items												
Lease termination	-	-	(100)	-	-	-	-	-	-	-	(100)	-
Staff retrenchment costs	-	-	-	-	-	-	-	(354)	-	-	-	(354)
Subsidiary disposal	-	-	-	-	-	-	(1,635)	-	-	-	(1,635)	-
Unallocated expenses												
Head office expenses	-	-	-	-	-	-	-	-	(1,035)	(933)	(1,035)	(933)
Net segment result	1,314	1,690	3,671	3,251	2,401	1,705	(1,268)	1,469	611	773	6,729	8,888
Intersegment eliminations												
Transactions with Parent	(207)	20	(20)	-	135	135	140	-	(48)	(155)	-	-
Intersegment dividends	-	-	-	-	-	-	-	-	(1,380)	(1,340)	(1,380)	(1,340)
Consolidated	1,107	1,710	3,651	3,251	2,536	1,840	(1,128)	1,469	(817)	(722)	\$5,349	\$7,548

SSAP23 5.3

Comparatives required:

SSAP23 5.11

SSAP23 5.6(c)

SSAP23 5.7

SSAP23 5.6(a)

SSAP23 5.7

SSAP23 5.6(b)

SSAP23 5.6(e)

SSAP23 5.7

Essential Holdings Limited & Subsidiaries

Notes to the Financial Statements

For the year ended 31 March 2002

Geographic segments

	New Zealand		Australia		Unallocated and other		Total	
	2002	2001	2002	2001	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets								
Segment	34,861	33,459	4,671	4,325	-	-	39,532	37,784
Intersegment	(486)	(386)	-	-	-	-	(486)	(386)
Consolidated	34,375	33,073	4,671	4,325	-	-	\$39,046	\$37,398
Revenue								
Segment	38,342	42,871	12,220	10,779	-	-	50,562	53,650
Unallocated head office	-	-	-	-	241	194	241	194
Total	38,342	42,871	12,220	10,779	241	194	50,803	53,844
Intersegment	(1,639)	(1,369)	-	-	-	-	(1,639)	(1,369)
Consolidated	36,703	41,502	12,220	10,779	241	194	\$49,164	\$52,475
Result								
Segment	7,528	8,674	3,020	2,351	-	-	10,548	11,025
Interest expense	(790)	(821)	-	-	-	-	(790)	(821)
Unusual items								
Lease termination	(100)	-	-	-	-	-	(100)	-
Staff retrenchment costs	-	(354)	-	-	-	-	-	(354)
Subsidiary disposal	(1,635)	-	-	-	-	-	(1,635)	-
Unallocated expenses	-	-	-	-	(1,035)	(933)	(1,035)	(933)
Net segment result	5,003	7,499	3,020	2,351	(1,035)	(933)	6,988	8,917
Intersegment eliminations	(1,639)	(1,369)	-	-	-	-	(1,639)	(1,369)
Consolidated surplus	3,364	6,130	3,020	2,351	(1,035)	(933)	\$5,349	\$7,548

The surplus is that of the Group before income tax, minority interest and extraordinary items. Intersegment sales are on an arm's length basis.

The Group operates predominantly in the following industries and is involved in the production and sale of the following products and services:

Construction and manufacturing

The construction of specialty boats and yachts.

Retail

The sale of boats and yachts, together with boating accessories.

SSAP23 5.5

Comparatives required:
SSAP23 5.11

SSAP23 5.6(c)

SSAP23 5.7

SSAP23 5.6(a)

SSAP23 5.7

SSAP23 5.6(b)

SSAP23 5.6(e)

SSAP23 5.7

SSAP23 5.6(d)

SSAP23 5.3

Essential Holdings Limited & Subsidiaries

Notes to the Financial Statements

For the year ended 31 March 2002

Tourism

Operation of adventure activities, including catamaran, helicopter and fishing trips in major tourist towns in New Zealand, Australia and Vanuatu.

Hospitality

The operation of a chain of restaurants in all major regional centres in New Zealand.

Other

Includes the Group's interest in Marine Money Limited and the Parent's investment property activities. Neither of these activities constitute a separately reportable segment.

The activities of the Parent that relate to overseeing the activities of the Group are classified as unallocated head office revenue, expenses and results.

- | | | |
|------------|--|-----------------|
| 1.1 | Where the reporting entity is presenting consolidated financial statements, segmental information need only be presented for the Group and not the Parent. | SSAP23 5.1 |
| 1.2 | Where a reporting entity operates predominantly in one industry or in one geographical segment that circumstance must be disclosed. In the case of a single industry it is necessary to provide a general description of the products and services from which revenue is derived. In the case of a single geographical segment, its location must be disclosed. | SSAP23 5.2, 5.4 |
| 1.3 | Totals should agree with the related information in the Group's financial statements. If costs cannot be allocated the amounts should be identified and disclosed. | SSAP23 5.7 |
| 1.4 | Intersegment transactions will normally have been eliminated in the preparation of the consolidated financial statements. These eliminations must be reinstated when presenting the segment information. | SSAP23 5.8 |
| 1.5 | Any change in segment definition must be disclosed along with an explanation of the reasons for the change. | SSAP23 5.10 |

Notes to the Financial Statements

For the year ended 31 March 2002

2 Operating revenue

	Group		Parent		
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	
Continuing activities					
Trading revenue					
Retail goods and services	32,177	26,189	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	-	-	
Investment revenue					
Share of surpluses of associates	195	185	-	-	FRS38 5.20
Dividends from associates	-	-	27	30	FRS9 6.9(a)*
Dividends from subsidiaries	-	-	1,080	1,340	FRS9 6.9(a)*
Other dividend revenue	4	-	-	-	FRS9 6.9(a)*
Interest	173	173	70	74	FRS9 6.9(b)*
Interest from subsidiaries	-	-	265	191	
Rental from investment properties	213	206	213	206	
Rental income from within the Group	-	-	83	83	
Surplus from the disposal of investments	17	-	9	-	
Other revenue					
Gain on disposal of property, plant and equipment	38	-	4	-	
Net gain on foreign currency transactions	100	-	-	-	FRS21 7.1(b)
Grants	300	-	-	-	FRS9 6.7
Interest on loan to director	14	15	7	8	
Net gain on defeasance of debt	17	-	17	-	FRS26 5.22(a)(iii)
Total revenue from continuing activities	45,852	40,235	9,275	10,350	
Discontinued activities					
Prior to its disposal, the hospitality sector, as represented by BreakAway Restaurants Limited, contributed an after tax surplus to the Group of \$394,000. Included in this surplus is the revenue described below and the expenses disclosed in note 3. The disposal of BreakAway Restaurants Limited resulted in a loss to the Group of \$1,634,885 and a gain to the Parent of \$250,000.					
Trading revenue	3,308	12,240	-	-	FRS9 6.4
Gain on disposal of property, plant and equipment	4	-	-	-	
Gain on disposal of subsidiary	-	-	250	-	FRS37 6.9(d)
Total revenue from discontinued activities	3,312	12,240	250	-	
Total operating revenue	\$49,164	\$52,475	\$9,525	\$10,350	FRS9 6.6

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

FRS9 5.1, 5.2, 6.7
FRS2 6.4

Notes to the Financial Statements

For the year ended 31 March 2002

3 Operating expenses

FRS9 6.10

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

Operating expenses include:

Continuing activities**Depreciation of property, plant and equipment**

FRS3 11.3(c)

Buildings	145	141	135	135
Plant and equipment	121	105	-	-
Leasehold improvements	3	3	-	-
Motor vehicles	240	207	138	131
Office equipment	78	74	21	22
Jetty	17	-	-	-
Adventure tourism equipment	204	193	-	-
Rental boats	6	-	-	-
Catamaran	106	83	-	-
Total depreciation	920	806	294	288

Net loss on sale of property, plant and equipment

Amortisation of patents, trademarks and licenses

Impairment of plant

Devaluation of building in excess of reserve

Rental expense on operating leases

Amortisation of goodwill

Research and development activities

Research expenditure

Write down of expenditure previously recognised as an asset

Amortisation of development expenditure

Development expenditure written back

Costs of offering credit

Bad debts written off

Increase in estimated doubtful debts

Cost of borrowings

Interest on borrowings

Financing charges related to finance leases

Investment expenses

Write down of investments

Governance expenses

Directors' fees

Auditors' fees

Audit fees paid to principal auditors

Audit fees paid to other auditors

Fees paid for other services provided by principal auditors

Taxation advice

Other assurance services

Sundry expenses

Donations

Unusual items

Termination of operating lease

SSAP3 5.8, FRS9 6.13(c)

