Directors' Report

The Directors of Broadway Industries Limited have pleasure in presenting the 2001 annual report to 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 Group.

Principal Activities

The principal activities of the Broadway Industries Group are:

- The importation and distribution of photographic equipment by H E Perry Limited
- The manufacture and supply of stainless steel products by Mercer Stainless Limited

Performance overview

Financial performance

The audited net surplus for the year ended 30 June 2001 was $762,000 (2000 $148,000). The net surplus on continuing business was $1,119,000 *(2000* $462,000). Operating revenue on continuing business increased from $32,795,000 to $35,485,000.

The result is consistent with forecasts contained in the prospectus for the recent successful rights issue.

Revenue for H E Perry increased by 5%. Profits for the year were acceptable.

Performance of Mercer Stainless was also pleasing. Operating revenue on continuing activities was up 10% reflecting the high levels of capital expenditure in the dairy industry, especially in the South Island. This subsidiary traded profitably.

The outlook for the 2001 year is positive.

Broadway Industries' borrowings have been refinanced. The Group is now looking at strategies to grow its businesses and profits.

The balance sheet is strengthened following the successful rights issue. Shareholders equity as a percentage of total assets is 46% at 30 June 2001, compared to 31 % at 30 June 2000.

Earnings per share

The surplus for the year represented a return of 5.13 cents per share (2000 1.00 cents) based on 14,861,165 weighted average ordinary shares on issue during the year (2000 14,835,310)

Dividend

No dividend will be paid for the 2001 year.

Corporate governance

Board of Directors

The Board is the governing body of Broadway Industries Limited and currently has four members. The directors are elected by the shareholders to oversee the management of the Company and are responsible for all corporate governance matters.

Directors holding office during the period were

- I F Farrant
- H J D Rolleston
- A J Lawrence
- P Hewitson

In accordance with the Company's Constitution, Mr H J D Rolleston is required to retire by virtue of rotation and, being eligible, offers himself for re-election.

Committees of the Board

The Board has an Audit Committee and a Remuneration Committee. The Audit Committee comprises Messrs P Hewitson and H J D Rolleston. The Remuneration Committee comprises Messrs I F Farrant and H J D Rolleston.

The function of the Audit Committee is to assist the Board in carrying out its responsibilities under the Companies Act 1993 and the Financial Reporting Act 1993. In particular, to ensure that management maintain sound accounting practices, policies and controls and to review and make appropriate inquiry into the audits of the Group's financial statements by the external auditors.

The function of the Remuneration Committee is to make recommendations to the Board concerning Executive Directors' and Executive Officers' remuneration.

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 Broadway Industries Limited and its subsidiaries are available for inspection at the registered offices.

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 transaction between the Parent or Group and the identified entities.

Information used by directors

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

Insurance of officers and directors

Broadway Industries Limited has arranged a policy of directors liability insurance that ensures that officers and directors will not generally incur monetary loss as a result of actions undertaken by them as directors. Certain actions are specifically excluded, for example the incurring of penalties and fines which may be imposed in respect of breaches of the law. The total cost of this insurance during the financial year was $12,000.

Waivers granted by the New Zealand Stock Exchange

The $4 million loan from South Canterbury Finance Limited has been repaid in full.

New Zealand Stock Exchange Listing Rules 9.1.1 and 9.2.1 apply to the refinancing and loan repayment. Listing Rule 9.1.1 provides that the Company should not enter into a transaction which involves a gross value of over 50% of the average market capitalisation of Broadway Industries Limited, without first obtaining an ordinary resolution of the shareholders.

As South Canterbury Finance Limited is a company associated with H J D Rolleston, a director of Broadway Industries limited, Listing Rule 9.2.1 applies. listing Rule 9.2.1 provides that if a transaction exceeds certain value thresholds (as is this case), it is deemed to be a Material Transaction with a Related Party. In normal circumstances an ordinary resolution of the shareholders is required before entering into such a transaction, and the shareholders would be provided with an independent report confirming that the terms and conditions of the transaction are fair to all shareholders.

For the reasons set out below, the directors applied for and were granted waivers from Listing Rules 9.1.1. and 9.2.1 by the New Zealand Stock Exchange. These waivers dispensed with the need for shareholder approval in advance of the loan repayment and the

refinancing. The waivers were sought because the directors believed the refinancing to be in the Group's best interests. Furthermore:

(a) The relatively small Gross Value of Assets and Average Market Capitalisation of Broadway Industries limited would impose an unreasonable restriction on the ability to arrange financing on better terms, if shareholder approval to the refinancing and repayment were to be required;

(b) The Group and all the shareholders are benefited by the Parent Company rearranging its financing on more advantageous terms; and

(c) The refinancing was to be provided by an arm's length, independent party on normal commercial terms.

Board of Directors

Director profiles

Ian Farrant (Chairman)

Mr Farrant is a non-executive director and has been a member of the Board since 13 November 1986. He attended all seven meetings of the full Board held during the financial year.

Matters entered in the interests register

Mr Farrant has declared directorships in the following companies that may trade on a commercial basis with companies in the Broadway Group:

> Airwork (NZ) Limited, Fulton Hogan Limited, NZ Refining Co Limited, Parvenu Holdings Limited, Queenstown Airport Corp Limited and Skeggs Group Limited.

Mr Farrant acquired 119,052 shares at $0.25 per share on 29 June 2001, being his entitlement pursuant to the 1:3 rights issue. Associated Persons of Mr Farrant acquired a further 315,640 shares at $0.25 per share pursuant to the rights issue.

At 30 June 2001 Mr Farrant held 476,208 shares in his own name. Associated Persons of Mr Farrant held 1,262,566 shares at that date.

Humphry Rolleston

Mr Rolleston is a non-executive director and has been a member of the Board since 6 August 1986. He attended all seven meetings of the full Board held during the financial year. Mr Rolleston also attended monthly management meetings for Mercer Stainless Limited.

Matters entered in the interests register

Mr Rolleston has declared directorships in the following companies that may trade on a commercial basis with companies in the Broadway Group:

> Duxford Investments Limited, Asset Management Limited, Canterbury Health Limited, Flexi Autolease Limited, Guthrey Holdings Limited, Scales Corporation Limited and subsidiaries, The Christchurch Press Co. Limited, Independent New Limited, South Canterbury Finance Limited and subsidiaries, Helicopter (NZ) Limited, Craigpine Timber Limited.

As a trustee, Mr Rolleston acquired 39,491 shares at $0.25 per share on 29 June 2001, being the trust's entitlement pursuant to the 1:3 rights issue. Associated

Persons of Mr Rolleston acquired a further 2,146,850 shares at $0.25 per share pursuant to the rights issue. During the period 7 June to 29 June 2001, Duxford Investments Limited, an Associated Person of Mr Rolleston, acquired on the market 8,242 rights and 1,922,429 shares at an average cost of $0.05 per right and $0.33 per share respectively.

At 30 June 2001 Mr Rolleston held 157,965 shares as a trustee. Associated Persons of Mr Rolleston held 10,485,11 0 shares at that date.

