

APPENDIX 4.6
(referred to in Appendix 4.3)

**An extract statement of Elders' significant accounting policies
(from note 1 of notes to the accounts)**

General

1. The amounts shown in the accounts have been rounded to the nearest thousand dollars. The accounts have been prepared on the basis of using historical costs and, except where stated, do not take into account changing money values nor current valuations of non-current assets.

Principles of consolidation

2. The consolidated accounts include all companies in which the group has a controlling interest. The group's interest in other companies is included in the accounts as investments or trading securities. Dividends from these investments are brought to account when declared or recommended by directors of the respective companies.

3. Goodwill on acquisition is capitalised and amortised over a period not exceeding 20 years.

4. In view of the specialised nature of the finance subsidiaries (Elders Finance Group Ltd and subsidiaries) it is considered that it would be misleading to include the individual assets and liabilities of these subsidiaries in the consolidated balance sheet. Accordingly, the net assets only are included. The consolidated results include the profits of these subsidiaries.

Equity accounting

5. The group adopts the principles of equity accounting in respect of its shareholdings in associated companies, where the results of such companies are material in relation to the group's results and where significant influence is exercised. The group's proportionate share of the results of these associated companies is included in the Equity Consolidated column of the profit and loss statement.

Property, plant and equipment

6. Plant, motor vehicles, furniture and equipment are depreciated by the group so that the assets are written off over their estimated effective lives, using reducing balance or straight line methods as appropriate. Leasehold improvements are written off over the period of the lease or estimated effective life, whichever is the shorter. Freehold buildings used in the production of income and which are to be retained have been depreciated at rates which vary with the circumstances but at not less than 1.5 per cent per annum.

7. The description 'cost to the group' represents gross book values at the date of acquisition. Depreciation applicable thereto is included in accumulated depreciation.

8. Property, plant and equipment shown at valuation has generally been revalued by reference to replacement cost, adjusted for the period of past use. In arriving at valuations, directors have referred to independent professional valuations. Such assets are revalued on a regular basis; it is the group's policy to revalue such assets at no more than two-yearly intervals.

Trade marks

9. Trade marks of the Courage group of companies are included in these financial statements at cost to the Elders group, but the amount is based on an independent valuation prepared by a member of the Institute of Trademarks Agents (UK). The directors consider the trade marks are identifiable assets which, under responsible stewardship, do not diminish in value over time and accordingly no amortisation is necessary. Periodical revaluations of these trade marks will be made and adjustments made for any changes in value.

Inventories

10. In certain specialised industry situations, commodities are valued at market value. All other finished goods, raw materials and stores, work in progress and livestock are valued at the lower of cost and estimated net realisable value. Cost of manufactured goods is determined on a consistent basis comprising prime costs and an appropriate proportion of fixed and variable overhead expenses.

11. Properties held for sale are included at cost or valuation; in aggregate, estimated market values exceed these values.

12. Trading securities are valued at the lower of cost and market value.

Properties held for sale

13. Freehold and leasehold land and buildings which are now not required for operating purposes have been classified in the accounts as current assets and are not written down unless book values exceed estimated net realisable value.

Sales of assets

14. The group adopts the policy of continually reviewing major assets and businesses in the group as part of an ongoing process of asset management and rationalisation. Group policy is to regard sales of assets from this ongoing programme as part of its ordinary business operations.

Foreign currencies

15. All figures in the accompanying accounts and notes are expressed in Australian currency. Foreign currency balances have been translated at the rates of exchange ruling at balance date, except for subordinated convertible bonds, which have been translated at the fixed rates of exchange applicable to the conversion rights, and speculative positions, which have been valued at market rates at balance date. Financial statements of foreign subsidiaries have been translated using the current rate method. Transactions during the period have been converted at rates applicable on transaction dates.