FRS9 6.13(a), FRS3 11.3(d)

FRS9 6.13(a)

FRS9 6.13(i), SSAP18 5.16

FRS9 6.13(b), FRS36 6.3(c)

FRS13 5.19(b)

FRS13 5.19(e)(ii)

FRS9 6.13(c), FRS13 5.19(e)(ii)

FRS13 5.19(e)(iv)

FRS9 6.13(d)(i)

FRS9 6.13(d)(ii)

FRS9 6.13(h)

SSAP18 5.15(b)

FRS9 6.13(f)

FRS9 6.13(e)(i)

FRS9 6.13(e)(ii)

FRS9 6.13(e)(iii)

FRS9 6.13(g)

FRS2 6.4

FRS9 6.11

Essential Holdings Limited & Subsidiaries
Notes to the Financial Statements

For the year ended 31 March 2002

Discontinued activities

	Group		Parent		
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	
Depreciation of property, plant and equipment					FRS3 11.3(c)
Buildings	4	14	-	-	
Plant and equipment	11	43	-	-	
Leasehold improvements	19	75	-	-	
Motor vehicles	19	73	-	-	
Office equipment	10	40	-	-	
Total depreciation	63	245	-	-	
Net loss on sale of property, plant and equipment	-	2	-	-	
Interest on borrowings	14	63	-	-	FRS9 6.13(h)
Rental expense on operating leases	63	250	-	-	FRS9 6.13(i), SSAP18 5.16
Directors' fees	5	17	-	-	FRS9 6.13(f)
Audit fees paid to principal auditor	17	15	-	-	FRS9 6.13(e)(i)
Fees paid for other services provided by principal auditor					FRS9 6.13(e)(iii)
Taxation advice	14	12	-	-	
Other assurance services	35	20	-	-	
Unusual item - staff retrenchment costs	-	354	-	-	FRS9 6.11
Loss on disposal of discontinued operations	1,635	-	-	-	FRS2 6.4, FRS37 6.9(d)

3.1 **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

4 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	-	-	-
Net loss after tax on extraordinary item	(\$134)	-	-	-

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 insured but the insurance company has subsequently been placed into liquidation. It is unlikely that the Group will receive compensation.

Notes to the Financial Statements

For the year ended 31 March 2002

5 Share capital

	Group		Parent	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Issued and paid up capital				
Ordinary shares				
Balance at beginning of year	18,493	17,300	18,493	17,300
Share issue made during the year	1,312	-	1,312	-
Shares issued in lieu of dividends	967	1,032	967	1,032
Shares issued on exercise of options	-	102	-	102
Lapse of options	-	12	-	12
Shares issued to employee share plan	68	47	68	47
Shares repurchased and cancelled	(26)	-	(26)	-
	20,814	18,493	20,814	18,493
Shares repurchased and held as treasury stock	(754)	-	(754)	-
Balance at end of year	20,060	18,493	20,060	18,493
Preference shares				
	2,000	2,000	2,000	2,000
	\$22,060	\$20,493	\$22,060	\$20,493

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) including 222,487 shares held as treasury stock (2001: nil). All ordinary shares rank equally with one vote attached to each fully paid ordinary share with the exception of shares held as treasury stock as all their rights and obligations are suspended until they are reissued.

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

Share issue

On 25 July 2001, 400,000 ordinary shares were issued for cash at \$3.38 per share. Costs of 10 cents per share were incurred in completing the issue. These costs were taken as a reduction of the amounts recognised as being generated by the issue. Hence, \$3.28 per share has been recognised as a contribution from shareholders.

Shares issued in lieu of dividends

Under the dividend reinvestment scheme 302,111 shares were issued in lieu of cash dividend (2001: 371,223). The strike price was \$3.20 per share (2001: \$2.78).

Share options

An Executive Staff Share Option Scheme has operated since 1 October 1999. During the year the Board reviewed the effectiveness of the Scheme and concluded that certain changes were required to ensure that the Scheme continues to meet its key objectives. Consequently, a new Executive Staff Share Option Scheme was established towards the end of the year and all future executive share options will be granted pursuant to the provisions of the new Scheme.

FRS9 8.22(c)

Notes to the Financial Statements

For the year ended 31 March 2002

Executive staff share options (existing)

The existing Executive Staff Share Option Scheme was established in 1999. Each option issued pursuant to the Scheme converts to one ordinary share on exercise. Executives may exercise their options (subject to employment conditions) any time during a prescribed period commencing at least one year from the date on which the options are conferred. The options carry the right to share in any bonus issue or cash issue made pro-rata to all shareholders once the options have been exercised. When options are granted, executives are required to pay a non-refundable amount for the issue of the options (the issue price).

Movements in the number of share options outstanding under the Executive Staff Share Option Scheme are as follows:

	Group		Parent	
	2002 000	2001 000	2002 000	2001 000
Balance at beginning of year	70	100	70	100
Granted	20	30	20	30
Exercised	-	(30)	-	(30)
Lapsed	-	(30)	-	(30)
Balance at end of year	90	70	90	70

On 1 January 2002, 20,000 options were granted (1 January 2001: 30,000) at an exercise price of \$3.05 per share (2001: \$3.02) and an issue price of 50 cents per share option (2001: 50 cents). The options are exercisable from 1 January 2003 and expire on 1 January 2005 (options granted in 2001 became exercisable from 1 January 2002 and expire on 1 January 2004). The amounts received at the date the options were issued are reflected in the share option reserve (refer to note 7).

On 1 February 2001, 30,000 options were exercised at an exercise price of \$3.00 per share. The fair value, at exercise date, of the shares issued was \$3.45.

Share options outstanding at the end of the year have the following terms:

Vesting Date - 1 January	Expiry Date - 1 January	Exercise price	Issue price	Group		Parent	
				2002 000	2001 000	2002 000	2001 000
2001	2003	3.00	40 cents	40	40	40	40
2002	2004	3.02	50 cents	30	30	30	30
2003	2005	3.05	50 cents	20	-	20	-
				90	70	90	70

Executive staff share options (new)

The new Executive Staff Share Option Scheme was established on 1 February 2002. On 1 March 2002, 10,000 options were issued to executives at an exercise price of \$3.50, being the average daily closing price of Essential Holdings Limited's shares reported on the New Zealand Stock Exchange for the 10 business days on which shares were traded immediately preceding the date on which options are granted. Each option converts to one ordinary share on exercise. Executives may exercise their options (subject to employment conditions) any time during a prescribed period commencing at least one year from the date on which the options are conferred. The options carry the right to share in any bonus issue or cash issue made pro-rata to all shareholders once the options have been exercised. The options are exercisable from 1 March 2003 and expire on 1 March 2005.

No compensation expense was recognised with respect to the options granted during the current year because the exercise price, together with any amounts received when the options were granted, was not less than the market value of the shares on the date that the options were granted.

Essential Holdings Limited & Subsidiaries
Notes to the Financial Statements

For the year ended 31 March 2002

Share ownership plan

During the year 20,000 (2001: 16,000) ordinary shares were issued to the Essential Employee Share Ownership Plan at an average price of \$3.41 (2001: \$2.96).

Repurchase and cancellation of shares

In accordance with its constitution, the Parent exercised its right to establish the minimum shareholding at 1,000 shares. Shareholders were given until 1 July 2001 to increase their holding to this level through on-market trading. At that date the Company repurchased any small holdings for an amount per share equal to 102% of average traded value in the week prior to the repurchase. The 15,000 shares involved were repurchased at \$3.57 each.

Acquisition of shares held as treasury stock

Essential Holdings Limited acquired 222,487 shares through on-market purchases on the New Zealand Stock Exchange during the year. This is in accordance with the Parent's constitution and complied with all aspects of the Companies Act 1993 and the requirements of the New Zealand Stock Exchange. The total amount paid to acquire the shares was \$754,321 and they were acquired over the month of March 2002. These shares have not been cancelled and are being held as Treasury Stock. As such the Company has the right to reissue these shares at a later date. These shares represent 2% of the ordinary shares of the Parent.

Preference shares

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.

FRS9 8.22(a)

5.1 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; calls in arrears; and cumulative preferred dividends in arrears.

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

6 Employee share ownership plan

The Plan

Essential Employee Share Ownership Plan was established by Essential Holdings Limited in 1998 to assist employees to become shareholders in the Parent. Employees who have been with the Group for a period of at least two years are entitled to participate in the Plan.

FRS30 5.1(a)

Employees receive units in a trust which entitle them to be allocated shares in the Parent. Employees make annual contributions to meet the cost of the shares over three years. The units are redeemed for shares and transferred to the employee when the contributions are fully paid. The number of units in the trust issued to participants is based on length of service.