Alister Lawrence

Mr Lawrence is a non-executive director and has been a member of the Board since 9 December 1996. He attended four meetings of the full Board held during the financial year. Mr Lawrence also attended monthly management meetings for Mercer Stainless Limited.

Matters entered in the interests register

Mr Lawrence declared directorships in the following companies that may trade on a commercial basis with companies in the Broadway Group..

Englefield Industries Limited, Learning Applications Limited, Sports and Leisure Learning Limited.

Mr Lawrence acquired 2,200 shares at $0.25 per share on 29 June 2001, being his entitlement pursuant to the 1:3 rights issue. At 30 June 2001 Mr Lawrence held 8,800 shares in his own name.

Paul Hewitson

Mr Hewitson is a non-executive director and has been a member of the Board since 29 February 2000. He attended all seven meetings of the full Board held during the financial year.

Matters entered in the interests register

As a trustee, Mr Hewitson acquired 14,697 shares at $0.25 per share on 29 June 2001 pursuant to the 1:3 rights issue. Associated Persons of Mr Hewitson acquired a further 158,287 shares at $0.25 per share pursuant to the rights issue

At 30 June 2001 Mr Hewitson held 58,788 shares as a trustee. Associated Persons of Mr Hewitson held 633,1 51 shares at that date.

Remuneration of Directors

Directors' remuneration received, or due and receivable during the year is as follows:

	2001	2000
	$	$
I F Farrant	**21,000**	21,000
A J Hubbard	**-**	8,500
AJ Lawrence	**17,000**	17,000
H J D Rolleston	**17,000**	17,000
P Hewitson	**17,000**	5,667

Shareholder Information

The ordinary shares of Broadway Industries Limited are listed on the New Zealand Stock Exchange. The information in the disclosures below have been taken from the Company's registers at 4 September 2001.

Twenty largest shareholders:

Holder	Number Held	%of Shares on Issue
Duxford Investments Limited	9,843,175	50.339
Parvenu Holdings Limited	910,994	4.659
Sik-On Chow	780,000	3.989
G B Lowe	600,013	3.069
I F Farrant	476,208	2.435
Fontmell Farm Limited	331,306	1.694
Forresters Nominee Company	301,845	1.544
Asset Management Limited	283,030	1.447
J Backhouse	260,309	1.331
T J Hopkins	244,386	1.250
A J Hubbard & M J Hubbard	213,333	1.091
S A Leck	183,501	0.938
Pendene Farm Limited	174,186	0.891
Peter Rae Industires Limited	165,000	0.844
R J Clark	162,370	0.830
H J D Rolleston & G W Riley	157,965	0.808
A J Pye	144,000	0.736
C A Archer & J C Goyne	132,666	0.678
B D Lobb	110,000	0.563
Deegan Farms Limited	106,666	0.545
A J Pye & M A Pye	106,666	0.545
	15,687,619	80.228

Distribution of security holders:

Range	Number of holders	%	Number of shares held	%
1 to 1,000	166	28	87,538	0.448
1,001 to 5,000	213	36	543,853	2.781
5,001 to 10,000	90	15	636,825	3.257
10,001 to 100,00	99	17	2,598,008	13.286
100,001 and over	21	4	15,687,619	80.228
	589	100	19,553,843	100

Domicile of security holders:

Country	Number of holders	%	Number of shares held	%
New Zealand	573	97	19,249,076	98.441
Australia	12	2	137,065	0.701
Other	4	1	167,702	0.858
	589	100	19,553,843	100

Substantial Security Holders

The following are registered as Substantial Security Holders (as defined in the securities Amendment Act 1998) in Broadway Industries Limited.

	Relevant Interest Voting Securites	% of Shares
Duxford Investments Limited	9,843,175*	50.33%
A J Hubbard	10,894,137*	55.71%
H J D Rolleston	10,643,075*	54.43%
I F Farrant	1,738,774*	8.89%

* The total number of voting securities of the Company on issue at 4 September 2001 was 19,553,843. Because of the provisions of the Securities Amendment act 1988 more than one relevant interest can exist in the same voting securities. Those marked with an (*) above re, pursuant to the Act, voting securities in some, or all of which, more than one relevant interest is held.

Employees

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

	2001	2000
$110,000 – 119,999	2	-
$120,000 – 129,999	1	-
$130,000 – 139,999	-	1
$140,000 – 149,999	1	1
$180,000 – 189,999	-	1
$200,000 – 209,999	1	-
$240,000 – 249,999	-	1

Auditors

The auditor for the Group is PricewaterhouseCoopers. The remuneration for services provided by PricewaterhouseCoopers for the current financial year was:

	2001	2000
	$000	$000
Auditing the financial statements	52	89
Other services	-	-
	52	89

For and on behalf of the Board

I F Farrant
Chairman

H J D Rolleston
Director

26th October 2001

Group Directory

Broadway Industries Limited

Registered Office:	681 Rosebank Road, Avondale, Auckland
Company Secretary:	Howard Milliner
Bankers:	Westpac Banking Corporation
Solicitors:	Buddle Findlay
Auditors:	PricewaterhouseCoopers
Share Registry:	B K Registries Limited, PO Box 384, Ashburton

Mercer Stainless Limited

Registered Office: 681 Rosebank Road,
Avondale, Auckland
Ph: (09) 820 6165
Financial Controller: Howard Milliner

Building Products Division
37 Lunns Road, Christchurch
Ph: (03) 348 8002
Divisional Manager: David Mayell

681 Rosebank Road,
Avondale, Auckland
Ph (09) 820 6165

7 Te Puni Street, Petone,
Wellington. Ph: (04) 568 6129

Industrial Division
53 Lunns Road, Christchurch
Ph: (03) 348 7039
Branch Manager: Ross Coppard

Corbett Road, Bell Block,
New Plymouth. Ph: (06) 755 1276
Branch Manager: Roy Grant

