

## REPORTING ENTITY

Hellaby Holdings Limited (“Hellaby”) is a public company registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange.

The Group consists of Hellaby and its subsidiaries and associated companies (“the Group”).

Hellaby is an issuer for the purposes of the Financial Reporting Act 1993. The financial statements have been prepared in accordance with the Financial Reporting Act 1993 and the Companies Act 1993.

The financial statements have been prepared on the basis of historical cost with the exception of certain items for which specific accounting policies are identified.

## GENERAL ACCOUNTING POLICIES

### Principles of Consolidation

#### 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.

#### Goodwill

Goodwill, representing the difference between the cost of shares in a subsidiary and the fair value of the net assets acquired, is recognised in the Statements of Financial Performance over the shorter of its estimated life or twenty years.

#### Trademarks

Trademarks are amortised over their anticipated useful lives that range between five and ten years.

#### Intellectual Property

Intellectual Property is amortised over its anticipated useful life of five years.

#### Foreign Currencies

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. Monetary assets and liabilities arising from trading transactions or overseas borrowings are translated at closing rates.

#### Goods and Services Tax (GST)

The Statements of Financial Performance and Statements of Cash Flows have been prepared so that all components are exclusive of GST. All items in the Statements of Financial Position are exclusive of GST, with the exception of receivables and payables which include GST invoiced.

#### Inventories

Trading stocks, raw materials and work in progress are valued at the lower of cost and net realisable value. Cost is determined throughout the Group by specific identification, first-in first-out and average cost. Cost includes an appropriate proportion of overheads incurred in the normal course of business in bringing the product to its location and condition at balance date.

#### Receivables

Receivables are valued at estimated net realisable value. The valuation is net of a provision for estimated doubtful debts.

All known losses are written off against earnings in the period in which they are identified.

#### Investments

Investments in subsidiaries and associates are stated at Hellaby’s share of net assets, or Directors’ valuation if lower, and the current year revaluations are charged or credited to the Statements of Financial Performance. Unquoted investments and other investments are stated at the lower of cost and Directors’ valuation.

**Property, Plant and Equipment**

All property, plant and equipment is initially recorded at cost. Depreciation, other than on freehold land, is provided for and is calculated on a straight line basis so as to allocate the cost of the assets over their useful lives as follows:

Buildings	10-40 years
Plant and Equipment	4-15 years
Motor Vehicles	4-5 years
Furniture, Office Equipment and Fittings	4-10 years

**Taxation**

Income tax expense recognises, on a comprehensive basis, the current obligations and all amounts arising from differences between the accounting results and assessable income. Income tax expense includes prepaid non-refundable income tax in respect of tax credits attached or to be attached to Hellaby dividend distributions, except to the extent that the directors believe the prepaid non-refundable income tax is recoverable in the foreseeable future.

A future income tax benefit is recognised in the financial statements only where there is virtual certainty that the benefit of the timing differences will be utilised.

**Revenue**

Sales revenue represents revenue earned from the sale of the Group's products and services, net of returns, allowances and GST. Fees and dividends are recognised when they are received or become receivable.

**Leased Assets**

Operating lease payments are recognised as an expense in the periods the amounts are payable.

**Financial Instruments**

The Group is party to financial instruments, including forward exchange contracts and forward interest rate agreements, with off-balance sheet risk to meet financing needs and to reduce exposure to fluctuations in interest rates and foreign exchange rates. Exposure to gains or losses on these contracts is generally offset by a related loss or gain on the item being hedged. Gains and losses on currency contracts which hedge specific short term foreign currency denominated commitments are recognised as a component of the related transaction in the period in which the transaction is completed.

**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 Statements of Financial Performance.

**Statement of Cash Flows**

The following are the definitions of the terms used in the Statement of Cash Flows:

- Operating activities include all transactions and other events that are not investing or financing activities.
- 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.
- 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.
- Cash is considered to be cash on hand and current accounts in banks, net of bank overdrafts.

**Changes in Accounting Policies**

There have been no changes in accounting policies in the current period.

All policies have been applied on bases consistent with those used in previous periods.

**Comparatives**

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with the current year.