For shares issued to the Plan, the issue price is based on the market price of the shares quoted on the New Zealand Stock Exchange at the date of issue. Allocated shares carry normal voting rights and participate in dividends. The employees holding the units to which the shares are allocated are entitled to exercise that voting power.

Neither the Company nor its related parties have the rights with respect to the shares issued by the Plan.

FRS30 5.1(d)

Essential Holdings Limited & Subsidiaries
Notes to the Financial Statements

For the year ended 31 March 2002

Shares held by the Plan

The Plan held the following ordinary shares at the end of the year:

	2002	2001	
	000	000	
Ordinary shares			
Allocated to employees (fully paid)	294	284	FRS30 5.1(c)
Not yet allocated to employees	45	35	FRS30 5.1(c)
Percentage of total ordinary shares	3.05%	3.06%	

All shares held by the Plan that are fully paid carry full voting rights. The Plan acquired 20,000 shares during the year at \$3.41 per share.

Control of the Plan

EP Franklin and TN Buchanan, both directors of Essential Holdings Limited, and MC Johnson, Group Financial Accountant of Essential Holdings Limited are trustees of the Plan. As such, they have non-beneficial control of the shares in the scheme not yet allocated to employees and if the shares have voting rights the trustees are entitled to exercise that voting power. The trustees are appointed by the Company's Board of Directors.

Financial commitments

	2002	2001	
	\$'000	\$'000	
Advances from Essential Holdings Limited	100	150	FRS30 5.4(a)
Advances from external financial institutions	12	25	FRS30 5.4(b)
	112	175	

Advances from Essential Holdings Limited are interest free. The advances are payable on demand.

Advances from external financial institutions are at normal market rates. The interest rate was 8.75% (2001: 9.50%).

All advances are payable in the next financial year.

At balance date 100,000 shares controlled by the Plan, with a market value of \$339,000 (2001: 80,000 shares with a market value of \$236,800), had been pledged to external financial institutions as security.

- 6.1 **An entity with an ESOP which, in aggregate, is entitled to exercise >5% of the voting rights attached to the entity's shares, must disclose by way of note an abbreviated statement of financial position and statement of financial performance of each ESOP, disclosing separately the items set out in the standard.**
- 6.2 **If the Parent or its related parties controls the Plan, it would be a subsidiary which would be required to be consolidated. In that circumstance, the shares held by the Plan would be shown as treasury stock.**

Notes to the Financial Statements

For the year ended 31 March 2002

7 Reserves

FRS9 8.19

	Group		Parent	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Balances				
Investment property revaluation reserve	331	243	331	243
Foreign currency translation reserve	-	26	-	-
Share option reserve	41	31	41	31
Convertible notes reserve	283	283	283	283
Share election reserve	-	1,250	-	1,250
Asset revaluation reserves	239	191	48	-
	\$894	\$2,024	\$703	\$1,807

Analysis

Investment property revaluation reserve

Balance at beginning of year	243	307	243	307
Revaluation of investment properties	131	(96)	131	(96)
Deferred tax effect of revaluation	(43)	32	(43)	32
Balance at end of year	331	243	331	243

SSAP17 5.9(e)

Foreign currency translation reserve

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

FRS21 7.1(c), (d)

Share option reserve

Balance at beginning of year	31	40	31	40
Options issued	10	15	10	15
Options exercised	-	(12)	-	(12)
Options lapsing	-	(12)	-	(12)
Balance at end of year	41	31	41	31

Convertible notes reserve

Balance at beginning of year	283	-	283	-
Value of conversion rights on notes issued	-	283	-	283
Balance at end of year	283	283	283	283

Share election reserve

Balance at beginning of year	1,250	980	1,250	980
Reversal on issue of shares	(1,250)	(980)	(1,250)	(980)
Estimated share election	-	1,250	-	1,250
Balance at end of year	-	1,250	-	1,250

FRS20 5.1(b)

Asset revaluation reserves

Balance at beginning of year	191	144	-	-
Net revaluations	48	47	48	-
Balance at end of year	239	191	48	-

FRS3 11.4(a)

Comprising:

Land revaluation reserve	169	171	48	-
Buildings revaluation reserve	70	20	-	-
	239	191	48	-

Essential Holdings Limited & Subsidiaries
Notes to the Financial Statements

For the year ended 31 March 2002

7.1 Where there are properties intended for sale they should be shown as current assets or non-current assets, where applicable; the property revaluation reserve should be separate from other reserves and movements in the property revaluation reserve during the year should be shown.

SSAP17 5.9(d), (e), (f)

8 Retained earnings

FRS9 8.19

	Group		Parent	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Analysis				
Balance at beginning of year	3,408	1,383	1,660	1,211
Net surplus for the year	2,312	4,723	3,098	3,147
Amalgamation adjustment	-	-	33	-
Repurchase of shares adjustment	(27)	-	(27)	-
Dividends paid and provided	(980)	(2,698)	(980)	(2,698)
Balance at end of year	\$4,713	\$3,408	\$3,784	\$1,660

9 Dividends

	Group		Parent	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Ordinary dividends				
Interim				
On ordinary shares	779	831	779	831
Conduit dividends (to non-residents)	1	-	1	-
Declared final				
On ordinary shares:				
Cash	-	417	-	417
Shares in lieu	-	1,250	-	1,250
Preference share dividends				
On preference shares	200	200	200	200
Total dividends	\$980	\$2,698	\$980	\$2,698

The dividends are fully imputed. Supplementary dividends of \$55,776 (2001: \$178,652) were paid to shareholders not tax-resident in New Zealand for which the Group received a foreign investor tax credit entitlement.

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. The dividend will be paid on 14 June 2002 to all shareholders on the Company's register at the close of business on Friday, 7 June 2002. Shareholders will be offered the choice of receiving dividends in cash or in shares. Based on previous experience the Board of Directors estimates that dividends totalling \$533,968 will be paid in cash and dividends totalling \$800,952 will be taken as shares in lieu.

FRS5 5.6, FRS20 5.4

Notes to the Financial Statements

For the year ended 31 March 2002

10 Imputation balances

	Group		Parent		
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	
Balances					
Imputation credit account	1,315	1,436	963	869	SSAP12 5.14(f)(ii)
Dividend withholding payment account	2	-	2	-	
Conduit tax relief account	1	-	1	-	
Movements					
Imputation credit account					
Balance at beginning of year	1,436	217	869	121	SSAP12 5.14(f)(i)
Tax payments, net of refunds	1,343	1,738	936	930	
Credits attached to dividends received	109	92	250	429	
Distributed and disposed	(1,573)	(611)	(1,092)	(611)	
Balance at end of year	1,315	1,436	963	869	
Dividend withholding payment account					
Balance at beginning of year	-	-	-	-	SSAP12 5.14(f)(i)
Non-resident withholding payments on dividends received	4	5	4	5	
NRW payments attached to dividend distributions	(2)	(5)	(2)	(5)	
Balance at end of year	2	-	2	-	
Conduit tax relief credit account					
Balance at beginning of year	-	-	-	-	
Conduit tax relief	2	-	2	-	
Credits attached to dividend distributions	(1)	-	(1)	-	
Balance at end of year	1	-	1	-	

11 Minority interests

	Group		
	2002 \$'000	2001 \$'000	
Balance at beginning of year	392	366	FRS2 8.5(a)(v)*
Acquisition of PleasureCraft Limited	241	-	
Share of surplus in subsidiaries	401	236	
Dividends paid and provided to minority interests	(195)	(210)	
Balance at end of year	\$839	\$392	

Essential Holdings Limited & Subsidiaries
Notes to the Financial Statements

For the year ended 31 March 2002

12 Borrowings

	Group		Parent		
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	
Borrowings due within 12 months					
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)
	656	888	376	674	
Non-current borrowings					
Secured bank loans and debentures - onshore	2,255	2,497	1,587	1,992	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)
Convertible notes (unsecured)	1,217	1,217	1,217	1,217	FRS9 8.10(f)
	5,146	4,287	3,255	3,209	
Principal repayment schedule					
Capitalised lease obligations					
Later than one, not later than two years	155	123	135	-	
Later than two, not later than five years	347	450	316	-	
Later than five years	-	-	-	-	
	502	573	451	-	SSAP18 5.15(c)
Convertible notes					
Later than five years	1,217	1,217	1,217	1,217	
	1,217	1,217	1,217	1,217	
Other non-current borrowings					
Later than one, not later than two years	704	516	438	405	
Later than two, not later than three years	745	734	474	614	
Later than three, not later than five years	1,450	1,247	675	973	
Later than five years	528	-	-	-	
	3,427	2,497	1,587	1,992	

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 of the 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.