89 Colombo Street Hamilton
Ph: (07) 846 0213
Sales Manager: Ian MacKenzie

H.E. Perry Limited

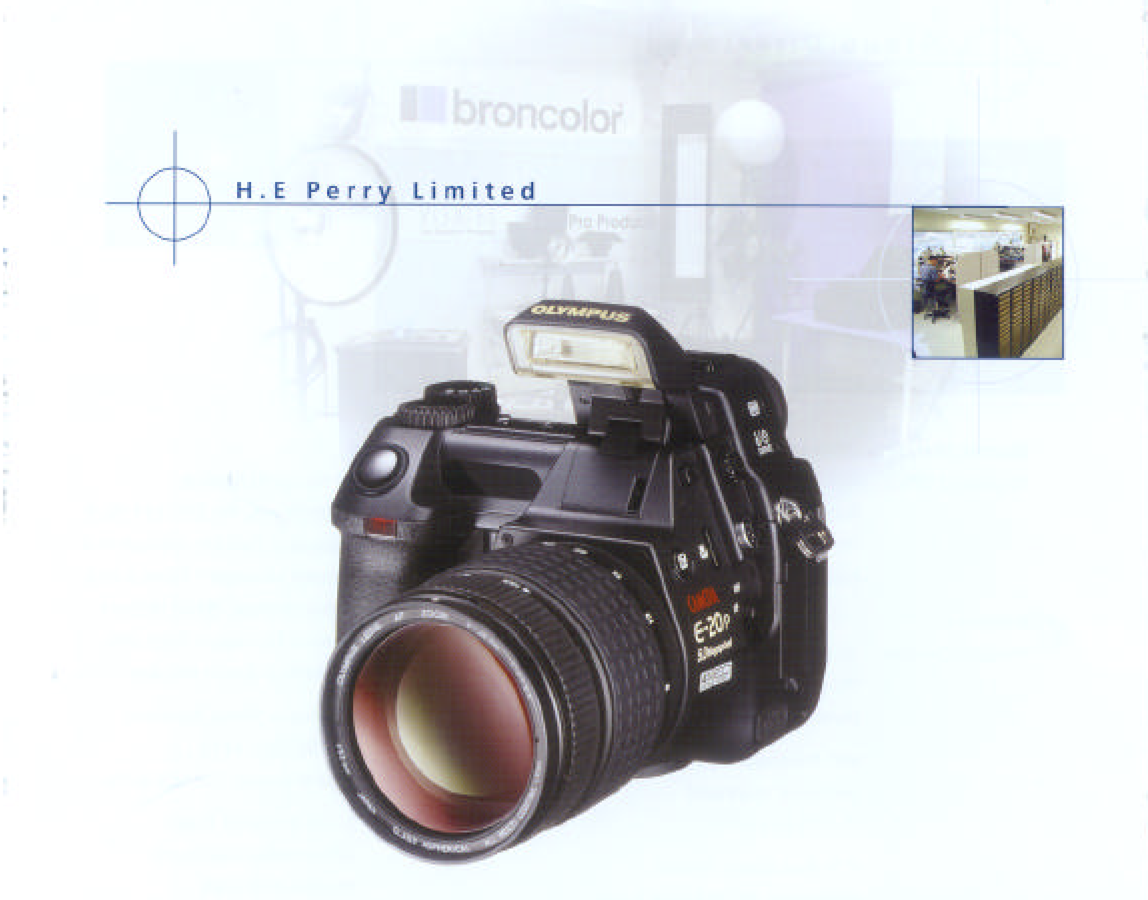
Head Office
97 Nazareth Avenue,
Christchurch. Ph: (03) 339 0028
Managing Director: Michael Bull
General Manager - Finance and Administration: David Withers
General Manager - Sales and Marketing: Simon Millidge

Branches
10 Minnie Street, Auckland
Ph: (09) 303 1479
Area Manager: Jim McCarthy

21-29 Broderick Road,
Johnsonville, Wellington
Ph: (04) 478 9785
Area Manager: John McSherry

97 Nazareth Avenue,
Christchurch. Ph: (03) 339 0028
Area Manager: Stephen Watt

H.E Perry Limited



Business Profile

Principal Business Activities

HE Perry Limited imports and distributes cameras, digital imaging equipment, binoculars, photographic lenses, professional photography equipment, photo mounting material, and photographic paper and chemicals throughout New Zealand.

Principal Brands
Olympus, Ilford, Polaroid, Broncolor, Bronica, Tamron, Ademco, Cokin, Visatec.

Head Office
Christchurch

Locations
Auckland, Wellington, Christchurch

Employees
27 (including part time)

Competition remains fierce in the imaging industry, with technology led products produced at an unprecedented rate. While revenue streams increase, margins remain under pressure from both currency fluctuations and emerging players. H.E. Perry Limited continues to procure new agencies affiliated to their market and change direction to facilitate the growing permutations linked to the Imaging business.

The digital sector has seen maximum gain in both sales and advancement in the past twelve months, as the mystery of 'digital' unfolds. Many new opportunities unveil as the medium is accepted as a business tool, is more user friendly and the cost to produce a satisfactory image becomes more affordable.

Olympus continue to provide a great product line up in this important sector of the market.

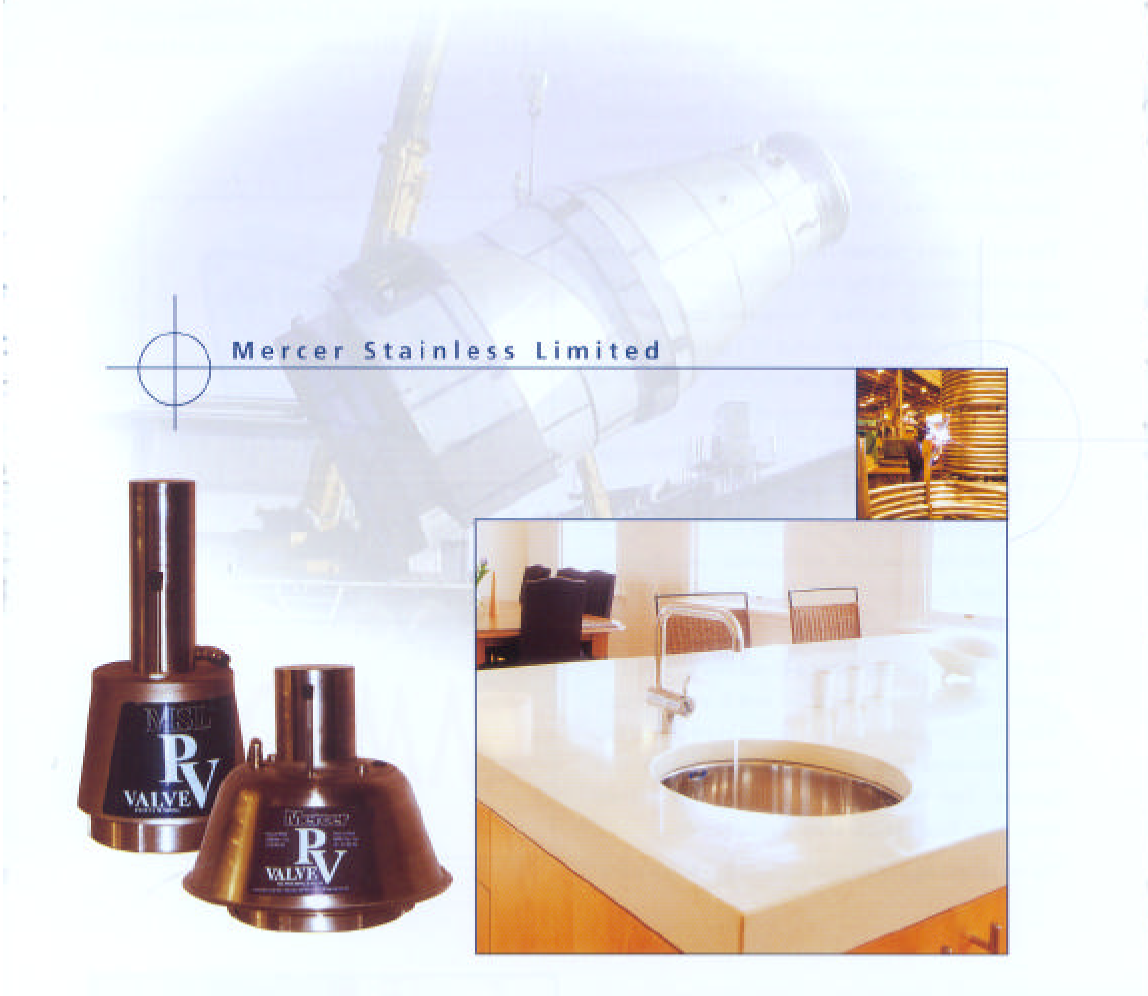
Their latest release is the " Camedia E-20P. " This SLR digital camera represents the ultimate reproduction capabilities in its class and incorporates a ‘5 Million Pixel CCD.'