16. Gains and losses on currency translation have been dealt with as follows:

- (a) Gains and losses resulting from trading transactions (including speculative dealings) are included in net operating profit, except for unrealised gains and losses arising on hedges of specific purchase and sale commitments, which are deferred until the date of the transaction and included in the measurement of the purchase or sale. Net foreign exchange gains consist mainly of profits earned by the Finance group from dealing in foreign currencies, which do not take account of interest, staff costs or other expenses incurred in earning these profits.
- (b) Gains and losses arising on hedges covering foreign currency exposures in respect of foreign subsidiaries, on the translation of financial statements of foreign subsidiaries on consolidation and on inter-company accounts with foreign subsidiaries are taken direct to the foreign currency translation reserve.

17. In accordance with Australian accounting standard ASRB 1012, a deferred unrealised exchange loss of \$7,784,000, included in deferred expenses at 30 June 1987, has been written off directly to retained profits during the year.

Income tax

18. The group uses the liability method of tax effect accounting. No provision has been made for overseas taxes which may arise in the event of retained profits of foreign subsidiaries being remitted to Australia as no decision has been made to make any such remittances. Remittances are subject to overseas exchange control approval. No provision has been made for capital gains tax which may arise in the event of sale of revalued assets as no decision has been made to sell any of these assets.

19. Deferred tax balances of Australian companies have been calculated using a rate of 39 per cent.

Employee benefits

20. Liabilities to employees for annual leave, retirement benefits and long service leave are provided for on the basis of statutory or contractual requirements. These have been allocated into current and non-current liabilities, the current element relating to the amount of the liabilities which are expected to be paid in the ensuing 12 months.

Leasing

21. Leases classified as finance leases are capitalised and amortised on a straight-line basis so as to write the assets off over their estimated effective lives. The liability in respect of capitalised leases is reduced by the principal component of each lease payment and the interest component is expensed.

22. Leases classified as operating leases are not capitalised and payments on these are charged against profits as incurred.

23. The policy of capitalisation of finance leases was adopted from 1 July 1987, in accordance with Australian accounting standard ASRB 1008. As a consequence an amount of \$1,953,000 (parent \$276,000) was charged directly against retained profits, representing the difference between the amortised value of capitalised leases and the amount of lease liabilities outstanding at the beginning of the year.

Operating revenue

24. Total operating revenue includes agency sales and excise and other duties and taxes.

Deferred income

25. Where major assets of the group are divested of and the ownership is transferred to companies in which significant interests are held by the group, the respective profits earned on divestment are brought to account only to the extent of the respective external holdings in the acquiring companies. The remainder is deferred, to be brought to account as income only if the relevant interests are on-sold to third parties or the Elders group reduces its shareholding in the acquiring companies.

26. The assets involved during the current financial year were licensed properties owned by the Courage group, part of the group's investment in Sundor Group Inc and the group's investment in Elders Resources Ltd.

Segment reporting

27. The segmental information contained in note 22 has been prepared on the following basis:

- (a) industry-during the 1987 and 1988 financial years the group's activities were predominantly in five major areas-brewing, agribusiness, finance, resources, investments. Detailed particulars of these business segments are set out in the Summary of Activities. The investment activities of the Elders Investments Ltd group are shown separately;
- (b) geographical-the group's activities are conducted predominantly in Australasia, the United Kingdom, North America and Asia;
- (c) segment results have been arrived at after taking into account sales and charges made between segments. These sales and charges are made on a commercial basis;
- (d) segment revenue figures are shown net of inter-segment sales and charges. The only material inter-segment revenue was received by agribusiness, totalling \$44,623,000 (1987 \$67,336,000);
- (e) profits and total assets for each segment have been determined after making consolidation and inter-segment adjustments as appropriate;
- (f) the results of all segments are shown before interest, except for finance which is shown net of interest related specifically to its activities, and resources which includes only equity-accounted results and dividends received; and
- (g) the finance segment's assets, represent the net assets of the finance subsidiaries.

Comparatives

28. Where applicable, comparatives have been adjusted to place them on a comparable basis with current year figures.