Essential Holdings Limited & Subsidiaries
Notes to the Financial Statements

For the year ended 31 March 2002

Interest rates

Weighted average effective interest rates on borrowings

FRS9 8.11

	Group		Parent	
	2002	2001	2002	2001
Secured bank loans and debentures - onshore	9.00%	10.50%	9.00%	10.50%
Secured bank loans and debentures - offshore	5.56%	-	-	-
Loans from directors	6.00%	-	-	-
Capitalised lease obligations (secured)	16.75%	15.00%	16.75%	-

Convertible notes

On 1 October 2000 the Company issued 500,000 6.5% convertible notes for \$1,500,000. The notes mature 10 years from the date of issue. The noteholders may elect to convert all or some of the notes into shares of the Company on a one for one basis and/or redeem some or all of their notes for \$3 each.

FRS9 8.11

The fair value of the liability component, which is included in non-current borrowings, is calculated using a market interest rate for an equivalent non-convertible note. The residual amount, representing the value of the conversion rights, is included in shareholders' equity as a convertible note reserve, details of which are disclosed at note 7.

The convertible notes are presented in the Group's statement of financial position as follows:

	Group		Parent	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Face value of notes issued	1,500	1,500	1,500	1,500
Value of conversion rights	(283)	(283)	(283)	(283)
Non-current liability	1,217	1,217	1,217	1,217

Debt defeasance

FRS26 5.22(a)(i), (ii), (iii)

FRS26 5.22(c)

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 fulfill its obligations in respect of the debt, considered to be remote, the Parent will be required to assume the debt.

12.1 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.**
- (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.**

12.2 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

12.3 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)

12.4 For any debt defeased by a legal defeasance, details of outstanding secondary obligations must be disclosed along with the maximum exposure.

FRS26 5.22(d)

Essential Holdings Limited & Subsidiaries
Notes to the Financial Statements

For the year ended 31 March 2002

13 Deferred tax

SSAP12 5.10

	Group		Parent	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Balance at beginning of year	682	737	87	131
Foreign exchange adjustment	5	-	-	-
On surplus for year	(317)	(23)	(38)	(12)
On revaluation of investment properties	43	(32)	43	(32)
Impact of purchase, disposal and amalgamation of subsidiaries	(98)	-	22	-
Balance at end of year	\$315	\$682	\$114	\$87

13.1 Where future income tax benefits attributable to tax losses are not recognised, but are available to be carried forward and offset against future assessable income, the amount together with the tax effect and any significant restriction on their availability should be disclosed.

SSAP12 5.14(c)

13.2 Where the partial method is used there should be disclosure of all outstanding timing differences in respect of the current and prior periods that have not been recognised in the deferred tax account, including any income tax effects on the revaluation of an asset not recognised, but which could crystallise if the asset was sold at its revalued carrying amount.

SSAP12 5.14(d)

13.3 Where an income tax benefit of a loss has been recognised prior to its realisation, there should be a statement that the subsequent realisation of that benefit is subject to the requirements of the income tax legislation being met.

SSAP12 5.14(g)

13.4 Where more than one income tax group exists, debit and credit balances of like items should not be offset.

SSAP12 5.13

Notes to the Financial Statements

For the year ended 31 March 2002

14 Income tax

SSAP12 5.10

	Group		Parent	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Operating surplus before tax	5,349	7,548	3,992	4,061
Permanent differences				
Development expenditure reinstated	(45)	(195)	-	-
Dividends received	-	-	(600)	(500)
Non-taxable loss/(non-taxable gain) on disposal of subsidiary	1,635	-	(250)	-
Non-taxable gain on disposal of associate	(8)	-	-	-
Inter-company eliminations	(105)	-	-	-
Share of associates' tax paid earnings	(195)	(185)	-	-
Imputation credits on taxable dividends	-	-	250	429
Expenditure not deductible for tax	478	271	-	-
	1,760	(109)	(600)	(71)
Surplus subject to tax	7,109	7,439	3,392	3,990
Tax at 33%	2,346	2,455	1,120	1,317
Underestimation in prior year	63	63	22	26
Imputation credits on dividends	-	-	(250)	(429)
Conduit tax relief rebate received	2	-	2	-
Additional tax on foreign income due to different tax rate	91	71	-	-
Income tax recognised in statement of financial performance	\$2,502	\$2,589	\$894	\$914
Attributable to continuing activities	2,378	2,095	894	914
Attributable to discontinued activities	124	494	-	-
	2,502	2,589	894	914
Attributable to extraordinary item	(66)	-	-	-
Total tax expense recognised for the year	2,436	2,589	894	914
Comprising:				
Estimated current period tax assessment	2,690	2,549	910	900
Underestimation in prior year	63	63	22	26
Deferred income tax liability	(317)	(23)	(38)	(12)
	2,436	2,589	894	914

SSAP12 5.14(e)

SSAP12 5.14(e)

Notes to the Financial Statements

For the year ended 31 March 2002

15 Payables and accruals

	Group		Parent		
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	
Current					
Trade creditors	1,060	903	417	473	FRS9 8.10(a)
Employee entitlements	116	184	58	60	FRS9 8.10(c)
Unearned income	1,615	1,559	-	-	
Accrued expenses	273	106	140	41	
Dividends payable to shareholders of the Parent	-	417	-	417	FRS9 8.10(d)
Dividends payable to minority interests	173	140	-	-	
Income tax	64	66	23	26	SSAP12 5.14(b)
GST	147	164	74	75	
	\$3,448	\$3,539	\$712	\$1,092	
Non-current					
Employee entitlements	\$38	\$43	\$38	\$43	FRS9 8.10(c)

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

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

16 Provisions

	Group		Parent		
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	
Warranty provision					
Balance at beginning of year	-	-	-	-	FRS15 11.1(a)
Current year provision	47	-	-	-	FRS15 11.1(b)
Warranty expenses incurred	-	-	-	-	FRS15 11.1(c)
Balance at end of year	47	-	-	-	FRS15 11.1(a)
Restructuring provision					
Balance at beginning of year	-	-	-	-	FRS15 11.1(a)
Provision recognised on acquisition of subsidiary	150	-	-	-	FRS15 11.1(b)
Restructuring expenses incurred	(150)	-	-	-	FRS15 11.1(c)
Balance at end of year	-	-	-	-	FRS15 11.1(a)
	\$47	-	-	-	

Essential Holdings Limited & Subsidiaries
Notes to the Financial Statements

For the year ended 31 March 2002

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. All restructuring expenses were paid in full during 2002.

FRS15 11.2

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

FRS15 11.1(d)

16.2 Where, because of materiality, the time value of money has been taken into account in determining the amount of a provision, disclosure is required of the increase in the provision arising from the passage of time and the effect of any change in the discount rate used.

FRS15 11.1(e)

16.3 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)

17 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)

17.1 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)

17.2 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)

17.3 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)

Notes to the Financial Statements

For the year ended 31 March 2002

18 Property, plant and equipment

	2002			2001			
	Cost or valuation \$'000	Acc depn \$'000	Book value \$'000	Cost or valuation \$'000	Acc depn \$'000	Book value \$'000	
Group							
Freehold land							
At cost	850	-	850	2,400	-	2,400	FRS9 8.2(d) FRS3 11.1(a)
At valuation	2,910	-	2,910	1,560	-	1,560	FRS3 11.1(a)
Total freehold land	3,760	-	3,760	3,960	-	3,960	FRS3 11.3(a)
Buildings							
At cost	-	-	-	6,750	(270)	6,480	FRS9 8.2(e) FRS3 11.1(a)
At valuation	6,731	(4)	6,727	921	(40)	881	FRS3 11.1(a)
Total buildings	6,731	(4)	6,727	7,671	(310)	7,361	FRS3 11.3(a)
Plant and equipment							
At cost	-	-	-	850	(255)	595	FRS3 11.1(a)
Capitalised finance lease assets	1,207	(619)	588	1,053	(421)	632	FRS3 11.1(a), SSAP18 5.15(a)
Total plant and equipment	1,207	(619)	588	1,903	(676)	1,227	FRS3 11.3(a)
Leasehold improvements at cost	78	(11)	67	1,556	(758)	798	FRS3 11.1(a), 11.3(a)
Motor vehicles at cost	1,013	(284)	729	1,115	(267)	848	FRS3 11.1(a), 11.3(a)
Office equipment at cost	392	(178)	214	549	(190)	359	FRS3 11.1(a), 11.3(a)
Jetty at cost	1,023	(17)	1,006	-	-	-	FRS3 11.1(a), 11.3(a)
Adventure tourism equipment at cost	2,612	(1,040)	1,572	2,675	(964)	1,711	FRS3 11.1(a), 11.3(a)
Rental boats at cost	134	(47)	87	-	-	-	FRS3 11.1(a), 11.3(a)
Catamaran at cost	3,321	(106)	3,215	2,629	(925)	1,704	FRS3 11.1(a), 11.3(a)
Capital work in progress (Jetty)	-	-	-	551	-	551	FRS3 11.1(a), 11.3(a), 11.3(b)(ii)
	\$20,271	(\$2,306)	\$17,965	\$22,609	(\$4,090)	\$18,519	FRS3 11.3(a)