The H.E. Perry Limited Service Department, based in Christchurch, continues to grow and is an important unit of the company strategy - "Being in control of the entire operation." Servicing all the agency lines in New Zealand, they also are the repair base for certain agencies in Australia and some Pacific Islands.

The future of imaging is clearly changing. As a leading provider to the industry, H.E.Perry Limited will closely monitor these changes and take the necessary steps to ensure it continues to provide a steady and acceptable return on investment.

H.E Perry Limited

Mercer Stainless Limited



Business Profile

Mercer Stainless Limited fabricates stainless steel products for domestic and commercial applications. The company also distributes a range of pressed and fabricated sinks, tubs and benches to domestic customers and manufacturers.

Locations

Manufacturing branches: Christchurch, New Plymouth and Hamilton

Sales only offices: Auckland and Wellington
Administration office: Auckland

Principal Markets

New Zealand, Australia, USA and Europe

Employees

97 (including part time)

The three Industrial branches of Mercer Stainless Limited had good work loads through the financial year as a result of the dairy industry expansion in the North and South Island.

Major projects undertaken in the year by Industrial Christchurch included silos, ranging in size from 15m3 to 250m3, for Edendale, Kaikoura, Stirling, Tasman and Clandeboye, bag filters for Clandeboye, a cheese tower and base unit for Ireland and modifications of tank containers for TranzRail. Benching sales and sales to other smaller local customers that give repetitive business continue to be a focus.

Prospects for the 2002 financial year are positive. Expansion of the Clandeboye and Edendale milk treatment plants continues and Industrial Christchurch will benefit from this. Significant orders for the supply of cheese towers and blockformers to export markets have been received and more are expected for supply this financial year.

Industrial New Plymouth manufactured six 250m3 silos for the Whey plant upgrade at Lichfield and two 250m3 silos for permeate storage at Hawera. Ten potable water tanks were made for the New Zealand Army and are currently in service in East Timor.

Benching and general jobbing sales have also been strong. The Mercer Pressure Vacuum Valve developed by Industrial New Plymouth has sold well in New Zealand. Opportunities for sale of this product overseas are now being progressed. Other product developments are being pursued.

Industrial Hamilton supplies high-tech 'AICO' materials handling equipment to the meat, horticultural and food processing industries. AiCO's products include high speed carton erectors, bidding machines, meat compactors and automatic pelt measurement equipment.

Export opportunities outside of Australasia are being investigated and new products are to be developed.

Mercer Building Products distributes a range of stainless steel sinks, bowls, laundry tubs, toilet pans and other similar products throughout New Zealand and Australia. These products are either manufactured in Christchurch or imported from Europe.

The present leased factory premises are to be vacated next year. Construction has started on a new factory on land at the Industrial Christchurch site. Plant and equipment is to be upgraded. This capital investment is a significant move for Mercer Building Products and will increase production capacity to enable growth of this business into export markets.

Statements Of Financial Performance

For the year ended 30 June 2001

		Group		Parent Company	
	Notes	**2001 $000**	2000 $000	**2001 $000**	2000 $000
OPERATING REVENUE	2	**35,467**	36,867	**351**	555
Operating expenses	3	**34,705**	36,715	**(329)**	705
Operating surplus (deficit) before taxation		**762**	152	**680**	(150)
Income tax expense	4	**-**	4	**-**	-
NET SURPLUS (DEFICIT)		**762**	148	**680**	(150)
Comprising					
Operating surplus (deficit) from continuing activities		**1,119**	462	**680**	(150)
Operating (deficit) from discontinued activities		**(357)**	(314)	**-**	-
		762	148	**680**	(150)

Statements Of Movement In Equity

For the year ended 30 June 2001

		Group		Parent Company	
	Notes	**2001 $000**	2000 $000	**2001 $000**	2000 $000
EQUITY AT BEGINNING OF YEAR		**4,957**	4,841	**5,037**	5,187
Net surplus (deficit)		**762**	148	**680**	(150)
Movement in foreign currency translation reserve	6	**(2)**	(32)	**-**	-
Total recognised revenues & expenses		**760**	116	**680**	(150)
Increase in share capital	5	**1,157**	-	**1,157**	-
EQUITY AT END OF YEAR		**6,874**	4,957	**6,874**	5,037

Statements Of Financial Position

As at 30 June 2001

		Group		Parent Company	
	Notes	**2001 $000**	2000 $000	**2001 $000**	2000 $000
EQUITY					
Share capital	5	**13,425**	12,268	**13,425**	12,268
Capital reserves	6	**2,488**	2,490	**199**	199
Retained earnings (accumulated losses)	7	**(9,039)**	(9,801)	**(6,750)**	(7,430)
TOTAL EQUITY		**6,874**	4,957	**6,874**	5,037
NON CURRENT LIABILITIES	8	**2,799**	4,050	**2,725**	4,000
CURRENT LIABILITIES					
Bank overdrafts	9	**62**	379	**-**	365
Creditors and accruals		**4,309**	5,531	**89**	204
Taxation payable		**2**	-	**-**	
Employee entitlements		**552**	607	**-**	-
Borrowings due within 12 months	8	**348**	336	**275**	315
TOTAL CURRENT LIABILITIES		**5,273**	6,853	**364**	884
TOTAL LIABILITIES AND EQUITY		**14,946**	15,860	**9,963**	9,921
NON CURRENT ASSETS					
Property, plant and equipment	10	**3,845**	4,065	**-**	-
Intangible assets	11	**132**	182	**-**	-
Investments in subsidiaries	12	**-**	-	**9,739**	9,825
Other investments	13	**1**	1	**-**	-
TOTAL NON CURRENT ASSETS		**3,978**	4,248	**9,739**	9,825
CURRENT ASSETS					
Cash and bank balances		**12**	12	**143**	-
Trade debtors		**5,118**	6,150	**-**	-
Other debtors and prepayments		**476**	306	**81**	96
Taxation refund		**5**	3	**-**	-
Inventories	14	**5,357**	5,141	**-**	-
TOTAL CURRENT ASSETS		**10,968**	11,612	**224**	96
TOTAL ASSETS		**14,946**	15,860	**9,963**	9,921