Notes to the Financial Statements

For the year ended 31 March 2002

	2002			2001			
	Cost or valuation \$'000	Acc depn \$'000	Book value \$'000	Cost or valuation \$'000	Acc depn \$'000	Book value \$'000	
Parent							
Freehold land							
At cost	850	-	850	2,400	-	2,400	FRS9 8.2(d) FRS3 11.1(a)
At valuation	2,448	-	2,448	-	-	-	FRS3 11.1(a)
Total freehold land	3,298	-	3,298	2,400	-	2,400	FRS3 11.3(a)
Buildings							
At cost	-	-	-	6,750	(270)	6,480	FRS9 8.2(e) FRS3 11.1(a)
At valuation	6,240	-	6,240	-	-	-	FRS3 11.1(a)
Total buildings	6,240	-	6,240	6,750	(270)	6,480	FRS3 11.3(a)
Plant and equipment							
Capitalised finance lease assets	1,053	(526)	527	-	-	-	FRS3 11.1(a), 11.3(a), SSAP18 5.15(a)
Motor vehicles at cost	566	(132)	434	516	(139)	377	FRS3 11.1(a), 11.3(a)
Office equipment at cost	233	(113)	120	78	(28)	50	FRS3 11.1(a), 11.3(a)
	\$11,390	(\$771)	\$10,619	\$9,744	(\$437)	\$9,307	FRS3 11.3(a)

Valuation information

All land and buildings were revalued to fair value of \$9,641,000 at 31 March 2002. The values were determined by independent registered valuers, Valuations Specialities, associates of the New Zealand Institute of Valuers on the basis of open market value for the highest and best use for the properties. Land carried at cost was acquired this year. The directors consider the cost reflects its fair value.

FRS3 11.4(c), (d), (e)
FRS9 8.4**Capitalised interest**

During the past two financial periods CleanBreak Adventures (New Zealand) Limited has constructed a jetty at its headquarters. As indicated in the accounting policies, finance costs that are directly attributable to the cost of an asset are included in the initial cost. The finance costs capitalised during the year to 31 March 2002 amounted to \$16,388 (2001: nil).

FRS3 11.3(f)

Reassessment of useful lives and residual values

During 2002 the Company conducted a review of the useful lives, residual values and depreciation methods used to depreciate items of property, plant and equipment to ensure that they continued to be appropriate. As a consequence of the review the useful lives and residual values of certain items of adventure tourism equipment were reassessed and, as a result, a net increase in the depreciation charge amounting to \$25,000 (2001: nil) has been recognised in the statement of financial performance.

FRS3 11.9(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 the Government, compensation will be paid to CleanBreak Adventures (New Zealand) Limited.

FRS9 8.7, 8.8

Essential Holdings Limited & Subsidiaries
Notes to the Financial Statements

For the year ended 31 March 2002

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 \$46,374 (2001: nil).

SSAP18 5.20

Service agreement

The cruising boats are serviced by their Portuguese manufacturers. This exposes the Group to a risk given the reliance on one supplier.

FRS9 8.14

18.1 Where a class of property, plant and equipment is stated at revalued amounts, any significant assumptions or limiting conditions upon which the valuations are based must be disclosed. In addition, there must be disclosure of the sum of all revaluation increments and decrements recognised in the statement of financial performance during the period.

FRS3 11.4(f)

FRS3 11.8(b)

18.2 Where the cyclical basis of valuation has been adopted, that fact and an explanation of the basis used must be disclosed. SSAP28 *Accounting for Fixed Assets*, required revaluations to be recognised on an existing use basis. FRS3 *Accounting for Property, Plant and Equipment* requires revaluations to be recognised based on the highest and best use for the asset. The change in the basis of valuation is a change in accounting policy (refer to the changes in accounting policies section of the statement of accounting policies). When an entity adopts the new basis of valuation in order to comply with FRS3 and that 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. 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 11.4(g)

FRS3 12.5

FRS3 12.8, 12.10

18.3 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.
- The basis upon which the class of item is now accounted for.
- Whether the measurement base has previously been changed and, if so, when.

18.4 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.

Essential Holdings Limited & Subsidiaries
Notes to the Financial Statements

For the year ended 31 March 2002

19 Commitments

The following amounts have been committed to by the Group or Parent, but not recognised in the financial statements:

	Group		Parent	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Operating leases				
Non cancellable operating lease commitments:				
Within one year	148	138	55	55
Later than one, not later than two years	138	138	55	55
Later than two, not later than five years	413	413	165	165
Later than five years	-	55	-	55
	699	744	275	330

SSAP18 5.17

The Group leases premises, and 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.

SSAP18 5.14

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

FRS9 8.16

SSAP25 5.6(c)

FRS38 6.7(b)

Notes to the Financial Statements

For the year ended 31 March 2002

20 Investments in subsidiaries

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

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%

FRS37 6.4(a), (c)

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.

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

From 1 April 2001 the operating results of PleasureCraft Limited, consisting of an operating surplus after taxation of \$241,968, have been included in the Group statement of financial performance. The Group did not acquire any subsidiaries in 2001.

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	(489)	-
Net current assets	1,317	-
Restructuring provision	(150)	-
Property, plant and equipment	610	-
Borrowings	(85)	-
	<u>1,203</u>	-
Minority interest	(240)	-
	<u>963</u>	-
Goodwill on acquisition	987	-
Consideration paid	1,950	-
Overdraft acquired with subsidiary	489	-
Loan from director	(350)	-
Net cash impact of acquisition	<u>\$2,089</u>	-

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 16, all restructuring expenses were paid in full during 2002.

FRS36 6.2(f), (g)

Essential Holdings Limited & Subsidiaries
Notes to the Financial Statements

For the year ended 31 March 2002

Disposal of subsidiary

FRS37 6.8(b)

On 31 December 2001 the Group disposed of its entire interest in BreakAway Restaurants Limited. The disposal of the subsidiary gave rise to a loss of \$1,634,885 to the Group. The Group did not dispose of any subsidiaries in 2001.

Summary of the effect of disposal of subsidiary

	Group	
	2002 \$'000	2001 \$'000
Assets and liabilities disposed of:		
Bank balances	(22)	-
Net current assets	27	-
Property, plant and equipment	3,637	-
Borrowings	(507)	-
	3,135	-
Loss on disposal	(1,635)	-
Cash received	1,500	-
Overdraft disposed with subsidiary	22	-
Net cash impact of disposal	\$1,522	-

FRS37 6.9(b)

FRS37 6.9(d)

The disposal of BreakAway Restaurants Limited represents a discontinued activity of the Group and the Parent. The impact on the Group's and the Parent's operating surplus after taxation is separately disclosed in the statement of financial performance and in notes 2 and 3.

FRS37 6.9(c)

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 amalgamation of Administration Limited

	Parent	
	2002 \$'000	2001 \$'000
Assets and liabilities amalgamated:		
Bank balances	158	-
Net current assets	(155)	-
Property, plant and equipment	602	-
Borrowings	(472)	-
	133	-
Carrying amount of shares in amalgamated subsidiary	(100)	-
Balance recognised in the statement of movements in equity	\$33	-

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 Holdings Limited & Subsidiaries
Notes to the Financial Statements

For the year ended 31 March 2002

20.1	<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">- The parent is exempt from preparing group financial statements under statute, or- The parent, at the date control is obtained, is obligated to relinquish control within one year, or- 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. <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
20.2	<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">- The financial information used for the subsidiary must cover a reporting period closest to that of the parent.- 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.- 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.	FRS37 6.13 FRS37 5.28
20.3	<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 20, an entity must disclose for each significant subsidiary:</p> <ul style="list-style-type: none">- The subsidiary's reporting date if different from that of the parent.- The parent's ownership interest as at the subsidiary's reporting date and the parent's reporting date (if different).- The proportion of voting power held in the subsidiary if different from the ownership interest held.- The amount of any interest in the net assets of the parent held by the subsidiary.- 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.	FRS37 6.4
20.4	<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)
20.5	<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)
20.6	<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
20.7	<p>Discontinued activities can arise other than through the disposal of a subsidiary. Paragraph 4.12 of FRS9 <i>Information to be Disclosed in Financial Statements</i> provides examples.</p>	

Essential Holdings Limited & Subsidiaries
Notes to the Financial Statements

For the year ended 31 March 2002

21 Investments in associates

Details of associates

Significant associates 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 Holdings Limited & Subsidiaries
Notes to the Financial Statements

For the year ended 31 March 2002

Interests in associates

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

- 21.1** 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
- 21.2** 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 Holdings Limited & Subsidiaries
Notes to the Financial Statements

For the year ended 31 March 2002

- | | | |
|------|---|---------------|
| 21.3 | 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 21, an entity must disclose for each significant associate: <ul style="list-style-type: none">- The associate's reporting date if different from that of the investor.- The investor's ownership interest as at the associate's reporting date and the investor's reporting date (if different).- The proportion of voting power held in the investor if different from the ownership interest held.- The amount of any interest in the net assets of the investor held by the associate.- 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. | FRS38 6.2 |
| 21.4 | 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) |
| 21.5 | 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) |
| 21.6 | 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 Holdings Limited & Subsidiaries
Notes to the Financial Statements

For the year ended 31 March 2002

22 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	208	101	-	-
Motor vehicles	7	2	-	-
Office equipment	2	1	-	-
	217	104	-	-
Share of total assets included in Group	234	126	-	-

Current liabilities

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

Net assets employed in the joint venture

	224	120	-	-
--	-----	-----	---	---

22.1 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)

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

SSAP25 5.6(e)

Essential Holdings Limited & Subsidiaries
Notes to the Financial Statements

For the year ended 31 March 2002

23 Other investments

	Group		Parent		
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	
Current					
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)
	\$432	\$486	\$432	\$486	
Non-current					
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)
	2,414	1,764	2,352	1,764	
Property investments					
Investment properties at current value	3,868	3,737	3,868	3,737	SSAP17 5.9(c)
	\$6,282	\$5,501	\$6,220	\$5,501	

Market values

Interests in business undertakings - quoted	1,653	1,191	1,588	1,191	FRS9 8.3
Government and local authority body 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.

Property valuation

Investment properties are valued each balance date by independent registered valuers, Valuation Specialities, associates of the New Zealand Institute of Valuers.

SSAP17 5.9(g)

Essential Holdings Limited & Subsidiaries
Notes to the Financial Statements

For the year ended 31 March 2002

24 Intangible assets

	Group		Parent		
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	
Separable intangible assets					
Patents, trademarks and licences					
Patents, trademarks and licences (gross) at beginning of year	924	550	-	-	
Accumulated amortisation at beginning of year	(266)	(156)	-	-	
Unamortised balance at beginning of year	658	394	-	-	
Acquisitions	-	220	-	-	
Development expenditure patented	90	154	-	-	
Current year amortisation	(133)	(110)	-	-	
Unamortised balance at end of year	615	658	-	-	FRS9 8.2(f)(ii)
Inseparable intangible assets					
Development expenditure					
Development expenditure (gross) at beginning of year	741	650	-	-	
Accumulated amortisation at beginning of year	(529)	(310)	-	-	
Unamortised balance at beginning of year	212	340	-	-	FRS13 5.19(e)
Current year development costs recognised as an asset	200	250	-	-	FRS13 5.19(e)(i)
Previously expensed development costs written back	45	195	-	-	FRS13 5.16, 5.19(e)(iv)
Items no longer meeting the definition of an asset	-	(200)	-	-	FRS13 5.19(e)(ii)
Transferred to patents	(90)	(154)	-	-	FRS13 5.19(e)(iii)
Current year amortisation	(268)	(219)	-	-	
Unamortised balance at end of year	99	212	-	-	
Goodwill on consolidation					
Goodwill (gross) at beginning of year	2,347	2,347	-	-	FRS36 6.3(d)
Accumulated amortisation at beginning of year	(1,302)	(1,068)	-	-	FRS36 6.3(d)(i)
Unamortised balance at beginning of year	1,045	1,279	-	-	FRS36 6.3(d)(i)
Goodwill arising on acquisition of subsidiary	987	-	-	-	FRS36 6.3(d)(ii)
Current year amortisation	(334)	(234)	-	-	FRS36 6.3(d)(v)
Unamortised balance at end of year	1,698	1,045	-	-	
Comprising:					
Goodwill (gross)	3,334	2,347	-	-	FRS36 6.3(d)(ix)
Accumulated amortisation	(1,636)	(1,302)	-	-	FRS36 6.3(d)(ix)
	1,698	1,045	-	-	FRS9 8.2(f)(i)
Total inseparable intangible assets	1,797	1,257	-	-	FRS9 8.2(f)(ii)
Total intangible assets	\$2,412	\$1,915	-	-	

Essential Holdings Limited & Subsidiaries

Notes to the Financial Statements

For the year ended 31 March 2002

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

FRS36 6.3(a)

Development expenditure, related to a spray painting device, was written down when technical problems were encountered. These difficulties were overcome and the project was completed successfully. The amounts previously written down amounting to \$45,000 have been written back and are now carried as an asset and amortised in line with other development assets. In 2001 a total of \$195,000 was written back in relation to a moulding device for which development expenditure had previously been written down.

FRS13 5.19(e)(iv)

24.1 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)

24.2 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.

FRS36 6.3(d)(iii)

- Any goodwill derecognised on the disposal of all or part of the business to which it relates during the period.

FRS36 6.3(d)(iv)

- Any impairment losses recognised during the period.

FRS36 6.3(d)(vi)

- Any impairment losses reversed during the period.

FRS36 6.3(d)(vii)

- Any other changes in the carrying amount during the period.

FRS36 6.3(d)(viii)

24.3 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.

Notes to the Financial Statements

For the year ended 31 March 2002

25 Inventories

	Group		Parent		
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	
Inventories comprise:					
Raw materials and stores	135	307	-	-	FRS4 5.29(b)(ii)
Work in progress	154	-	-	-	
Finished goods	2,490	1,535	1,236	1,402	
	\$2,779	\$1,842	\$1,236	\$1,402	FRS4 5.29(b)(i)

Certain inventories are subject to restriction of title, including Romalpa Clauses.

FRS4 5.29(d), FRS9 8.8

25.1 The amount of inventories pledged as securities for liabilities must be disclosed.

FRS4 5.29(c)

26 Construction contracts

	Group		Parent		
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	
Construction contract costs incurred and recognised	869	708	-	-	
Recognised surplus on contracts	391	275	-	-	
Gross amount of construction work in progress	1,260	983	-	-	FRS14 5.27(a)
Progress claims, retentions and allowances	(1,071)	(934)	-	-	FRS14 5.27(b)
	\$189	\$49	-	-	

Essential Holdings Limited & Subsidiaries
Notes to the Financial Statements

For the year ended 31 March 2002

27 Accounts receivable

FRS9 8.2(a)

	Group		Parent		
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	
Current					
Trade receivables	843	610	81	16	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	850	679	-	-	
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)
Loans to Essential Employee Share Ownership Plan	100	150	100	150	FRS9 8.2(a)(iii)
	\$2,204	\$1,848	\$1,456	\$1,489	
Non-current					
Finance company loans receivable	1,340	1,250	-	-	
Loans to subsidiary companies	-	-	4,050	2,375	FRS9 8.2(a)(iii)
	\$1,340	\$1,250	\$4,050	\$2,375	

For details on the loans to related parties, refer to note 30.

Essential Holdings Limited & Subsidiaries
Notes to the Financial Statements

For the year ended 31 March 2002

28 Financial instruments

The Group is subject to a number of financial risks which arise as a result of its debt portfolio and investment activities.

To manage and limit the effects of those financial risks, the Board of Directors has approved policy guidelines and authorised the use of various financial instruments. The policies approved, and financial instruments being utilised at balance date, are outlined below.

Currency risk

Policies

During the normal course of business the Group exports products, imports raw material and inventory and has borrowings denominated in foreign currencies. As a result of these transactions exposures to fluctuations in foreign currency exchange rates arise. The currencies in which the Group primarily deals are the Australian Dollar, United States Dollar and the Euro.

It is the Group's policy to hedge all trade receivables and borrowings denominated in a foreign currency. On a monthly basis, hedges over estimated foreign currency exposure in respect of sales and purchases are taken out.

For specific one-off transactions undertaken in foreign currency it is the Group's policy to enter into foreign exchange forward contracts to manage the exposure to fluctuations in currency rates.