On behalf of the Board: 20th August 2001

I F Farrant
Director

H J D Rolleston
Director

Statements Of Cash Flows

For the year ended 30 June 2001

	Group		Parent Company	
	2001	2000	**2001**	2000
	$000	$000	**$000**	$000
OPERATING ACTIVITIES				
Cash was provided from:				
Receipts from customers	**37,006**	41,674	**12**	120
Receipts from subsidiaries	**-**	-	**365**	614
Interest received	**3**	5	**-**	-
	37,009	41,679	**377**	734
Cash was disbursed to:				
Payments to suppliers and employees	**35,520**	41,886	**165**	376
Finance lease charges	**8**	6	**-**	-
Payments to subsidiaries	**-**	-	**60**	100
Income tax paid	**1**	-	**-**	-
Interest on borrowings	**444**	666	**444**	650
Other interest	**60**	84	**22**	16
	36,033	42,642	**691**	1,142
NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES	**976**	(963)	**(314)**	(408)
INVESTING ACTIVITIES				
Cash was provided from:				
Proceeds from sale of property, plant & equipment	**60**	3,806	**-**	-
Repayments from subsidiaries	**-**	-	**960**	2,525
	60	3,806	**960**	2,525
Cash was applied to:				
Purchase of property, plant & equipment	**525**	265	**-**	-
Purchase of patents	**7**	-	**-**	-
	532	265	**-**	-
NET CASH INFLOW / (OUTFLOW) FROM INVESTING ACTIVITIES	**(472)**	3,541	**960**	2,525

Statements Of Cash Flows

For the year ended 30 June 2001

	Group		Parent Company	
	2001	2000	**2001**	2000
	$000	$000	**$000**	$000
FINANCING ACTIVITIES				
Cash was provided from:				
Share issue	**1,177**	-	**1,177**	-
New borrowings	**-**	2,550	**-**	2,550
	1,177	2,550	**1,177**	2,550
Cash was applied to:				
Repayment of finance leases	**50**	6	**-**	-
Repayment of borrowings	**1,315**	5,219	**1,315**	4,969
	1,365	5,225	**1,315**	4,969
NET CASH (OUTFLOW) FROM FINANCING ACTIVITIES	**(188)**	(2,675)	**(138)**	(2,419)
NET INCREASE (DECREASE) IN CASH HELD	**316**	(97)	**508**	(302)
Cash at beginning of year	**(367)**	(267)	**(365)**	(63)
Effect of exchange rate changes	**1**	(3)	**-**	-
CASH AT END OF YEAR	**(50)**	(367)	**143**	(365)
Composition of cash				
Cash and bank balances	**12**	12	**143**	-
Bank overdrafts	**(62)**	(379)	**-**	(365)
	(50)	(367)	**143**	(365)

Reconciliations of Net Surplus (Deficit) with Cash Inflows from Operating Activities

For the year ended 30 June 2001

	Group		Parent Company	
	2001	2000	**2001**	2000
	$000	$000	**$000**	$000
REPORTED SURPLUS (DEFICIT)	**762**	148	**680**	(150)
Items not involving cash flows:				
Depreciation	**651**	477	**-**	-
Amortisation of goodwill	**57**	57	**-**	-
Provisions and asset write downs	**375**	(21)	**(1,022)**	(178)
Other non cash items	**-**	(96)	**-**	-
	1,083	417	**(1,022)**	(178)
Items classified as investing activities:				
(Gain)/loss on sale of fixed assets	**(7)**	(391)	**-**	-
Impact of changes in working capital items:				
Trade creditors and accruals	**(1,216)**	(4,700)	**13**	(206)
Taxation payable	**(1)**	2	**-**	-
Trade debtors and prepayments	**817**	24	**15**	126
Inventory	**(460)**	3,542	**-**	-
Other	**(2)**	(5)	**-**	-
	(862)	(1,137)	**28**	(80)
NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES	**976**	(963)	**(314)**	(408)

Entities Reporting

The financial statements for the "Parent" are for Broadway Industries Limited as a separate legal entity. The consolidated financial statements for the "Group" are for the economic entity comprising Broadway Industries Limited and its subsidiaries.

Statutory Base

Broadway Industries 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.

Measurement Base

The Group follows the accounting principles recognised as appropriate for the measurement and reporting of financial performance, financial position and cash flows on a historical cost basis.

Particular Accounting Policies

The following particular accounting policies, which significantly affect the measurement and reporting of financial performance and financial position, have been applied:

(i) Revenue

Revenue as shown in the Statement of Financial Performance comprises the amounts received and receivable by the Group for goods and services supplied to customers in the ordinary course of business.

(ii) Basis of Consolidation - Purchase Method

The consolidated financial statements include the Parent Company and its subsidiary companies accounted for using the purchase method. The results of subsidiaries 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. All significant inter-company transactions are eliminated on consolidation. In the Parent Company financial statements investments in subsidiaries are stated at the lower of cost or net asset backing.

(iii) Property plant and equipment

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

The cost of assets constructed by the Group includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overhead. Costs cease to be capitalised as soon as the asset is ready for productive use and do not include any inefficiency costs.

(iv) Leased Assets

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 & equipment.

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.

(v) Depreciation

Depreciation of property plant & equipment, other than freehold land, is calculated on a straight line basis so as to expense the cost of assets to their residual values over their useful lives. The Directors have reviewed in the current year the depreciation rates applied and have adjusted these where required. The effect of the change in rates in the year ended 30 June 2001 was to increase the depreciation charge by $201,000.

The rates which are used and which correspond with rates specified by the IRD, are as follows:

Buildings	3%
Leasehold Improvements	13%
Plant, Vehicles and Fittings	6.5% - 40%
Computer Software	30%
Computer Hardware	30%

(vi) Intangible Assets

Patents, trademarks and licences are amortised over their anticipated useful lives.

The excess of cost over the fair value of the net assets of the subsidiaries or businesses acquired is recognised as goodwill and is amortised to the Statement of Financial Performance over the shorter of its estimated useful life or five years.

(vii) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is principally determined on a first- in first-out basis and, in the case of manufactured goods includes direct materials, labour and production overheads. In arriving at net realisable value, an allowance has been made, where appropriate, for deterioration and obsolescence.

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 including direct materials, labour and production overheads.

(viii) Receivables

Receivables are stated at their estimated realisable value after providing against debts where collection is doubtful.

(ix) Income Tax

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

Tax effect accounting is applied on a comprehensive basis to all timing differences. A future taxation benefit arising from timing differences or income tax losses is only recognised if there is virtual certainty of realisation.

(x) 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.

(xi) Foreign Currencies

Transactions in foreign currencies are converted at the New Zealand rate of exchange ruling at the date of the transaction. Short-term transactions covered by forward exchange contracts are measured and reported at the forward rates specified in those contracts. At balance date, foreign monetary assets and liabilities are translated at the closing rate and exchange variations arising from these translations are included in the Statement of Financial Performance.

Gains and losses on exchange, both realised and unrealised are recognised in the period in which they occur by way of a credit or charge in the Statement of Financial Performance.

Revenues and expenses of independent foreign operations are translated at the New Zealand rate of exchange in effect at the date of the transaction, or at rates approximating them. Assets and liabilities are converted at the rates of exchange ruling at balance date. In previous years the financial statements of independent foreign operations were translated at the closing rate.

Exchange differences arising from the translation of independent foreign operations are recognised in the foreign currency translation reserve.

(xii) Statement of Cash Flows

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

(a) Cash means cash on hand, demand deposits and other highly liquid investments in which the Group has invested as part of its day-to-day cash management. Cash includes liabilities which are the negative form of the above, such as the bank overdraft. Cash does not include accounts receivable or payable, or any borrowing subject to a term facility.

(b) Investing activities are those activities relating to the acquisition, holding and disposal of fixed assets 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 of the Group. 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) Operating activities include all transactions and other events that are not investing or financing activities.

(xiii) Financial Instruments

Financial instruments with off-balance sheet risk are entered into for the primary purpose of reducing exposure to fluctuations in foreign currency exchange rates and interest rates. While financial instruments are subject to risk that market rates may change subsequent to acquisition, such changes would generally be offset by opposite effects on the items hedged. Interest rate swaps are entered into to manage interest rate exposure. For interest rate swaps, the differential to be paid or received is accrued as interest rates change and is recognised as a component of interest expense over the life of the swap. Premiums paid on interest rate caps are expensed.

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

Changes in Accounting Policies

During the period, the Group changed the accounting policy with respect to the translation of the financial statements of independent foreign operations. Revenues and expenses of independent foreign operations are now translated at the New Zealand rate of exchange in effect at the date of the transaction, or at rates approximating them. These financial statements were previously translated at the closing rate of exchange which is not in accordance with FRS 21 "Accounting for the Effects of Changes in Foreign Currency Exchange Rates". The change had no effect on the financial position, financial performance or cash flows of the Group.

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

1. Segment Information

Industry Segments	Manufacturing		Distribution		Other		Consolidated	
	2001 $000	2000 $000	**2001 $000**	2000 $000	**2001 $000**	2000 $000	**2001 $000**	2000 $000
Revenue								
Segment	**18,634**	20,943	**16,893**	16,033	**351**	555	**35,878**	37,531
Intersegment	**(60)**	(100)	**-**	(9)	**(351)**	(555)	**(411)**	(664)
Consolidated	**18,574**	20,843	**16,893**	16,024	**-**	-	**35,467**	36,867
Result								
Segment	**172**	(1,010)	**784**	1,051	**(194)**	111	**762**	152
Intersegment	**206**	390	**85**	48	**(291)**	(438)	**-**	-
Consolidated	**378**	(620)	**869**	1,099	**(485)**	(327)	**762**	152
Assets								
Segment	**8,997**	10,155	**5,940**	5,610	**9**	95	**14,946**	15,860
Intersegment	**-**	-	**-**	-	**-**	-	**-**	-
Consolidated	**8,997**	10,155	**5,940**	5,610	**9**	95	**14,946**	15,860

Geographical segments	New Zealand		Australia		Other		Consolidated	
	2001 $000	2000 $000	**2001 $000**	2000 $000	**2001 $000**	2000 $000	**2001 $000**	2000 $000
Revenue								
Segment	**35,527**	35,654	**-**	1,426	**351**	555	**35,878**	37,635
Intersegment	**(60)**	(121)	**-**	(92)	**(351)**	(555)	**(411)**	(768)
Consolidated	**35,467**	35,533	**-**	1,334	**-**	-	**35,467**	36,867
Result								
Segment	**1,008**	(145)	**(52)**	124	**(194)**	111	**762**	90
Intersegment	**291**	500	**-**	-	**(291)**	(438)	**-**	62
Consolidated	**1,299**	355	**(52)**	124	**(485)**	(327)	**762**	152
Assets								
Segment	**14,892**	15,673	**54**	92	**-**	95	**14,946**	15,860
Intersegment	**-**	-	**-**	-	**-**	-	**-**	-
Consolidated	**14,892**	15,673	**54**	92	**-**	95	**14,946**	15,860

The result is the Group's operating surplus (deficit) before taxation. 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:

Manufacturing -Stainless Steel / Plastic Extrusion

Distribution -Photographic Supplies and Equipment

2. Operating revenue

	Group		Parent Company	
	2001	2000	**2001**	2000
	$000	$000	**$000**	$000
Continuing activities				
Turnover	**35,424**	32,752	**-**	-
Interest income	**3**	1	**301**	485
Management fees	**-**	-	**50**	70
Other	**58**	42	**-**	-
	35,485	32,795	**351**	555
Discontinued activities				
Turnover	**(18)**	4,069	**-**	-
Interest income	**-**	1	**-**	-
Other	**-**	2	**-**	-
	(18)	4,072	**-**	-
Total operating revenue	**35,467**	36,867	**351**	555

During the 1999 year the Directors resolved to sell the business and assets of Protech Products and to close the Mercer Food Service businesses in Auckland and Australia. Costs and losses arising from the closure of these businesses contributed an after tax deficit to the Group of $357,000 (2000 $314,000). The operating revenues are disclosed above. The operating expenses of these discontinued businesses are disclosed in note 3.

3. Operating expenses

	Group		Parent Company	
	2001	2000	**2001**	2000
	$000	$000	**$000**	$000
Continuing activities				
Operating expenses:				
Depreciation of property, plant & equipment	**651**	456	**-**	-
Loss (gain) on sale of fixed assets	**(9)**	(2)	**-**	-
Foreign exchange (gain) loss	**(5)**	(39)	**-**	(1)
Rental & operating lease costs	**424**	505	**-**	-
Amortisation of goodwill	**57**	57	**-**	-
Cost of offering credit:				
Bad debts written off	**36**	40	**-**	-
Increase (decrease) in provision for doubtful debts	**108**	(35)	**-**	-
Cost of borrowings:				
Interest – fixed loans	**444**	621	**444**	627
– finance lease charges	**8**	6	**-**	-
– other	**57**	64	**20**	16
Governance expenses:				
Audit fees	**52**	70	**15**	25
Directors fees	**72**	69	**72**	69
Unusual items:				
Increase in provision for slow moving stock	**98**	-	**-**	-
Decrease in provision for legal costs	**(147)**	-	**(147)**	-
Adjustment to carrying value of investments in subsidiaries	**-**	-	**(874)**	(178)
Discontinued activities				
Depreciation of property, plant & equipment	**-**	21	**-**	-
Loss (gain) on sale of fixed assets	**2**	(389)	**-**	-
Foreign exchange (gain) loss	**1**	(65)	**-**	-
Rental & operating lease costs	**-**	26	**-**	-
Bad debts written off	**216**	26	**-**	-
(Decrease) in provision for doubtful debts	**(36)**	(52)	**-**	-
Increase in provision for slow moving stock	**100**	-	**-**	-
Interest – other	**-**	37	**-**	-
Audit fees	**(4)**	19	**-**	-