Unrecognised balances

The notional or principal contract amounts of foreign exchange instruments outstanding at balance date are:

	Group and Parent	
	2002	2001
	\$'000	\$'000
Forward foreign exchange contracts	1,061	521

The cash settlement requirements of the forward exchange contracts approximates the notional amounts shown above.

Interest rate risk

Policies

To ensure that the Group's cost of funds is reasonably predictable from year to year, it is the Group's policy that floating rate debt not exceed 40% of total debt. Furthermore, no more than 30% of fixed rate debt is re-priced in any twelve month period.

The Group uses interest rate swaps and forward rate agreements to manage its interest rate risk.

The interest rate on debt is either converted from floating to fixed, or visa versa, through entering into an interest rate swap. Interest rate swaps are entered into for periods of up to ten years.

Forward rate agreements are used to fix interest rates on the Group's underlying debt for periods commencing in the future. In the normal course of business, the Group enters into forward rate agreements to fix interest rates on floating debt for intervals of three months.

FRS31 6.1(b)

FRS21 7.1(e)
FRS31 6.14

FRS31 6.3

FRS31 6.14

Notes to the Financial Statements

For the year ended 31 March 2002

Unrecognised balances

FRS31 6.3, 6.4(a)

The notional principal or contract amounts of interest rate contracts outstanding at balance date are:

	Group		Parent	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Interest rate swaps	2,000	1,750	2,000	1,750
Forward rate agreements	(1,500)	(1,500)	(500)	(500)

The cash settlement requirement for interest rate swaps is the net interest receivable of \$23,711 (2001: \$17,865). For forward rate agreements, the best approximation of the cash settlement requirement is the current market value, which is \$15,000 (2001: nil).

Repricing analysis

FRS31 6.14(a), (b)

The following tables identify the periods in which interest rates are subject to review on interest bearing financial assets and liabilities, and provides the current weighted average interest rate of each item.

Trade receivables, trade creditors and sundry receivables and creditors have not been included in the table as they are not interest rate sensitive. Forward rate agreements are also excluded from the re-pricing analysis as these contracts mature within one year.

	Effective interest rates	Group - 2002				Total \$'000
		Current \$'000	1-2 years \$'000	2-5 years \$'000	> 5 years \$'000	
Assets						
Bank	4.50%	2,095	-	-	-	2,095
Loans issued	15.00%	1,172	599	741	-	2,512
Investments	5.50%	432	436	404	-	1,272
Total assets		3,699	1,035	1,145	-	5,879
Liabilities						
Bank overdraft	12.00%	(890)	-	-	-	(890)
Borrowings and notes*	9.32%	(656)	(859)	(2,542)	(1,745)	(5,802)
Total liabilities		(1,546)	(859)	(2,542)	(1,745)	(6,692)
Unrecognised						
Interest rate swaps*		(2,000)	750	750	500	-
Total unrecognised		(2,000)	750	750	500	-
Repricing gap		153	926	(647)	(1,245)	(813)

* Interest rate as amended by interest rate swaps is 8.66%

Notes to the Financial Statements

For the year ended 31 March 2002

	Effective interest rates	Group - 2001				Total \$'000
		Current \$'000	1-2 years \$'000	2-5 years \$'000	> 5 years \$'000	
Assets						
Bank	6.00%	2,607	-	-	-	2,607
Loans issued	15.00%	1,090	521	729	-	2,340
Investments	7.62%	324	151	327	152	954
Total assets		4,021	672	1,056	152	5,901
Liabilities						
Bank overdraft	14.00%	(1,642)	-	-	-	(1,642)
Borrowings and notes*	9.66%	(888)	(639)	(2,431)	(1,217)	(5,175)
Total liabilities		(2,530)	(639)	(2,431)	(1,217)	(6,817)
Unrecognised						
Interest rate swaps*		(1,750)	500	750	500	-
Total unrecognised		(1,750)	500	750	500	-
Repricing gap		(259)	533	(625)	(565)	(916)

* Interest rate as amended by interest rate swaps is 8.55%

	Effective interest rates	Parent - 2002				Total \$'000
		Current \$'000	1-2 years \$'000	2-5 years \$'000	> 5 years \$'000	
Assets						
Bank	4.50%	279	-	-	-	279
Loans issued	7.25%	211	-	-	-	211
Loans to subsidiaries	9.25%	375	4,050	-	-	4,425
Investments	5.50%	432	436	404	-	1,272
Total assets		1,297	4,486	404	-	6,187
Liabilities						
Borrowings and notes*	9.32%	(376)	(573)	(1,465)	(1,217)	(3,631)
Total liabilities		(376)	(573)	(1,465)	(1,217)	(3,631)
Unrecognised						
Interest rate swaps*		(2,000)	750	750	500	-
Total unrecognised		(2,000)	750	750	500	-
Repricing gap		(1,079)	4,663	(311)	(717)	2,556

* Interest rate as amended by interest rate swaps is 9.08%

Notes to the Financial Statements

For the year ended 31 March 2002

	Effective interest rates	Parent - 2001				Total \$'000
		Current \$'000	1-2 years \$'000	2-5 years \$'000	> 5 years \$'000	
Assets						
Bank	6.00%	285	-	-	-	285
Loans issued	8.70%	281	-	-	-	281
Loans issued to subsidiaries	9.25%	375	2,375	-	-	2,750
Investments	5.50%	324	151	327	152	954
Total assets		1,265	2,526	327	152	4,270
Liabilities						
Borrowings and notes*	9.66%	(674)	(405)	(1,587)	(1,217)	(3,883)
Total liabilities		(674)	(405)	(1,587)	(1,217)	(3,883)
Unrecognised						
Interest rate swaps*		(1,750)	500	750	500	-
Total unrecognised		(1,750)	500	750	500	-
Repricing gap		(1,159)	2,621	(510)	(565)	387

* Interest rate as amended by interest rate swaps is 8.55%

Credit risk

FRS31 6.4

The Group incurs credit risk from transactions with trade receivables and financial institutions in the normal course of its business.

The Group has a credit policy which restricts the exposure to individual trade receivables and the Board of Directors reviews exposure to trade receivables on a regular basis. The Group does not have any significant concentrations of credit risk. Amounts owed by trade receivables are unsecured. All loans issued by the Group's finance company are secured over the underlying property.

The Group does not require any collateral or security to support transactions with financial institutions. The counterparties used for banking and finance activities are financial institutions with high credit ratings.

FRS31 6.1(c)

Fair values

FRS31 6.11

Methods and assumptions

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Cash at bank, bank overdraft, term deposits, loans issued, receivables and trade creditors

The carrying value of these items is equivalent to their fair value. As such, they have been excluded from the table below.

Investments

Listed investments are based on quoted market prices at balance date. Unlisted shares are valued by the directors based on the net asset backing of the company.

Notes to the Financial Statements

For the year ended 31 March 2002

Borrowings

Borrowings are based on discounted cash flows using the borrowing rate the directors expect would be available to the Group for debt of similar maturity at balance date.

Interest rates swap and options and foreign currency forward exchange contracts

The above derivatives are based on valuations provided by the Group's bankers.

Convertible notes

The liability component of convertible notes is calculated using a market interest rate for an equivalent non-convertible note.

Fair value summary

	Group			
	2002		2001	
	Carrying value \$'000	Fair value \$'000	Carrying value \$'000	Fair value \$'000
Assets				
Current investments	432	431	486	494
Non-current investments	2,414	2,377	1,764	1,607
Liabilities				
Current borrowings	(656)	(646)	(888)	(914)
Non-current borrowings	(5,146)	(5,068)	(4,287)	(4,327)
Unrecognised				
Foreign exchange contracts	-	(459)	-	(181)
Interest rate swaps	-	18	-	48
Forward rate agreements	-	15	-	-
Parent				
	2002		2001	
	Carrying value \$'000	Fair value \$'000	Carrying value \$'000	Fair value \$'000
Assets				
Current investments	432	431	486	494
Non-current investments	2,352	2,310	1,764	1,825
Liabilities				
Current borrowings	(376)	(370)	(674)	(683)
Non-current borrowings	(3,255)	(3,206)	(3,209)	(3,198)
Unrecognised				
Foreign exchange contracts	-	(459)	-	(181)
Interest rate swaps	-	18	-	48
Forward rate agreements	-	15	-	-