4. Taxation

	Group		Parent Company	
	2001	2000	**2001**	2000
	$000	$000	**$000**	$000
The taxation provision has been calculated as follows:				
Tax expense (credit) at 33% on the operating surplus (deficit) for the year	**251**	50	**224**	(50)
Adjusted by the tax effect of:				
Non-taxable income	**(49)**	(272)	**(337)**	(92)
Non-deductible items	**32**	(7)	**-**	-
Difference due to overseas tax rates	**(3)**	4	**-**	-
Benefit of unrecognised tax losses and timing differences	**(231)**	225	**113**	142
	-	-	**-**	-
Add under (over) provision in prior years	**-**	4	**-**	-
	-	4	**-**	-
Taxation charge is represented by:				
Tax payable in respect of the current year	**-**	4	**-**	-
Deferred taxation	**-**	-	**-**	-
	-	4	**-**	-

The amount of unrecognised New Zealand tax losses is $18,165,000 (2000 $18,984,000) representing a tax benefit of $5,994,000 (2000 $6,265,000). Unrecognised tax losses in Australia is AUD1,582,000 (2000 AUD1,509,000) representing a benefit of AUD570,000 (2000 AUD543,000). In addition there are unrecognised timing differences of $2,538,000 (2000 $2,051,000) representing a benefit of $838,000 (2000 $677,000).

The availability of these losses is subject to confirmation from the Inland Revenue and to the companies in the Group satisfying shareholder continuity requirements.

Imputation credit account

	Group		Parent Company	
	2001	2000	**2001**	2000
	$000	$000	**$000**	$000
Balance at beginning of year	**164**	170	**105**	111
Adjustment of prior year balance	**-**	(6)	**-**	(6)
Balance at end of year	**164**	164	**105**	105

5. Share capital

	Group		Parent Company	
	2001	2000	**2001**	2000
	$000	$000	**$000**	$000
Issued and paid up capital				
Balance at beginning of year	**12,268**	12,268	**12,268**	12,268
Shares issued during the year	**1,157**	-	**1,157**	-
Balance at end of year	**13,425**	12,268	**13,425**	12,268

As at 30 June 2001 there were 19,553,843 shares issued and fully paid (2000 14,835,310). All ordinary shares rank equally with one vote attached to each fully paid ordinary share.

On 29 June 2001, 4,718,533 ordinary shares were issued for cash pursuant to a 1:3 renounceable rights issue at $0.25 per share. The increase in share capital is stated after taking to account expenses of the issue amounting to $23,000.

6. Capital reserves

	Group		Parent Company	
	2001	2000	**2001**	2000
	$000	$000	**$000**	$000
Foreign currency translation reserve				
Balance at beginning of year	**17**	(157)	**-**	-
Movement in the year	**(2)**	(32)	**-**	-
Transfer from retained earnings	**-**	206	**-**	-
Balance at end of year	**15**	17	**-**	-
Other capital reserves				
Balance at beginning of year	**2,473**	2,022	**199**	199
Transfer from retained earnings	**-**	451	**-**	-
Balance at end of year	**2,473**	2,473	**199**	199
	2,488	2,490	**199**	199

7. Retained earnings (accumulated losses)

	Group		Parent Company	
	2001	2000	**2001**	2000
	$000	$000	**$000**	$000
Balance at beginning of year	**(9,801)**	(9,292)	**(7,430)**	(7,280)
Net surplus (deficit)	**762**	148	**680**	(150)
Transfer to capital reserves	**-**	(657)	**-**	-
Balance at end of year	**(9,039)**	(9,801)	**(6,750)**	(7,430)

8. Borrowings

	Group		Parent Company	
	2001	2000	**2001**	2000
	$000	$000	**$000**	$000
Borrowings due within 12 months:				
Bank loans	**-**	315	**-**	315
South Canterbury Finance Limited	**275**	-	**275**	-
Capitalised lease obligations	**73**	21	**-**	-
	348	336	**275**	315
Non current borrowings:				
Capitalised lease obligations	**74**	50	**-**	-
South Canterbury Finance Limited	**2,725**	4,000	**2,725**	4,000
	2,799	4,050	**2,725**	4,000

Bank loans are secured by a composite debenture over the Group's assets. The loan from South Canterbury Finance Limited is secured by a second debenture over the Company's assets supported by guarantees from certain subsidiary companies. The remaining borrowings are secured over specific assets.

The interest rate on the bank loan during the period to repayment was 8.45% (2000 – 6.45% to 8.45%). Interest on the second debenture loan from South Canterbury Finance Limited was at 11% (2000 -11%).

The bank loan was repaid on 31 August 2000.

The South Canterbury Finance Limited loan was repaid as to $1,000,000 on 29 June 2001 out of proceeds from the share issue. The amount outstanding at balance date was refinanced in full by WestpacTrust on 31 July 2001. The WestpacTrust loan is repayable by monthly instalments of $25,000 until 31 July 2004 at which time the outstanding balance is repayable.

The principal repayment schedule set out below reflects the refinancing which took place on 31 July 2001. Non current liabilities fall due for repayment in the following periods:

	Group		Parent Company	
	2001	2000	**2001**	2000
	$000	$000	**$000**	$000
Capitalised lease obligations				
Later than 1, not later than 2 years	**61**	20	**-**	-
Later than 2, not later than 3 years	**13**	30	**-**	-
	74	50	**-**	-
Other non current borrowings				
Later than 1, not later than 2 years	**300**	4,000	**300**	4,000
Later than 2, not later than 3 years	**300**	-	**300**	-
Later than 3, not later than 5 years	**2,125**	-	**2,125**	-
	2,725	4,000	**2,725**	4,000
	2,799	4,050	**2,725**	4,000

9. Bank overdrafts

Bank overdrafts are secured by a composite debenture over the Group's assets supported by a registered first charge over the property. On 31 July 2001 WestpacTrust released Messrs AJ Hubbard, HJD Rolleston and IF Farrant from the limited guarantees they provided in support of the Group's banking facilities.

10. Property plant and equipment

(a) 30 June 2001

	Cost	Accum Depn	Book Value
	$000	**$000**	**$000**
Group			
Land	**751**	**-**	**751**
Buildings	**1,582**	**180**	**1,402**
Plant and equipment	**7,085**	**5,393**	**1,692**
	9,418	**5,573**	**3,845**

(b) 30 June 2000

	Cost	Accum Depn	Book Value
Group			
Land	751	-	751
Buildings	1,582	128	1,454
Plant and equipment	7,682	5,822	1,860
	10,015	5,950	4,065

The property at 43-53 Lunns Road, Christchurch was valued on 26 July 2001 by Telfer Young, Registered Valuers, at $2,190,000. The latest Government Valuation, dated 1 September 1998, is $2,100,000.

Included in the Group financial statements is equipment purchased under finance leases with a cost of $202,000 (2000 $76,000) and accumulated depreciation of $66,000 (2000 $11,000).

11. Intangible assets

	Group		Parent Company	
	2001	2000	**2001**	2000
	$000	$000	**$000**	$000
Patents, trademarks and licences at cost	**18**	11	**-**	-
Purchased goodwill at cost	**285**	285	**-**	-
Accumulated amortisation	**(171)**	(114)	**-**	-
	114	171	**-**	-
	132	182	**-**	-

12. Investment in subsidiary companies

The Parent Company's investment in subsidiary companies comprised:

	2001 $000	2000 $000
Shares at cost	**11,556**	11,556
Less adjustments to net asset backing	**8,130**	7,814
	3,426	3,742
Advances to subsidiaries	**17,575**	18,535
Less adjustments to net asset backing	**11,262**	12,452
	6,313	6,083
	9,739	9,825

The principal trading subsidiaries at 30 June 2001 comprise:

	Percentage Shareholding
Mercer Stainless Limited	100%
HE Perry Limited	100%

All subsidiaries have a common balance date of 30 June.

13. Investments

	Group		Parent Company	
	2001 $000	2000 $000	**2001 $000**	2000 $000
Investments in non group companies	**1**	1	**-**	-

14. Inventories

	Group	
	2001 $000	2000 $000
Raw materials	**795**	699
Work in progress	**3,626**	1,058
Progressive billings	**(3,164)**	(1,080)
Finished goods	**4,100**	4,464
	5,357	5,141

15. Capital commitments

Before balance date, a subsidiary placed an order for plant and equipment at a cost of 530,000 Euros. The equipment will be supplied and installed late in the 2002 financial year. A deposit of 15% was paid at the time of the order. The Group has no other commitments for future capital expenditure as at 30 June 2001 (2000 $nil).

16. Contingent liabilities

	Group		Parent Company	
	2001 $000	2000 $000	**2001 $000**	2000 $000
Guarantee of bank overdraft facilities for subsidiaries to a limit of	**-**	-	**1,000**	1,000
Guarantees of advances to other parties	**75**	75	**75**	75
	75	75	**1,075**	1,075

17 Operating lease commitments

The aggregate amount of commitments under operating leases is as follows:

	Group		Parent Company	
	2001 $000	2000 $000	**2001 $000**	2000 $000
Within 1 year	**391**	421	**-**	-
1 - 2 years	**366**	388	**-**	-
3 - 5 years	**728**	699	**-**	-
Later than 5 years	**616**	912	**-**	-
	2,101	2,420	**-**	-

The Group leases premises and plant & equipment.

18. Financial instruments

(a) Nature of activities and management policies with respect to financial instruments.

(i) Currency risk
The Group has exposure to foreign exchange risk as a result of transactions denominated in foreign currencies, arising from normal trading activities. Where exposures are certain it is the Group's policy to hedge these risks as they arise. The Group uses foreign exchange contracts and foreign currency options to manage these exposures.

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

	Group		Parent Company	
	2001	2000	**2001**	2000
	$000	$000	**$000**	$000
Forward foreign exchange contracts	**872**	1,662	-	-

The cash settlement requirements of these foreign exchange instruments approximate the notional contract amounts shown above.

(ii) Interest rate risk
At 30 June 2001, the loan from South Canterbury Finance Limited and the capitalised lease obligations are at fixed interest rates and therefore there is no exposure to interest rate changes. The effective interest rate for fixed interest debt at balance date is 11% (2000 11%). Bank borrowings at 30 June 2000 attracted floating rates of interest.

The notional principal or contract amounts of interest rate contracts outstanding at balance date is as follows:

	Group & Parent Company	
	2001	2000
	$000	$000
Interest rate swaps	-	2,000

The cash settlement requirements of interest rate swaps and caps is a net interest payable of $nil (2000 payable $5,000)

(iii) Credit risk
In the normal course of its business the Group is subject to credit risk from trade debtors and transactions with financial institutions. The Group has a credit policy that is used to manage this exposure to credit risk. As part of this policy, limits on exposure with counterparties have been set and are monitored on a regular basis.

The Group has no significant concentration of credit risk. The Group does not require any collateral or security to support financial instruments due to the quality of the financial institutions dealt with.

(b) Fair values

The estimated fair values of the Group's financial assets and liabilities are the same as set out in the Statement of Financial Position.

The following methods were used to estimate the fair values for each class of financial instrument:

Debtors, trade creditors and bank overdrafts
The carrying value of these items is equivalent to the fair value.

Investments
The fair value of investments is estimated to be the net asset backing.

Borrowings
The fair value of the Group's borrowings is estimated based on current market rates available to the Group for debt of similar maturity.

Interest rate swaps and caps and foreign exchange contracts and options
The fair value of these instruments is estimated based on the quoted market price of these instruments.

19. Related party transactions

The company paid interest during the year of $440,000 (2000 $392,534) to South Canterbury Finance Limited, a company associated with HJD Rolleston and AJ Hubbard. A principal repayment of $1,000,000 was made on 29 June 2001. The balance owed at 30 June 2001 of $3,000,000 was repaid in full on 31 July 2001.

On 31 July 2001 WestpacTrust released Messrs AJ Hubbard, HJD Rolleston and IF Farrant from the limited guarantees they provided in support of the Group's banking facilities.

The Company undertook the following transactions with subsidiary companies:

	$
Payment of accounting fee	60,000
Receipt of management fees	50,000
Receipt of interest	301,000

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

PRICEWATERHOUSECOOPERS

Auditors' Report

To the Shareholders of Broadway Industries Limited

We have audited the financial statements on pages 12 to 30. The financial statements provide information about the past financial performance and the cash flows of the Company and Group for the year ended 30 June 2001 and financial position of the Company and Group as at 30 June 2001. This information is stated in accordance with the accounting policies set out on pages 17 to 19.

Directors' Responsibilities

The Company's Directors are responsible for the preparation and presentation of the financial statements which give a true and fair view of the financial position of the Company and Group as at 30 June 2001 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 report 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 used and described on pages 17 to 19 are appropriate to the Company and Group circumstances, 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 consider necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

We have no relationship with or interests in the Company or any of its subsidiaries other than in our capacity as auditors.

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 12 to 30:

(i) comply with generally accepted accounting practice; and

(ii) give a true and fair view of the financial position of the Company and Group as at 30 June 2001 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 21 August 2001 and our unqualified opinion is expressed as at that date.

PricewaterhouseCoopers

Chartered Accountants

Auckland

5 Year Financial Summary

For the year ended 30 June 2001

Five Year Financial Summary

	2001	2000	1999	1998	1997
	$000	$000	$000	$000	$000
Revenue	**35,467**	36,867	57,796	64,581	104,005
Operating surplus (deficit) before tax	**762**	152	(7,933)	(11,252)	7,706
Net surplus (deficit)	**762**	148	(8,071)	(11,215)	6,129
Issued capital	**13,425**	12,268	12,268	12,268	12,268
Earnings per share	**5.1c**	1.0 c	(54.4 c)	(76.0 c)	36.9 c
Dividend per share (fully imputed)	**-**	-	-	-	-
Net asset backing per share	**$0.35**	$0.33	$0.33	$0.87	$1.63