Essential Holdings Limited & Subsidiaries
Notes to the Financial Statements

For the year ended 31 March 2002

29 Contingent gains and losses

	Group		Parent	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
The following matters have not been recognised in the financial statements because of the uncertainty associated with their outcomes. The amounts disclosed are net of tax.				
Contingent losses				
A claim for damages of \$100,000 was lodged against a subsidiary company for unfair dismissal during the year. The Company disputes the claim and legal advisers to the Group consider it unlikely that any liability will arise in respect of this claim.	100	-	-	-
Guarantees to bankers and other financial institutions of associate entities' bank overdraft facilities from which it is anticipated that no material liabilities will arise.	436	312	436	312
Total of associates' liabilities for which Essential Holdings Limited is jointly and severally liable. The Company considers it unlikely that any liability will arise.	50	35	50	35
Total of associates' contingent losses	68	45	48	40
Guarantees to bankers and other institutions of joint venture overdraft facilities (all secured) from which it is anticipated that no material liabilities will arise.	10	8	-	-
The Parent and certain subsidiaries have guaranteed to third parties the performance of contracts of the joint venture from which it is anticipated that no material liabilities will arise.	140	140	140	140
Guarantees to bankers and other institutions of subsidiaries' overdraft facilities from which it is anticipated that no material liabilities will arise.	-	-	992	1,763
Rebates received under the conduit tax relief regime must be refunded to the Inland Revenue Department should ownership continuity requirements cease to be met.	1	-	1	-

FRS15 11.3

FRS38 6.8, FRS15 11.10

FRS38 6.8

FRS38 6.7(a)

SSAP25 5.6(c), 5.9
FRS15 11.10

SSAP25 5.6(c)
FRS15 11.10

FRS15 11.10

Essential Holdings 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	-	-	-
-----	---	---	---

29.1 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

29.2 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

29.3 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 Holdings Limited & Subsidiaries
Notes to the Financial Statements

For the year ended 31 March 2002

30 Related party information

SSAP22 5.1

General

BXP (New Zealand) Limited, the major shareholder in Essential Holdings Limited, owns 42.31% (2001: 40.85%) of the ordinary shares of the Parent. The balance is owned by the public. BXP (New Zealand) Limited is ultimately 100% owned by BXP (UK) plc, a company registered in the United Kingdom.

SSAP22 5.2

All members of the Group are considered to be related parties of Essential Holdings Limited. This includes the subsidiaries identified in note 20, the associated entities identified in note 21 and the joint venture identified in note 22.

Related party transactions and balances

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

Key management personnel and members of the Board of Directors

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

The Group acquired raw materials from Spencer Limited, an entity controlled by SL Delves. 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 is a partner. These payments were made on normal commercial terms and there were no outstanding balances at year end.

Consulting fees of \$45,000 (2001: nil) were paid to RN Jackson 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.

The following directors borrowed money from the Group. All loans are secured by mortgage over the directors' 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
JP Smythe				
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
EP Franklin				
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

During the year the Group borrowed \$350,000 from RN Jackson. The loan is interest only and repayable at the end of five years. Interest charged on the loan is 6% per annum.

Essential Holdings Limited & Subsidiaries
Notes to the Financial Statements

For the year ended 31 March 2002

Other related parties

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.

In 2000 the Parent advanced \$150,000 to Essential Share Ownership Plan. During 2002 \$50,000 (2001: nil) was repaid leaving an amount owing of \$100,000. The loan is interest free and repayable on demand.

The Parent has received dividends from its subsidiaries and associated entities as disclosed in note 2.

The Group has received dividends from its associated entities as discussed in note 21.

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)

31 Events occurring after balance date

FRS5 6.5

As disclosed in note 9, 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 Holdings 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	-
	800	-
Goodwill on acquisition	300	-
Consideration to be paid	1,100	-
Bank balances to be acquired with subsidiary	(100)	-
Net cash impact of acquisition	1,000	-

Notice of Annual Meeting

Friday, 19 July 2002

Notice is hereby given that the Annual Meeting of Essential Holdings Limited will be held at the registered office of the Company at 13 Overland Avenue, Auckland on Friday, 19 July 2002 at 2.00pm.

Business to be transacted

1. To consider the Annual Report for the year ended 31 March 2002, including the financial statements and the Auditors' Report thereon.
2. To elect directors. The following directors retire in accordance with the constitution and, being eligible, offer themselves for re-election.
 - a) Tricia Mary Nair
 - b) Raewyn Beth Clarkson
3. To record that the auditors, PricewaterhouseCoopers, are automatically reappointed as auditors pursuant to section 200 of the Companies Act 1993, and to authorise the Board of Directors to fix their remuneration for the ensuing year.
4. To approve directors' remuneration for the ensuing year in accordance with the constitution.

Proxies and postal votes

Any member who is unable to attend the Annual Meeting, may appoint a proxy to vote in their place, or submit a postal vote.

If a proxy is to be appointed, please complete and sign the proxy form attached. A proxy need not be a member of the Company.

If a postal vote is to be submitted, please complete and sign the form attached.

In either instance, please return the form to the Company no later than 48 hours before the time fixed for the meeting.

TL Grey
Secretary

18 June 2002

Proxy

Annual Meeting

If you wish to appoint a Proxy, please complete the details below, then fold, seal and return this form to Essential Holdings Limited to be received no later than 2.00pm on Wednesday, 17 July 2002.

I/We _____
full name(s)

of _____
address

being a shareholder(s) of Essential Holdings Limited hereby appoint

_____ full name of proxy

of _____
address of proxy

or, in their absence _____
full name of proxy

of _____
address of proxy

as my/our proxy to vote for me/us on my/our behalf at the Annual Meeting of the Company to be held at 2.00pm on Friday, 19 July 2002 and at any adjournment thereof.

I/We desire to vote on the resolutions as indicated below:

Please indicate with an "X" how you wish your vote to be cast. Unless otherwise instructed, the proxy may vote as they think fit.

Resolutions

		For	Against
1	To re-elect Tricia Mary Nair as Director.		
2	To re-elect Raewyn Beth Clarkson as Director.		
3	To authorise the directors to set the remuneration of the Auditors.		
4	To approve directors' remuneration.		

Signature(s) _____

signed this _____ day of _____ 2002

Postal Voting Form

If you wish to submit a postal vote, please complete the details below, then fold, seal and return this form to Essential Holdings Limited to be received no later than 2.00pm on Wednesday, 17 July 2002.

I/We

full name(s)

of

address

vote in the following manner, on the resolutions to be put to the Annual Meeting of the Company, to be held at 2.00pm on Friday, 19 July 2002, and at any adjournment thereof.

Please indicate with an "X" how you wish your vote to be cast.

Resolutions

		For	Against
1	To re-elect Tricia Mary Nair as Director.		
2	To re-elect Raewyn Beth Clarkson as Director.		
3	To authorise the directors to set the remuneration of the Auditors.		
4	To approve directors' remuneration.		

Signature(s)

signed this

day of

2002



Directory

Registered Office

13 Overland Avenue
PO Box 1067
Auckland
Telephone: 09 555 1111
Facsimile: 09 555 1122

Auditors

PricewaterhouseCoopers
Private Bag
Auckland

Solicitors

Clarke, Trihy & O'Neill
312 Johns Lane
PO Box 555
Auckland

Share and Security Registers

NZ Registry Limited
Park Lane Towers
16-24 MacKenzie Avenue
Auckland

Bankers

NZ Trading Bank Limited
Finance Centre
Exchange Lane
Auckland



Image credits

Essential Annual Reports 2002:

cover page Steaming Terraces
photographed by Brian Moorhead

Essential Holdings Limited:

cover page Mineral settlement
photographed by Gaylene Earl

page 1 Eroded shoreline rock
photographed by Paul Harris

page 2 Tide art
photographed by Jiri Rezec

page 3 Paddy fields
photographed by Yann Layma

page 28 Hot springs
photographed by Raymond K Gehman

page 32 Steaming terraces
photographed by Brian Moorhead

page 33 Quartz
photographer unknown

page 95 Cave painting
photographed by Thad Sanuels Abel II

page 96 Carved marble screen
photographed by Sue Carpenter

©[2002] PricewaterhouseCoopers. PricewaterhouseCoopers refers to the individual member firms of the worldwide PricewaterhouseCoopers organisation. All rights reserved.

This publication should not be reproduced in any way, by any means whatsoever without the express permission of PricewaterhouseCoopers.

Disclaimer: *Essential Annual Reports 2002* is intended as a general guide only. It is not to be relied on as a substitute for specific professional advice. It is recommended that before acting upon this information a senior representative of PricewaterhouseCoopers should be consulted. No liability is accepted by PricewaterhouseCoopers on any grounds whatsoever to any party in respect of any errors or omissions, or any action or omission to act taken as a result of the information contained within this publication.